# SAN MIGUEL CORPORATION

40 San Miguel Avenue Mandaluyong City, Philippines 1550

**Fixed Rate Retail Bonds in the aggregate principal amount of up to ₱60,000,000,000.00**

**Base Offer of ₱40,000,000,000.00**
**with an Oversubscription Option of up to ₱20,000,000,000.00**

**Consisting of:**
**Series L Bonds: [●]% p.a. due 2028**
**Series M Bonds: [●]% p.a. due 2029**
**Series N Bonds: [●]% p.a. due 2032**

**Offer Price: 100% of Face Value**

to be listed and traded through the Philippine Dealing & Exchange Corp.

**Joint Issue Managers**
BDO Capital & Investment Corporation
China Bank Capital Corporation
PNB Capital and Investment Corporation

**Joint Lead Underwriters and Bookrunners**
Asia United Bank Corporation
Bank of Commerce[1]
BDO Capital & Investment Corporation[2]
BPI Capital Corporation
China Bank Capital Corporation
Philippine Commercial Capital, Inc.
PNB Capital and Investment Corporation
RCBC Capital Corporation
SB Capital Investment Corporation[3]

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

This Prospectus is dated September 27, 2022

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1 *Bank of Commerce is an affiliate of the Company.*
2 *BDO Capital & Investment Corporation is a subsidiary of BDO Unibank, Inc., which is among the lenders of the short-term loans of the Company that will be repaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*
3 *SB Capital Investment Corporation is a subsidiary of Security Bank Corporation, which is among the lenders of the short-term loans of the Company that will be repaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*

**SAN MIGUEL CORPORATION**
**40 San Miguel Avenue Mandaluyong City Philippines 1550**
**Telephone number (632) 8632-3000**
**http://www.sanmiguel.com.ph**

This Prospectus (the "**Prospectus**") relates to the registration and the public offer for sale, distribution, and issuance in the Philippines (the "**Offer**") of Peso-denominated fixed rate retail bonds with an aggregate principal amount of up to Sixty Billion Pesos (₱60,000,000,000.00) (the "**Bonds**") by San Miguel Corporation ("**SMC**," the "**Company**," the "**Parent Company**," or the "**Issuer**"), a corporation duly organized and existing under Philippine law and is listed with The Philippine Stock Exchange, Inc. ("**PSE**"). The Bonds will be issued at face value ("**Issue Price**") and listed and traded through the Philippine Dealing & Exchange Corp. ("**PDEx**").

The Offer will have an aggregate principal amount of Forty Billion Pesos (₱40,000,000,000.00) (the "**Base Offer**"), and in the event of an oversubscription, the Joint Lead Underwriters and Bookrunners (as defined below), in consultation with the Issuer, may increase the size of the Offer by up to Twenty Billion Pesos (₱20,000,000,000.00) (the "**Oversubscription Option**," and the Bonds pertaining to such option, the "**Oversubscription Option Bonds**") to an aggregate issue size of up to Sixty Billion Pesos (₱60,000,000,000.00).

The Bonds will be issued on [●] (the "**Issue Date**") and will be comprised of Series L Bonds due 2028 (the "**Series L Bonds**"), Series M Bonds due 2029 (the "**Series M Bonds**") and Series N Bonds due 2032 (the "**Series N Bonds**"). The Issuer has the discretion to allocate the principal amount of the Bonds between the Series L Bonds, Series M Bonds, and the Series N Bonds based on the book building process.

The Series L Bonds shall have a term of five (5) years and three (3) months from Issue Date with a fixed interest rate equivalent to [●]% per annum. The Series M Bonds shall have a term of seven (7) years from Issue Date with a fixed interest rate equivalent to [●]% per annum. The Series K Bonds shall have a term of ten (10) years from Issue Date with a fixed interest rate equivalent to [●]% per annum.

For a detailed discussion on the Interest Payment Dates, please refer to the section "*Description of the Bonds – Interest*" starting on page 46 of this Prospectus.

Subject to the consequences of default as may be contained in the Trust Agreement, and unless otherwise redeemed or purchased prior to the relevant Maturity Date, the Bonds will be redeemed at par or 100% of the face value thereof on the Maturity Date. For a more detailed discussion on the redemption of the Bonds, please refer to the section "*Description of the Bonds – Redemption and Purchase*" starting on page 46 of this Prospectus.

The Company estimates that the net proceeds from the Offer shall amount to approximately [●], after fees, commissions, and expenses. The net proceeds of the Offer shall be used for [●]. For a more detailed discussion on the use of proceeds, please refer to the section "*Use of Proceeds*" starting on page 118 of this Prospectus.

On September 22, 2022, the Board of Directors of the Company (the "**Board of Directors**") authorized the sale and offer of the Bonds under such terms and conditions as the management of SMC may deem advantageous to it. On [September 27, 2022], the Company filed an application with the Securities and Exchange Commission ("**SEC**") to register the Bonds under the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799) ("**SRC**"). On [●], the SEC issued the pre-effective approval for the Bonds. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Bonds upon compliance with the terms and conditions of the pre-effective approval.

The Company will apply for the listing of the Bonds in the PDEx. However, there is no assurance that such a listing will be achieved either before or after the issue date of the Bonds being offered at a particular time or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing will be subject to the Company's execution of a listing agreement with PDEx that may require the Company to make certain disclosures, undertakings, and payments on an ongoing basis.

The Bonds will be offered to the public solely in the Philippines through BDO Capital & Investment Corporation, China Bank Capital Corporation, and PNB Capital and Investment Corporation (collectively, the "**Joint Issue Managers**"), and together with Asia United Bank Corporation, Bank of Commerce, BDO Capital & Investment

Corporation, BPI Capital Corporation, China Bank Capital Corporation, Philippine Commercial Capital, Inc., PNB Capital and Investment Corporation, RCBC Capital Corporation, and SB Capital Investment Corporation (collectively with the Joint Issue Managers, referred to as the "**Joint Lead Underwriters and Bookrunners**"), and participating underwriters, co-lead underwriters, and selling agents named herein, if any.

The Company reserves the right to withdraw the offer and sale of the Bonds at any time, and the Issuer (acting through the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners) reserves the right to reject any application to purchase the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and, as applicable, the PDEx. Any of the Joint Issue Managers, Joint Lead Underwriters and Bookrunners and selling agents, if any, may acquire for their own account a portion of the Bonds.

The Bonds will be registered and offered exclusively in the Philippines. The distribution of this Prospectus and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person whom it is unlawful to make such offer in such jurisdiction. The Company, the Joint Lead Underwriters and Bookrunners require persons into whose possession this Prospectus comes to inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally, and to observe all such restrictions. Each investor in the Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase or subsequent offer and sale of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject. None of the Company, the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, any participating underwriter, co-manager, and selling agent will have any responsibility therefor.

The price of securities, such as the Bonds, can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider several risk factors relating to the Company's business and operations, risks relating to the Philippines, and risks relating to the Bonds, as set out in "*Risk Factors*" found on page 64 of this Prospectus, in addition to the other information contained in this Prospectus, in deciding wheteer to invest in the Bonds. The risk disclosure discussion does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities.

The Company may declare dividends at the discretion of the Board of Directors and will depend upon the future results of operations and general financial condition and capital requirements of SMC; its ability to receive dividends and other distributions and payments from its subsidiaries; foreign exchange rates; legal, regulatory, and contractual restrictions; loan obligations (both at the parent and subsidiary levels); and other factors that the Board of Directors may deem relevant.

Unless otherwise stated, the information contained in this Prospectus has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information in this Prospectus is correct as of the date hereof, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect.

The Joint Issue Managers and the Joint Lead Underwriters and Bookrunners have exercised the required due diligence in ascertaining that all material representations contained in this Prospectus, and any amendment or supplement thereto, are true and correct as of the date hereof and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading in any material respect.

Unless otherwise indicated, all information in this Prospectus is as of the date hereof. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date.

Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified. The Company does not make any representation, undertaking, or other assurance as to the accuracy or completeness of such information or that any projections will be achieved, or in relation to any other matter, information, opinion or statements in relation to the Offer. Any reliance placed on any projections or forecasts is a matter of commercial judgment. Certain agreements are referred to in this Prospectus in summary form. Any such summary does not purport to be a complete or accurate description of the agreement and prospective investors are expected to independently review such agreements in full.

This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Joint Issue Managers and Joint Lead Underwriters and Bookrunners or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Bonds. Each person contemplating an investment in the Bonds should make his own investigation and analysis of the creditworthiness of SMC and his or her own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Bonds. A person contemplating an investment in the Bonds should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Bonds involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on "*Risk Factors*" starting on page 64.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company, the Joint Issue Managers, or the Joint Lead Underwriters and Bookrunners.

The Company owns land as identified in the section on "*Description of Property*" on page 255. In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. For further discussion, please refer to section on "*Regulatory Framework*" on page 316.

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE ISSUE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.**

**SAN MIGUEL CORPORATION**

By:

**RAMON S. ANG**
President and Chief Executive Officer

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY, METRO MANILA) SS.

**SUBSCRIBED AND SWORN** to before me this SEP 27 2022 in Mandaluyong City, affiant exhibiting to me his Passport No. P2247867A expiring on May 21, 2029 as competent evidence of identity.

Doc No.: 309;
Page No.: 75;
Book No.: III;
Series of 2022.

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

**MA. KRISTINA S. ZAMORA**
Commission No. 0513-21
Notary Public for Mandaluyong City
Until Dec. 31, 2022
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 61379
PTR No. 4864370; 01/14/22; Mandaluyong City
IBP Lifetime Member No. 018307; 12/14/17; RSM
MCLE Compliance No. VII-0023074; 07/07/22; Pasig City

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# FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;

  uncertainties and other factors which may cause actual results, performance, or achievements of SMC to be materially different from any future results; and

- performance or achievements expressed or implied by forward-looking statements.

The words "believe," "expect," "anticipate," "estimate," "project," "may," "plan," "intend," "will," "shall," "should," "would," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs, and intentions of the Issuer are the opinions, beliefs, and intentions of the management of SMC as to such matters at the date of this Prospectus, although the Issuer can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent written and oral forward-looking statements attributable to either the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by cautionary statements. Such forward-looking statements are based on assumptions regarding the present and future business strategies and the environment in which SMC will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things:

- the ability of SMC to successfully implement its strategies;
- the ability of SMC to anticipate and respond to consumer trends;
- changes in availability of raw materials used in the production processes of SMC and its subsidiaries (the "**SMC Group**");
- the ability of the SMC Group to successfully manage its growth;
- the condition and changes in the Philippine, Asian, or global economies;
- any future political instability in the Philippines, Asia, or other regions;
- changes in interest rates, inflation rates, and the value of the Peso against the U.S. Dollar and other currencies;
- changes in government regulations, including tax laws, or licensing requirements in the Philippines, Asia, or other regions; and
- competition in the beer, liquor, food, packaging, power, fuel and oil, cement, and infrastructure industries in the Philippines and globally.

Additional factors that could cause actual results, performance, or achievements of SMC to differ materially include, but are not limited to, those disclosed under "*Risk Factors*" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. SMC and the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the expectations of SMC with regard thereto or any change in events, conditions, assumptions, or circumstances on which any statement is based. In light of these risks, uncertainties and assumptions associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur in the way SMC expects, or at all. SMC's actual results could differ substantially from those anticipated in SMC's forward-looking statements. Investors should not place undue reliance on any forward-looking information.

# DEFINITION OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

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| 2014 ERC Orders | ERC orders that were issued subsequent to its March 3, 2014 Order |
| 2019 Meralco PSCs | Contracts executed between Meralco and the relevant IPPAs |
| AAIBV | Atlantic Aurum Investments B.V. including, as the context requires, its subsidiaries |
| ABB | ABB, Inc. |
| ACEN | ACEN Corporation |
| AES Phil | AES Phil Investment Pte. Ltd. |
| AHC | Angat Hydropower Corporation |
| AHEPP | Angat Hydroelectric Power Plant |
| ALECO | Albay Electric Cooperative |
| Animal Nutrition and Health | Integrated Feeds of the Food Division SMFB |
| APEC | Albay Power and Energy Corp. |
| APM | Automatic Pricing Mechanism |
| Applicable Law | Any statute, law, regulation, ordinance, rule, judgment, order, decree, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority |
| Applicant | A Person who seeks to subscribe to the Bonds and submits a duly accomplished Application to Purchase, together with all the requirements set forth therein |
| Application to Purchase | The application form accomplished and submitted by an Applicant for the purchase of a specified amount of Bonds, together with all the other requirements set forth in such application form |
| ARI | Aboitiz Renewables, Inc. |
| AS-CRM | Ancillary Services — Cost Recovery Mechanism |
| ASEAN | The Association of Southeast Asian Nations, consisting of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam |
| ASPP | Ancillary Services Procurement Plan |
| AUB | Asia United Bank Corporation |

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| Auto-LPG Rules……………………………………………………… | DOE Circular No. DC 2007-02-0002 entitled Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas for Automotive Use |
| BAI........................................................................... | Bureau of Animal Industry |
| BankCom ……………………………………………………............. | Bank of Commerce |
| Bataan Solar Project....................................................... | Solar Project in Bataan |
| Bayan ……………………………………………………................... | PT Bara Tabang |
| BDO Capital.................................................................... | BDO Capital & Investment Corporation |
| BESS………………………………………………………................... | Battery Energy Storage System |
| BIR…………………………………………………………................... | Bureau of Internal Revenue of the Philippines |
| Board or Board of Directors………………………………........ | Board of Directors of SMC |
| Bonanza Energy……………………………………………............. | Bonanza Energy Resources, Inc. |
| Bondholder..................................................................... | A Person whose name appears, at any relevant time, as the registered owner of the Bonds in the Registry of Bondholders |
| Bond Agreements.......................................................... | Collectively, the Underwriting Agreement, the Trust Agreement and the Registry and Paying Agency Agreement |
| Bonds ............................................................................ | Fixed rate retail bonds with an aggregate principal amount of up to ₱60,000,000,000.00 |
| BOT……………………………………………………….................... | Build-Operate-Transfer |
| BPG……………………………………………………………................ | Business Procurement Group |
| BPI.................................................................................. | BPI Capital Corporation |
| BSP……………………………………………………….................... | Bangko Sentral ng Pilipinas |
| BTO…………………………………………………………................ | Build-Transfer-Operate |
| Business Day…………………………………………….................. | A day, other than a public non-working holiday, Saturday or Sunday on which the BSP's Philippine Payments and Settlements System (PhilPaSS) and the Philippine Clearing House Corporation are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines |
| BPG.................................................................................. | Business Procurement Group |
| BPS.................................................................................. | Bureau of Product and Standards |
| CA.................................................................................... | Court of Appeals |
| CAAP............................................................................... | Civil Aviation Authority of the Philippines |

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| CAI………………………………………………………………………… | Can Asia, Inc. |
| Can-Pack……………………………………………………………… | Can-Pack S.A. |
| Captive Market............................................................. | End-users who may not choose their supplier of electricity |
| Certificate of Compliance.............................................. | Certificate of Compliance to the Revised Retail Rules |
| CFB.................................................................................. | Circulating fluidized bed |
| Change in Law or Circumstance..................................... | Each of the events described as such under "*Description of the Bonds – Redemption by Reason of Change in Law or Circumstance*" |
| China Bank Capital......................................................... | China Bank Capital Corporation |
| Citicore........................................................................... | Citicore Power, Inc. |
| Citra................................................................................ | P.T. Citra Lamtoro Gung Persada |
| Clean Air Act………………………………………………………… | The Philippine Clean Air Act of 1999 |
| Clean Water Act………………………………………………….... | The Philippine Clean Water Act of 2004 |
| CLPPC…………………………………………………………………… | Central Luzon Premiere Power Corp. |
| COC……………………………………………………………………… | Coal Operating Contract |
| Consolidated EBITDA..................................................... | In respect of any Relevant Period, the net income of the Group (excluding items between any or all of the Issuer and its Consolidated Subsidiaries):<br><br>(a) before any provision on account of taxation;<br><br>(b) before any interest, commission, discounts or other fees incurred or payable, received or receivable by the Issuer or any of its Consolidated Subsidiaries in respect of debt;<br><br>(c) before any items treated as exceptional or extraordinary items;<br><br>(d) before any amount attributable to the amortization of intangible assets and depreciation of tangible assets; and<br><br>(e) if in respect of a calculation of a financial covenant under the section entitled "*Description of the Bonds – Financial Ratio*," Project Debt is excluded from a determination of Consolidated Total Debt, excluding income attributable to or generated by the Ring-Fenced Subsidiaries,<br><br>and so that no amount shall be included or excluded more than once. |
| Consolidated Net Debt.................................................. | At any date, the Consolidated Total Debt less the aggregate amount (without duplication) of freely available, unencumbered cash and cash equivalents on the consolidated balance sheet of the Group at such time |

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| Consolidated Subsidiary | A Subsidiary of any Person which for financial reporting purposes, in accordance with PFRS, is accounted for by such Person as a consolidated Subsidiary |
| Consolidated Total Debt | At any date, the aggregate amount (without duplication) of all debt of the Group as at such date and including all obligations of the IPPAs (under their respective IPPA Agreements) owned or acquired by the Group which are Guaranteed pursuant to a standby letter of credit or other credit support document, issued on behalf of the administrator of the relevant IPPA but excluding (a) items between any or all of the Issuer and its Consolidated Subsidiaries which would be excluded in a consolidated balance sheet of the Group prepared as of such date in accordance with PFRS; (b) Project Debt; and (c) all obligations of the IPPAs (under their respective IPPA Agreements) which represent periodic financial lease payments to PSALM or any other counterparty to an IPPA Agreement |
| Consolidated Total Equity | The consolidated total assets minus consolidated total liabilities plus deposit for future subscription as reported in the consolidated financial statements of the Company and excluding all amounts attributable to or generated by the Ring-Fenced Subsidiaries |
| Consolidated Total Interest Expense | The total interest expense per consolidated financial statements of the Company less interest due on the Project Debt |
| Consortium | Marubeni Corporation, Sithe Philippines Holdings, Ltd., and Italian-Thai Development Public Company Limited |
| Consumer Act | Republic Act No. 7394 or the Consumer Act of the Philippines |
| CPR | Certificate of Product Registration |
| CREATE Act | Corporate Recovery and Tax Incentives for Enterprises Law or Republic Act No. 11534 |
| CSP | Competitive Selection Processes |
| CTA | Court of Tax Appeals |
| CTCII | Cypress Tree Capital Investments, Inc. |
| CTRP | Comprehensive Tax Reform Package |
| D.O. No. 174-17 | DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended |
| DA | Department of Agriculture of the Philippines |
| DC | Department Circular |
| Daguma | Daguma Agro Minerals, Inc. |
| DBI | Distileria Bago, Inc. |

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| DENR………………………………………………………………………… | Department of Environment and Natural Resources of the Philippines |
| Disruption Event……………………………………………………. | Either or both of: (a) a material disruption to those payment communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the transactions contemplated by the Trust Agreement to be carried out which disruption is not caused by, and is beyond the control of, any of the parties; or (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that party from: (i) performing its payment obligations under the Trust Agreement and the Registry and Paying Agency Agreement; or (ii) communicating with other relevant parties (including, but not limited to, the Trustee and Paying Agent) in accordance with the terms of the Trust Agreement and the Registry and Paying Agency Agreement |
| Distribution Code……………………………………………………. | The Philippine Distribution Code |
| DOE…………………………………………………………………………. | Department of Energy of the Philippines |
| DOE CSP Policy………………………………………………………. | DOE Circular No. DC2018-02-0003 |
| DOH…………………………………………………………………………. | Department of Health of the Philippines, including the FDA |
| DOLE……………………………………………………………………… | Department of Labor and Employment of the Philippines |
| DOTr……………………………………………………………………… | Department of Transportation of the Philippines |
| DPWH……………………………………………………………………… | Department of Public Works and Highways of the Philippines |
| DTI…………………………………………………………………………. | Department of Trade and Industry of the Philippines |
| Dus…………………………………………………………………………. | Distribution utilities |
| EBITDA……………………………………………………………………… | Earnings before interest, taxes, depreciation and amortizations |
| ECA…………………………………………………………………………. | Energy Conversion Agreement |
| ECC…………………………………………………………………………. | Environmental Compliance Certificate |
| ECQ…………………………………………………………………………. | Enhanced Community Quarantine |
| EDC…………………………………………………………………………. | Energy Development Corporation |
| EERI………………………………………………………………………… | Excellent Energy Resources, Inc. |
| EIS…………………………………………………………………………. | Environmental Impact Statement |
| EISS Law……………………………………………………………….. | Presidential Decree No. 1586 |
| EIU…………………………………………………………………………. | The Economic Intelligence Unit |

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| EMB........................................................................... | Environmental Management Bureau |
| EMF........................................................................... | Environmental Monitoring Fund |
| EMEPMI...................................................................... | ExxonMobil Exploration and Production Malaysia, Inc. |
| EMP........................................................................... | Environmental Management Plan |
| EPC........................................................................... | Engineering, Procurement, and Construction |
| EPIRA........................................................................ | Electric Power Industry Reform Act of 2001 |
| ERC........................................................................... | Energy Regulatory Commission of the Philippines |
| ERC RES Rules.......................................................... | Implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users |
| Expanded VAT Law.................................................... | Republic Act No. 9337 |
| FBO........................................................................... | Food Business Operators |
| FDA........................................................................... | The Food and Drug Administration of the Philippines |
| FDDC Act.................................................................... | The Philippine Foods, Drugs and Devices, and Cosmetics Act, as amended by the Food and Drug Administration Act of 2009 |
| FIA............................................................................. | Foreign Investment Act of 1991 |
| Food Safety Act.......................................................... | Republic Act No. 10611 or the Food Safety Act of 2013 |
| FSCO......................................................................... | Food Safety Compliance Officer |
| Fuso.......................................................................... | Fuso Machine & Mold Mfg. Co. Ltd. |
| GCQ........................................................................... | General Community Quarantine |
| GDP........................................................................... | Gross Domestic Product |
| GFS............................................................................ | Great Food Solutions |
| GMP.......................................................................... | Good Manufacturing Practices |
| Government............................................................... | The Government of the Republic of the Philippines |
| Governmental Authority............................................. | Any government agency, authority, bureau, department, court, tribunal, legislative body, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines |
| Grid Code.................................................................. | The Philippine Grid Code |
| Group......................................................................... | At any time, the Company and its Subsidiaries at such time. |
| GSMI.......................................................................... | Ginebra San Miguel Inc., including as the context requires, its subsidiaries |

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| GWh…………………………………………………………………… | Giga-watt hours |
| HACCP…………………………………………………………………… | Hazard Analysis of Critical Control Points |
| HDMF…………………………………………………………………… | Home Development Mutual Fund |
| HELE Technologies…………………………………………………… | High Efficiency Low Emission Technologies |
| Hormel…………………………………………………………………… | Hormel Foods International Corporation |
| IATF…………………………………………………………………… | Inter-Agency Task Force for the Management of Emerging Infectious Diseases |
| IBI…………………………………………………………………… | Iconic Beverages, Inc. |
| IEMOP…………………………………………………………………… | Independent Electricity Market Operator of the Philippines Inc. |
| Ilijan LNG Terminal…………………………………………………… | Hybrid LNG Terminal in Ilijan, Batangas |
| IPO…………………………………………………………………… | Initial Public Offering |
| IPOPHIL…………………………………………………………………… | Intellectual Property of the Philippines |
| IPP…………………………………………………………………… | Independent Power Producer |
| IPPA…………………………………………………………………… | Independent Power Producer Administrator |
| IPPA Agreement…………………………………………………… | Each independent power producer administrator agreement entered into between an IPPA and PSALM or any party, including a transferee of such agreement |
| IRR…………………………………………………………………… | Implementing Rules and Regulations |
| ISO…………………………………………………………………… | International Organization for Standardization |
| Joint Issue Managers…………………………………………………… | BDO Capital, China Bank Capital, and PNB Capital |
| Joint Lead Underwriters and Bookrunners………………… | AUB, BankCom, BDO Capital, BPI Capital, China Bank Capital, PCCI, PNB Capital, RCBC Capital, and SB Capital |
| Kabankalan BESS…………………………………………………… | Kabankalan battery energy storage system |
| kcal…………………………………………………………………… | Kilocalorie |
| K-Water…………………………………………………………………… | Korea Water Resources Corporation |
| KEILCO…………………………………………………………………… | KEPCO Ilijan Corporation |
| Kirin…………………………………………………………………… | Kirin Holdings Company, Limited |
| KLIA…………………………………………………………………… | Kuala Lumpur International Airport |
| KLIA 2…………………………………………………………………… | Kuala Lumpur International Airport Terminal 2 |
| KWPP…………………………………………………………………… | KWPP Holdings Corporation |
| LCWDC…………………………………………………………………… | Luzon Clean Water Development Corporation |
| LGC…………………………………………………………………… | The Local Government Code of 1991 |

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| LGU................................................................................ | Local government unit |
| Lien................................................................................ | With respect to any property or asset, (i) any mortgage, lien, pledge, charge, security interest, encumbrance or other preferential arrangement of any kind in respect of such property or asset, including, without limitation, any preference or priority under Article 2244(14) of the Civil Code of the Philippines; and (ii) the right of a vendor, lessor, or similar party under any conditional sales agreement, capital lease or other title retention agreement relating to such property or asset, and any other right of or arrangement with any creditor to have its claims satisfied out of any property or asset, or the proceeds therefrom, prior to any general creditor of the owner thereof |
| Livestock and Poultry Feeds Act...................................... | The Philippine Livestock and Poultry Feeds Act, including its implementing rules and regulations |
| LPG................................................................................ | Liquefied Petroleum Gas |
| LPG Industry Rules.......................................................... | DOE Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry |
| LTIP................................................................................ | Long-Term Incentive Plan for Stock Options |
| LTO................................................................................ | License to Operate |
| Magnolia.......................................................................... | Magnolia Inc. |
| Majority Bondholders.................................................... | means:<br><br>(a) with respect to matters relating only to the Series L Bonds, Bondholders representing more than 50% of the outstanding principal amount of the Series L Bonds;<br><br>(b) with respect to matters relating only to the Series M Bonds, Bondholders representing more than 50% of the outstanding principal amount of the Series M Bonds;<br><br>(c) with respect to matters relating only to the Series N Bonds, Bondholders representing more than 50% of the outstanding principal amount of the Series N Bonds; and<br><br>(d) with respect to matters affecting all Bonds, Bondholders representing more than 50% of the outstanding principal amount of the Bonds. |
| Malampaya........................................................................ | Malampaya gas facility |
| Manual............................................................................ | Manual on Corporate Governance |
| MARINA.......................................................................... | Maritime Industry Authority of the Philippines |
| Masinloc BESS................................................................ | Battery energy storage system in Masinloc, Zambales |
| Masinloc Group.............................................................. | SMCGP Masin and its subsidiaries |
| Material Adverse Effect.................................................. | In the reasonable opinion of the Majority Bondholders, acting in good faith and in consultation with the Issuer, a |

material adverse effect on (i) the ability of the Issuer to observe and comply with the provisions of and perform its financial obligations under the Bonds and the Bond Agreements; or (ii) the validity or enforceability of the Bonds or any of the Bond Agreements; or (iii) the financial condition, business or operations of the Issuer taken as a whole

Material Subsidiaries ........................................................ At any time:

(a) A Subsidiary of the Issuer as of such date with respect of which:

(i) the Issuer's proportionate share (based on the Issuer's direct or indirect equity interest therein) of the net income (excluding extraordinary gains and losses) thereof, as shown by the latest audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries), constitutes at least 25% of the consolidated net income of the Issuer (excluding extraordinary gains and losses) as shown by the consolidated audited accounts of the Issuer in respect of the same period; or

(ii) the Issuer's proportionate share (based on the Issuer's direct or indirect equity interest therein) of the total assets thereof, as shown by the then latest audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries) constitute at least 25% of the total consolidated assets of the Issuer as shown by the consolidated audited accounts of the Issuer in respect of the same period;

provided that for the purpose of the above:

(1) in the case of a Subsidiary acquired, or a Person becoming a Subsidiary, after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer, for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the acquisition is made, or as the case may be, in which the person becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of such Subsidiary (which accounts shall be consolidated if such Subsidiary has any Subsidiaries) into such accounts (as if such latest consolidated audited accounts of the Issuer are prepared in

respect of the same period as such latest audited accounts of such Subsidiary);

(2) if at any time when a determination must be made under this definition with respect to the Issuer or any Subsidiary for which consolidated audited accounts of the Issuer are necessary no such consolidated audited accounts are prepared and audited, net income (excluding extraordinary gains and losses) and total assets of the Issuer shall be determined on the basis of the pro forma consolidated accounts prepared for this purpose by the auditors at that time of the Issuer (which pro forma accounts shall be procured by the Issuer as soon as reasonably practicable upon request by the Trustee); and

(3) if at any time when a determination must be made under this definition with respect to any Subsidiary for which audited accounts of such Subsidiary are necessary, no such accounts are prepared and audited, its net income (excluding extraordinary gains and losses) and total assets shall be determined on the basis of the pro forma accounts of such Subsidiary (which account should be consolidated if such Subsidiary has any Subsidiaries) prepared for this purpose by the auditors at that time of such Subsidiary (which pro forma accounts shall be procured by the Issuer as soon as reasonably practicable upon request by the Trustee); and

(b) any Subsidiary of the Issuer to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary

MCIT........................................................................................ Minimum Corporate Income Tax

MCO........................................................................................ Malaysia's Movement Control Order

MECQ........................................................................................ Modified ECQ

MME........................................................................................ Metro Manila Expressway

MMS........................................................................................ Metro Manila Skyway

MNHPI........................................................................................ Manila North Harbour Port, Inc.

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| MPPCL………………………………………………………………………. | Masinloc Power Partners Co. Ltd. |
| Meat Inspection Code……………………………………………….. | The Meat Inspection Code of the Philippines |
| Meralco…………………………………………………………………… | Manila Electric Company |
| MIA……………………………………………………………………….. | Manila International Airport |
| Mincorr………………………………………………………………….. | Mindanao Corrugated Fibreboard, Inc. |
| MPGC……………………………………………………………………… | Mariveles Power Generation Corporation |
| MPSA............................................................................ | Mineral Production Sharing Agreement |
| MRT-7…………………………………………………………………….. | Metro Rail Transit Line 7 |
| MT………………………………………………………………………….. | Metric Tons |
| MTPY............................................................................ | Metric tons per year |
| Must Pay Volume.......................................................... | Monthly generation payments comprising a "must pay" amount for electricity sold up to a given volume |
| MW……………………………………………………………………….. | Mega-watt |
| NAB................................................................................ | Non-Alcoholic Beverages |
| NAIAx…………………………………………………………………….. | NAIA Expressway |
| NALEX............................................................................ | Northern Access Link Expressway |
| Narra Nickel Case.......................................................... | Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp (G.R. No. 195580) |
| NCC................................................................................ | Northern Cement Corporation |
| NCI.................................................................................. | Non-controlling Interest |
| NCM............................................................................... | Nickel-cobalt-manganese |
| NCR ……………………………………………………………………… | National Capital Region of the Philippines |
| NCR Plus........................................................................ | Metro Manila, Bulacan, Cavite, Laguna, and Rizal |
| Negative List.................................................................. | Eleventh Regular Foreign Investment Negative List |
| NGCP…………………………………………………………………….. | National Grid Corporation of the Philippines |
| NIA……………………………………………………………………….. | National Irrigation Administration |
| NMIS............................................................................... | National Meat Inspection Service |
| NPC……………………………………………………………………….. | National Power Corporation of the Philippines |
| NPD………………………………………………………………………. | New Product Development |
| NWRB……………………………………………………………………. | National Water Resources Board |
| NYG………………………………………………………………………. | Nihon Yamamura Glass Company, Ltd. |

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| Offer ........................................................................ | The offer and sale of fixed rate retail bonds with an aggregate principal amount of up to Sixty Billion Pesos (₱60,000,000,000.00) by SMC in the Philippines |
| Oil Deregulation Act............................................................ | Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 |
| OEDC........................................................................ | Olongapo Electricity Distribution Corp. |
| OIMB........................................................................ | Oil Industry Management Bureau |
| Optimal........................................................................ | Optimal Infrastructure Development, Inc. |
| Packaging Group ............................................................ | San Miguel Yamamura Packaging Corporation and its subsidiaries, San Miguel Yamamura Packaging International Limited, SMC Yamamura Fuso Molds Corporation, Can Asia, Inc., Mindanao Corrugated Fireboard, Inc., and Wine Brothers Philippines Corporation |
| PAREX........................................................................ | Pasig River Expressway |
| Paying Agent ................................................................ | PDTC |
| Payment Date ................................................................ | As the context may require, each Interest Payment Date, the Maturity Date, and/or the relevant Redemption Date |
| PC........................................................................ | Pulverized coal |
| PCA........................................................................ | Philippine Competition Act |
| PCC........................................................................ | Philippine Competition Commission |
| PCCI........................................................................ | Philippine Commercial Capital, Inc. |
| PDTC........................................................................ | The Philippine Depository & Trust Corp. |
| PDEx........................................................................ | The Philippine Dealing & Exchange Corp. |
| PEMC........................................................................ | Philippine Electricity Market Corporation |
| Permit to Sell ................................................................ | The Certificate of Permit to Sell or Offer for Sale of Securities issued by the SEC in respect of the Offer |
| Person ........................................................................ | Any individual, firm, corporation, partnership, association, tribunal, limited liability company, trust, joint venture, government or political subdivision or agency or instrumentality thereof, or any other entity or organization |
| Peso or ₱ or PHP ............................................................ | Philippine Peso, the lawful currency of the Republic of the Philippines |
| PET........................................................................ | Polyethylene Terephthalate |
| Petron........................................................................ | Petron Corporation including, as the context requires, its subsidiaries |
| PFF Act........................................................................ | Republic Act No. 8976 or the Philippine Food Fortification Act of 2000 |

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| PFRS........................................................................... | Philippine Financial Reporting Standards |
| PHC............................................................................. | Purefoods-Hormel Company, Inc. |
| Philippines.................................................................. | Republic of the Philippines |
| Picazo Law.................................................................... | Picazo Buyco Tan Fider & Santos |
| PIFITA.......................................................................... | Passive Income and Financial Intermediary Taxation Act |
| PME............................................................................. | Palm Oil Methyl Ester |
| PNB Capital.................................................................. | PNB Capital and Investment Corporation |
| PNCC........................................................................... | Philippine National Construction Company |
| PNOC........................................................................... | Philippine National Oil Company |
| POMSB......................................................................... | Petron Oil (M) Sdn. Bhd. |
| PPA.............................................................................. | Power Purchase Agreement |
| PPP.............................................................................. | Public-Private Partnership |
| Prepared and Packaged Food........................................ | SMFB's Food Division branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein, butter, margarine, cheese, milk, ice cream to flour mixes |
| Price Act....................................................................... | Republic Act No. 7851, otherwise known as the Price Act |
| Privado......................................................................... | Privado Holdings Corp. |
| Privacy Commission...................................................... | National Privacy Commission |
| Project Debt.................................................................. | Debt incurred by a Ring-Fenced Subsidiary in relation to project finance in respect of which there is no recourse to the Company or any other member of the Group, and in respect of which neither the Company nor any other member of the Group has any actual or contingent liability of any nature, whether as principal, guarantor, surety or otherwise, except in respect of the granting of Liens by the Company or any member of the Group over its shares in such Ring-Fenced Subsidiary |
| Prospectus.................................................................... | The prospectus dated [●], 2022 and any amendments, supplements and addenda thereto for the offer and sale to the public of the Bonds |
| Protein.......................................................................... | Poultry and fresh meats |
| PSA.............................................................................. | Power Supply Agreement |
| PSALM.......................................................................... | Power Sector Assets and Liabilities Management Corporation |
| PSC.............................................................................. | Power Supply Contract |
| PSE.............................................................................. | The Philippine Stock Exchange, Inc. |

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| PSTPL…………………………………………………………………….. | Petron Singapore Trading Pte. Ltd. |
| Purchase Price ............................................................... | In respect of each Bond, an amount equal to the face amount of such Bond, which is payable upon submission of the duly executed Application to Purchase |
| PT KPC………………………………………………………………….. | PT Kaltim Prima Coal |
| PTSMPFI…………………………………………............................... | PT San Miguel Pure Foods Indonesia (formerly PT Pure Foods Suba Indah) |
| Purefoods-Hormel…………………………………….................. | The Purefoods-Hormel Company, Inc. |
| PVEI……………………………………………………….................... | PowerOne Ventures Energy Inc. |
| R.A. No. 8792................................................................. | Electronic Commerce Act of 2000 |
| R&D................................................................................ | Research and development |
| RCBC Capital..................................................................... | RCBC Capital Corporation |
| RCOA…………………………………………………......................... | Retail Competition and Open Access |
| RE………………………………………………………………............. | Renewable energy |
| Record Date ................................................................... | As used with respect to any Payment Date, (a) two (2) Business Days immediately preceding the relevant Payment Date, which shall be the cut-off date in determining the Bondholders entitled to receive interest, principal or any amount due under the Bonds or (b) such other date as the Issuer may duly notify PDTC |
| Redemption Date………………………………................... | The date when the Bonds (or any series thereof) are redeemed earlier than the relevant Maturity Date in accordance with the terms and conditions of the Bonds; provided that if the relevant Redemption Date falls on a day that is not a Business Day, then the payment of the principal and accrued interest (if any) shall be made by the Issuer on the next Business Day, without adjustment to the amount of principal and interest to be paid. For the avoidance of doubt, the term "Redemption Date" includes the Optional Redemption Date |
| Registrar………………………….......................................... | PDTC. The term includes, wherever the context permits, all other Person or Persons for the time being acting as registrar or registrars under the Registry and Paying Agency Agreement |
| Registration Statement……………………………................. | The registration statement filed with the SEC in connection with the offer and sale to the public of the Bonds |
| Registry and Paying Agency Agreement........................ | The Registry and Paying Agency Agreement dated [●] 2022, and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Registrar and Paying Agent in relation to the Bonds |
| Registry of Bondholders ……………………………........ | The electronic registry book of the Registrar containing the official information on the Bondholders and the amount of the Bonds they respectively hold, including all transfers and assignments thereof or any liens or |

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| | encumbrances thereon, to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement |
| RES…………………………………............................................ | Retail Electricity Supplier |
| Revised Corporation Code……………………………….……….…..... | Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines |
| Revised Financial Guidelines.......................................... | A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies |
| Revised Retail Rules....................................................... | DOE Department Circular No. DC 2017-11-0011, or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels |
| RGB…………………………………………………………………......... | Returnable Glass Bottle |
| Ring-Fenced Subsidiary……............................................ | Any entity that satisfies the following conditions:<br><br>(a) such entity is a Subsidiary of the Issuer but not a Material Subsidiary;<br><br>(b) such entity, to the extent directly owned by the Issuer or a member of the Group (other than another Ring-Fenced Subsidiary), is a limited liability company or corporation organized and existing under the laws of the Philippines;<br><br>(c) the Issuer has delivered a written notification to the Trustee designating such entity as a Ring-Fenced Subsidiary;<br><br>(d) no member of the Group (other than that Ring-Fenced Subsidiary) shall be contingently liable for any Debt of such entity or its Subsidiaries, except in respect of the granting by a member of the Group of Liens over its shares in such entity or such entity's Subsidiaries; and<br><br>(e) all transactions conducted between any member of the Group and such entity or its Subsidiaries must be on an arm's length basis and on normal commercial terms,<br><br>and each Subsidiary of any such entity shall also be a Ring-Fenced Subsidiary. |
| RMP-2……………………………………………………………………….. | Petron Bataan Refinery Master Plan Phase -2 Upgrade |
| RON…………………………………………………………………........ | Research Octane Number |
| RPTs.................................................................................. | Related Party Transactions |
| RSC.................................................................................. | Retail supply contract |
| RTGS……......................................................................... | The Philippine Payment Settlement System via Real Time Gross Settlement that allows banks to effect electronic payment transfers which are interfaced directly to the automated accounting and settlement systems of the BSP |
| S&P…………………………………………………………………....... | Standard & Poor's Rating Services |

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| S3HC………………………………………………………………………… | Stage 3 Connector Tollways Holdings Corporation |
| SALEX............................................................................... | Southern Access Link Expressway |
| San Miguel Foods …………………………………………………….... | San Miguel Food Division of SMFB |
| San Roque PPA................................................................ | Power purchase agreement of the San Roque Power Plant with NPC under a BOT scheme |
| San Roque IPPA Agreement........................................... | IPPA Agreement between SPDC and PSALM |
| Sanitation Code............................................................... | Presidential Decree No. 856 or the Code on Sanitation of the Philippines |
| Saudi Aramco…………………………………………….................... | Saudi Arabian Oil Company |
| SB Capital......................................................................... | SB Capital Investment Corporation |
| SBM…………………………………………………….......................... | Single Buoy Mooring |
| SC…………………………………………………………………………….. | Supreme Court of the Philippines |
| SC Decision....................................................................... | Decision of the Supreme Court |
| SC Petition........................................................................ | Petition filed with the SC |
| SCC.................................................................................... | Standards Compliance Certificate |
| SCPC………………………………………………............................... | SMC Consolidated Power Corporation |
| SDB.................................................................................... | Sabah Development Bank |
| SEC…………………………………………………………………………… | Securities and Exchange Commission of the Philippines |
| SEDI.................................................................................. | Strategic Energy Development, Inc. |
| SIDC…………………………………………………….......................... | Star Infrastructure Development Corporation |
| SLEX………………………………………………………………………….. | South Luzon Expressway |
| SLEX TR4........................................................................... | South Luzon Expressway Toll Road 4 |
| SLEX TR5........................................................................... | South Luzon Expressway Toll Road 5 |
| SMAI…………………………………………………………………………… | San Miguel Aerocity Inc. |
| SMB………………………………………………………………………….. | San Miguel Brewery Inc., including, as the context requires, its subsidiaries |
| SMBIL……………………………………………………………………….. | San Miguel Brewing International, Ltd. |
| SMC, the Company, the Parent Company or the Issuer………………………………………………………………………… | San Miguel Corporation, a corporation incorporated under the laws of the Republic of the Philippines |
| SMC Global Power……………………………………………………….. | SMC Global Power Holdings Corp., including, as the context requires, its subsidiaries |
| SMC Group………………………………………………………………… | SMC and its subsidiaries |

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| SMC NAIAX | SMC NAIAX Corporation[4] |
| SMCGP Masin | SMCGP Masin Pte. Ltd. |
| SMCI | SMC Infraventures Inc. |
| SMCPC | San Miguel Consolidated Power Corporation |
| SMCSC | SMC Skyway Corporation[5] |
| SMCSS3C | SMC Skyway Stage 3 Corporation[6] |
| SMCSS4C | SMC Skyway Stage 4 Corporation[7] |
| SMCTC | SMC Tollways Corporation[8] |
| SMEC | San Miguel Energy Corporation |
| SMEII | San Miguel Equity Investments Inc. |
| SMELC | San Miguel Electric Corp. |
| SMF | San Miguel Foundation |
| SMFB | San Miguel Food and Beverage, Inc. (formerly San Miguel Pure Foods Company, Inc.), including, as the context requires, its subsidiaries |
| SMFI | San Miguel Foods, Inc. |
| SMHC | San Miguel Holdings Corp., including, as the context requires, its subsidiaries |
| SMIS | San Miguel Integrated Sales |
| SMNCI | San Miguel Northern Cement, Inc. |
| SMPI | San Miguel Properties, Inc., including, as the context requires, its subsidiaries |
| SMSCCI | San Miguel Super Coffeemix Co., Inc. |
| SMYPC | San Miguel Yamamura Packaging Corporation, including, as the context requires, its subsidiaries |
| SMYPIL | San Miguel Yamamura Packaging International Limited |
| SPDC | Strategic Power Devt. Corp. |
| SPGC | SMC Power Generation Corp. |

[4] *formerly,* Vertex Tollways Devt. Inc.

[5] *formerly,* Citra Metro Manila Tollways Corporation

[6] *formerly,* Citra Central Expressway Corp.

[7] *formerly,* Citra Inter City Tollways, Inc.

[8] *Formerly,* Atlantic Aurum Investments Philippines Corporation.

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| SPI………… | SMC Powergen Inc. |
| SPPC………… | South Premiere Power Corp. |
| SRC………… | Securities Regulation Code of the Philippines |
| SRPC………… | San Roque Power Corporation |
| SSBs………… | Sugar Sweetened Beverages |
| SSS………… | Social Security System of the Philippines |
| STAR………… | Southern Tagalog Arterial Road |
| STOA………… | Supplemental Toll Operation Agreement |
| Subsidiary………… | An entity of which a Person has direct or indirect control or owns directly or indirectly more than 50% of the voting capital or similar right of ownership |
| Sultan Energy………… | Sultan Energy Philippines Corp. |
| SyCip Law………… | SyCip Salazar Hernandez & Gatmaitan Law Offices |
| SYFMC………… | SMC Yamamura Fuso Molds Corporation |
| TADHC………… | Trans Aire Development Holdings Corp. |
| Tagum Peaking Power Plant………… | 15MW multi-fuel peaking power plant in Tagum City, Davao del Norte |
| Tax Code………… | The Philippine National Internal Revenue Code of 1997, as amended |
| TDI………… | Tanduay Distillers, Inc. |
| TOC………… | Toll Operation Certificates |
| Top Frontier………… | Top Frontier Investment Holdings, Inc. |
| TPLEX………… | Tarlac–Pangasinan–La Union Expressway |
| TRAIN Act………… | Tax Reform for Acceleration and Inclusion Act or Republic Act No. 10963 |
| Transaction Date ………… | With respect to the incurrence of any debt, the date such debt is incurred |
| TransCo………… | National Transmission Corporation |
| Trust Agreement………… | The Trust Agreement dated [●] 2022 and its annexes and attachments, as may be modified, supplemented or amended from time to time, and entered into between the Company and the Trustee |
| Trustee ………… | Rizal Commercial Banking Corporation – Trust and Investments Group |
| TRB………… | Toll Regulatory Board of the Philippines |
| TUA………… | Terminal Use Agreement |

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| Underwriting Agreement…………………………….................. | The Underwriting Agreement that the Company will enter into with Joint Lead Underwriters and Bookrunners for the Offer, and its annexes and attachments, as may be modified, supplemented or amended from time to time |
| Universal LRT……………………………………........................... | Universal LRT Corporation (BVI) Limited |
| UPSI..................................................................................... | Universal Power Solutions, Inc. |
| USCS.................................................................................... | Undated Subordinated Capital Securities |
| USD, U.S.$…………………….................................................... | U.S. Dollars, the legal currency of the United States of America |
| VAT……………………………...................................................... | Value-added tax |
| Water Code…………………………………………………………………. | The Water Code of the Philippines |
| WESM…………………………………………................................... | Philippine Wholesale Electricity Spot Market |

# EXECUTIVE SUMMARY

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and audited financial statements, including notes thereto, found in the appendices of this Prospectus.*

*Prospective investors should read this entire Prospectus fully and carefully, including the section on "Risk Factors". In case of any inconsistency between this summary and the more detailed information in this Prospectus, then the more detailed portions, as the case may be, shall at all times prevail.*

**Brief Background on the Company**

San Miguel Corporation ("**SMC**," the "**Company**," the "**Parent Company**," or the "**Issuer**"), together with its subsidiaries (collectively with the Company referred to as the "**SMC Group**"), is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales equivalent to approximately 4.90% of the Philippine GDP in 2021.[9]

Originally founded in 1890 as a single product brewery in the Philippines, SMC today owns market-leading businesses and has investments in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship, and banking services. SMC has a portfolio of companies that is interwoven into the economic fabric of the Philippines, benefiting from, as well as contributing to the development and economic progress of the nation. The common shares of SMC were listed on the Manila Stock Exchange (now The Philippine Stock Exchange, Inc.) on November 5, 1948 and as of June 30, 2022, SMC had a market capitalization of ₱257,222 million, with a common share price of ₱107.90.

SMC, through its subsidiaries and affiliates, has become a market leader in its businesses in the Philippines with an extensive portfolio of products that include beer, spirits, non-alcoholic beverages, 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 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.

Since adopting its business diversification program in 2007, SMC has channelled 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 economic downturns and business cycles. The consolidated sales, gross profit and EBITDA of SMC for the year ended December 31, 2021 were ₱941,193 million, ₱195,143 million, and ₱160,942 million, respectively. For the six-month period ended June 30, 2022, the consolidated sales, gross profit and EBITDA of SMC were ₱711,416 million, ₱123,989 million, and ₱91,205 million, respectively.

SMC's six (6) key business groups, most of which are market leaders in their respective industries, include the following (1) food and beverage; (2) packaging; (3) fuel and oil; (4) energy; (5) infrastructure; and (6) cement. In addition, SMC has investments in other businesses, such as property development and leasing, car distributorship, and banking services.

**Food and Beverage**

On June 29, 2018, SMC completed the consolidation of its beer and non-alcoholic beverages ("**NAB**"), spirits, and food businesses through its subsidiary, San Miguel Food and Beverage, Inc. ("**SMFB**," formerly San Miguel Pure Foods Company Inc.).

SMFB is a leading food and beverage company in the Philippines. The brands under which SMFB produces, markets, and sells 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 and *Vino Kulafu* for Chinese wine,

9 Based on data from the SMC consolidated revenues in 2021 divided by the Philippines' total revenue sourced from the Philippine Statistics Authority.

*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, *Veega* for plant-based food, *Star* and *Dari Crème* for margarine, and *B-Meg* for animal feeds.

SMFB has three (3) primary operating divisions—(i) Beer and NAB, (ii) Spirits, and (iii) Food. SMFB operates its beverage business through San Miguel Brewery Inc. and its subsidiaries (collectively, **SMB** or the "**Beer and NAB Division**") and Ginebra San Miguel Inc. and its subsidiaries (collectively, **GSMI** or the "**Spirits Division**"). The food business under San Miguel Foods (collectively, **SMF** or the "**Food Division**") is operated through several key subsidiaries, including San Miguel Foods, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., and San Miguel Mills, Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 70 markets worldwide.

The common shares of SMFB are listed on the PSE under stock code "FB" and as of June 30, 2022 had a market capitalization of ₱265,915 million, with a common share price of ₱45.00. As of June 30, 2022, SMC's ownership interest in SMFB was 88.76%.

**Packaging**

The packaging business is a total packaging solutions business servicing many of the leading food, pharmaceutical, chemical, beverages, spirits, and personal care manufacturers in the region. The packaging business is comprised of San Miguel Yamamura Packaging Corporation ("**SMYPC**") and its subsidiaries, San Miguel Yamamura Packaging International Limited ("**SMYPIL**"), SMC Yamamura Fuso Molds Corporation ("**SYFMC**"), Can Asia, Inc. ("**CAI**"), Mindanao Corrugated Fireboard, Inc. ("**Mincorr**"), and Wine Brothers Philippines Corporation (collectively, the "**Packaging Group**"). The Packaging Group has one of the largest packaging operations in the Philippines, producing glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging, and other packaging products and services such as beverage toll filling for aluminum cans, PET and glass bottles as well as logistics services. As of June 30, 2022, the Packaging Group has 36 packaging facilities located across the Asia-Pacific Region. These facilities are located in the Philippines (glass, molds for glass and plastics, metal, plastics, composite, paper, toll filling, and logistics services), in China (glass, plastic, paper, and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags, and radiant/thermal liners), Australia (trading of packaging products, plastic manufacturing, wine closures, wine filling facilities, retail/online packaging, cargo protection, and materials handling), and New Zealand (trading and plastic manufacturing). As of June 30, 2022, SMC's ownership interest in SMYPC was 65%.

**Fuel and Oil**

SMC operates its fuel and oil business through Petron Corporation ("**Petron**"), which is the largest integrated oil refining and marketing company in the Philippines and is a strong third player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day and refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. In the Philippines, Petron operates a refinery in Bataan (the "**Limay Refinery**"), one of the most modernized in the region and the only one in the country. The Limay Refinery has a crude oil distillation capacity of 180,000 barrels per day, processing crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical feedstock such as benzene, toluene, mixed xylene, and propylene.

The common shares of Petron are listed on the PSE under stock code "PCOR." The market capitalization of Petron was ₱28,407 million, with a common share price of ₱3.03, as of June 30, 2022. As of June 30, 2022, SMC's direct and indirect ownership in Petron was 68.26%.

**Energy**

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 4,734 MW of combined capacity as of June 30, 2022. SMC Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and battery energy storage systems ("**BESS**"). Based on the total installed generating capacities reported in ERC Resolution No. 01, Series of 2022 dated March 9, 2022 ("**ERC Resolution on Grid Market Share Limitation**"), SMC Global Power's combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid, and 7% of the Mindanao Grid, in each case, as of June 30, 2022. Market share is computed by dividing the installed generating capacity of SMC Global Power with the installed generating capacity of Luzon Grid, Mindanao Grid or National Grid (17,077,537 kW, 4,201,042 kW, and 24,651,219 kW, respectively based on data provided under ERC Resolution on Grid Market Share Limitation). In addition, SMC Global Power is engaged in distribution and retail electricity services and has various power projects in the pipeline. As of June 30, 2022, SMC's ownership interest in SMC Global Power was 100%.

**Infrastructure**

The infrastructure business, conducted through San Miguel Holdings Corp. ("**SMHC**"), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. Currently operating toll roads include the South Luzon Expressway ("**SLEX**"), Skyway Stages 1, 2, and 3, the Southern Luzon Arterial Road tollway ("**STAR**"), the Tarlac-Pangasinan-La Union Expressway ("**TPLEX**"), and the Ninoy Aquino International Airport Expressway ("**NAIAx**"). The Skyway Stage 3 was opened to motorists and received its Notice to Collect Toll from the Toll Regulatory Board ("**TRB**") last July 12, 2021.

Ongoing projects include Skyway Stage 4, SLEX – Toll Road 4 ("**SLEX-TR4**"), SLEX – Toll Road 5 ("**SLEX-TR5**"), Pasig River Expressway ("**PAREX**"), the Mass Rail Transit Line 7 ("**MRT-7**"), Manila International Airport ("**MIA**"**)**, Northern Access Link Expressway ("**NALEX**"), and Southern Access Link Expressway ("**SALEX**"). SMHC also operates the Boracay Airport and has investments in Manila North Harbour Port, Inc. ("**MNHPI**"), the operator of the Manila North Harbor and Luzon Clean Water Development Corporation ("**LCWDC**") for the Bulacan Bulk Water Supply Project. As of June 30, 2022, SMC's ownership interest in SMHC was 100%.

**Cement**

The cement business is conducted under San Miguel Equity Investments Inc. ("**SMEII**"), which owns 100% of the common stock of Northern Cement Corporation ("**NCC**"). SMEII also owns 100% of the following companies: Artholand Property Development, Inc. (formerly, Arthocem Concrete Industries Inc.), East Star Cement Phils., Inc., First Stronghold Cement Industries Inc., Integrated Concrete Consolidated Industries Inc. (and its subsidiary, Dorilag Cement Corporation), Ionic Cementworks Industries Inc., E-Novate Holdings, Inc., Primero Cemento Industries Corporation, Southstrong Cement Industries Corp., and Southern Concrete Industries, Inc. ("**SCII**," *formerly,* Oro Cemento Industries Corporation). As of June 30, 2022, SMC owns 100% of SMEII.

**Others**

Other investments of SMC include banking services through Bank of Commerce ("**BankCom**"), car distributorship through SMC Asia Car Distributors Corp., and property development and leasing, through San Miguel Properties, Inc. ("**SMPI**").

**Strengths and Strategies**

**Strengths**

SMC believes that its principal strengths include the following:

- diversified platform with broad exposure to the growth of the Philippine economy;
- synergies across businesses;
- strong brand equity in the Philippines with over 100-year legacy;
- operating businesses provide sustainable stream of income and cash flows;
- highly visionary, cohesive, and experienced management team; and
- strong commitment to social responsibility and sustainability.

**Strategies of SMC**

The principal strategies of SMC include the following:

- enhance value of established businesses;
- diversify prudently into industries that underpin the development and growth of the Philippine economy;
- identify and pursue synergies across businesses through vertical integration, platform matching, and channel management;
- invest in and develop businesses with leading market positions;
- strengthen sustainable business strategies in all its operations; and
- adopt world-leading practices and joint development of businesses.

**Risks of Investing**

Prospective investors should also consider the following risks of investing in the Offer:

(a) macroeconomic risks, including the current and immediate political and economic factors in the Philippines and the experience of the country with natural catastrophes, as a principal risk for investing in general;

(b) risks relating to SMC, its subsidiaries and their business and operations; and

(c) the absence of a liquid secondary market, volatility, and other risks relating to the Offer.

(For a more detailed discussion, see "*Risk Factors*" on page 64.)

**Use of Proceeds**

The gross proceeds of the Base Offer shall be ₱40,000,000,000.00, or ₱60,000,000,000.00 assuming full exercise of the Oversubscription Option. The net proceeds from the Base Offer, after deducting from the gross proceeds the total issue management, underwriting and selling fees, listing fees, taxes and other related fees and out-of-pocket expenses, is estimated to be [₱39,502,711,875.00] and will be used by the Company primarily for optional redemption of its Series 2 Preferred Shares – Subseries "2-H" (the "**Series 2H Preferred Shares**"), final redemption and payment of its Fixed Rate Bonds Series E due 2023 (the "**Series E Bonds**"), refinancing certain U.S. Dollar-denominated obligations of the Issuer, and repayment, in whole or in part, of its Peso-denominated short-term loan facilities that were used to redeem the Series A and Series D Bonds. For a more detailed discussion, see *Use of Proceeds* on page 118.

**Plan of Distribution**

SMC plans to issue the Bonds to institutional and retail investors through a public offering to be conducted through the Joint Lead Underwriters and Bookrunners.

**Company Information**

SMC is a Philippine corporation with its registered office located at No. 40 San Miguel Avenue, Mandaluyong City, Philippines. SMC's telephone number is: (632) 8632-3000 and its website is: http://www.sanmiguel.com.ph. The information on the SMC website is not incorporated by reference into, and does not form part of this Prospectus.

# SUMMARY OF THE OFFER

The terms and conditions of this Offer are as follows. Any specific time of day refers to Philippine Standard Time.

| | |
|---|---|
| **Issuer** ........................ | San Miguel Corporation ("**SMC**," or the "**Company**," the "**Parent Company**," or the "**Issuer**") |
| **Instrument**................. | Fixed rate bonds constituting the direct, unconditional, unsubordinated, and unsecured obligations of the Issuer. |
| **Offer Size** .................. | Base Offer of ₱40,000,000,000.00, with an Oversubscription Option of up to ₱20,000,000,000.00 |
| **The Offer** ................. | Philippine Peso-denominated 5.25-year fixed rate Series L Bonds due 2028 ("**Series L Bonds**"), 7-year fixed rate Series M Bonds due 2029 ("**Series M Bonds**"), and 10-year fixed rate Series N Bonds due 2032 ("**Series N Bonds**") with an aggregate issue size of up to ₱60,000,000,000.00, consisting of a Base Offer of ₱40,000,000,000.00 and an Oversubscription Option of up to ₱20,000,000,000.00.<br><br>The Issuer has the discretion to allocate the principal amount of the Bonds among the Series L Bonds, Series M Bonds, and Series N Bonds based on the book building process. |
| **Oversubscription Option** ....................... | In the event of an oversubscription, the Joint Lead Underwriters and Bookrunners, in consultation with the Company, reserve the right, but do not have the obligation, to increase the size of the Base Offer size by up to an additional ₱20,000,000,000.00 (the "**Oversubscription Option**"). |
| **Manner of Distribution** .............. | SEC-registered public offering in the Philippines to eligible investors. |
| **Use of Proceeds** ....... | The entire net proceeds for this Offer will be used for the optional redemption of the Series 2H Preferred Shares, the final redemption and payment of the Series E Bonds, refinancing of certain U.S. Dollar-denominated obligations of the Issuer, and repayment, in whole or in part, of its Peso-denominated short-term loan facilities that were used to redeem the Series A and Series D Bonds.<br><br>For a detailed discussion on the Use of Proceeds please refer to the section on "*Use of Proceeds*" on page 118. |
| **Form and Denomination of the Bonds** ........................ | The Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market. |
| **Purchase Price** .......... | The Bonds shall be issued at 100% of face value. |
| **Offer Period** .............. | The Offer shall commence at 9:00 a.m. on [November 8, 2022] and end at 5:00 p.m. on [November 14, 2022], or on such dates and time as the Issuer and the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners may agree upon. |
| **Issue Date of the Bonds** ........................ | [November 21, 2022] |

**Maturity Date** ........... Unless otherwise earlier redeemed or purchased in accordance with the terms and conditions of the Bonds, the Bonds shall mature:

For the Series L Bonds, the 3rd month after the 5th anniversary of the Issue Date, or on [●].

For the Series M Bonds, the 7th anniversary of the Issue Date, or on [●].

For the Series N Bonds, the 10th anniversary of the Issue Date, or on [●].

**Interest Rate** ........... Series L Bonds: [●]% per annum
Series M Bonds: [●]% per annum
Series N Bonds: [●]% per annum

**Interest Payment Dates and Interest Payment Computation** ............ Interest payment on the Bonds shall commence on [●], 2023 and thereafter, on [●], [●], [●], and [●] of each year, or the next Business Day if any such dates fall on a non-Business Day, without adjustment to the amount of interest due, during which the relevant series of the Bonds are outstanding (each, an "**Interest Payment Date**").

Interest on the Bonds shall be calculated on a European 30/360-day count basis regardless of the actual number of days in a month. Interest shall be paid quarterly in arrears.

**Final Redemption**...... The Bonds shall be redeemed at par or 100% of the face value (the "**Final Redemption Amount**") on the Maturity Date, unless earlier redeemed or purchased and cancelled by the Issuer.

In the event the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Registrar and Paying Agent, without adjustment for accrued interest and the Final Redemption Amount, on the succeeding Business Day.

**Optional Redemption** ............. The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) any series of the outstanding Bonds on the dates set out below (each an "**Optional Redemption Date**"):

| **Series L Bonds** | |
|---|---|
| **Optional Redemption Dates** | **Optional Redemption Price** |
| On the 3rd anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to Maturity Date. | 100.50% |

| **Series M Bonds** | |
|---|---|
| **Optional Redemption Dates** | **Optional Redemption Price** |
| On the 5th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 6th anniversary of the Issue Date. | 101.00% |

| | |
|---|---|
| On the $6^{th}$ anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date. | 100.50% |

| **Series N Bonds** | |
|---|---|
| **Optional Redemption Dates** | **Optional Redemption Price** |
| On the $7^{th}$ anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the $8^{th}$ anniversary of the Issue Date. | 101.50% |
| On the $8^{th}$ anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the $9^{th}$ anniversary of the Issue Date. | 101.00% |
| On the $9^{th}$ anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to Maturity Date. | 100.50% |

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of accrued interest and the Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Bonds pursuant to this Optional Redemption.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (a) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (b) the product of the principal amount of the Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no more than 60 nor less than 30 days' prior written notice to the Trustee, the Registrar and Paying Agent of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect, such early redemption of the Bonds on the Optional Redemption Date stated in such notice.

For a detailed discussion on the Optional Redemption, please refer to the section on "*Description of the Bonds – Optional Redemption*" on page 47.

**Redemption for Taxation Reasons**...... If payments under the Bonds become subject to additional or increased taxes, other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest

| | |
|---|---|
| | Payment Date (having given not more than 60 days' nor less than 30 days' prior written notice to the Trustee, the Registrar and Paying Agent) at 100% of the face value and paid together with the accrued interest thereon, subject to the requirements of Applicable Law.<br><br>For a detailed discussion on Redemption for Taxation Reasons, please refer to the section on "*Description of the Bonds – Redemption for Taxation Reasons*" on page 48. |
| **Redemption by Reason of Change in Law or Circumstance** ................................... | Upon the occurrence of a Change in Law or Circumstance, the Issuer may redeem the Bonds in whole, but not in part, having given not more than 60 days' nor less than 30 days' prior written notice to the Trustee, the Registrar and the Paying Agent, at 100% of the face value and paid together with the accrued interest thereon.<br><br>For a detailed discussion on Redemption by Reasons of Change in Law or Circumstance, please refer to the section on "*Description of the Bonds – Redemption by Reason of Change in Law or Circumstance*" on page 48. |
| **Status of the Bonds** ....................... | The Bonds shall constitute the direct, unconditional, unsubordinated and unsecured obligations of SMC and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured Debt of SMC, contingent or otherwise, other than Debt mandatorily preferred by law, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines). |
| **Negative Pledge**........ | The Bonds will have the benefit of a negative pledge on all properties and assets of the Issuer, subject to the exceptions to be described on page 52 of this Prospectus. |
| **Covenants** ................. | Issuance of the Bonds shall be subject to standard covenants such as but not limited to cross-default provisions and adherence to certain financial ratios. |
| **Listing** ........................ | The Issuer will list the Bonds on the Philippine Dealing & Exchange Corp. ("**PDEx**") on the Issue Date. |
| **Purchase and Cancellation** .............. | The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.<br><br>Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules. |
| **Bond Rating**............... | The Bonds have been rated [PRS Aaa] by the Philippine Rating Services Corporation on [●].<br><br>The rating is subject to regular annual reviews, or more frequently as market developments may dictate, while the Bonds are outstanding. |

| | |
|---|---|
| **Transfer of the Bonds** ........................ | Trading of the Bonds will be coursed through a PDEx Trading Participant subject to the applicable PDEx Rules. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders to be maintained by the Registrar.<br><br>For a detailed discussion on Transfer of the Bonds, please refer to the section on "*Description of the Bonds – Transfer of the Bonds*" on page 44. |
| **Joint Issue Managers** ................. | BDO Capital & Investment Corporation**<br>China Bank Capital Corporation<br>PNB Capital and Investment Corporation |
| **Joint Lead Underwriters and Bookrunners** ............. | Asia United Bank Corporation<br>Bank of Commerce*<br>BDO Capital & Investment Corporation**<br>BPI Capital Corporation<br>China Bank Capital Corporation<br>Philippine Commercial Capital, Inc.<br>PNB Capital and Investment Corporation<br>RCBC Capital Corporation<br>SB Capital Investment Corporation***<br><br>* *Bank of Commerce is an affiliate of the Company.*<br><br>** *BDO Capital & Investment Corporation is a subsidiary of BDO Unibank, Inc., which is among the lenders of the short-term loans of the Company that will be repaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.*<br><br>*** *SB Capital Investment Corporation is a subsidiary of Security Bank Corporation, which is among the lenders of the short-term loans of the Company that will be repaid with the proceeds of this Offer. For further discussion, please see section on Use of Proceeds.* |
| **Registrar and Paying Agent** ....................... | Philippine Depository & Trust Corp. ("**PDTC**") |
| **Selling Agents** ........... | [●] |
| **Trustee** .................... | Rizal Commercial Banking Corporation – Trust and Investments Group |
| **Counsel to the Issuer**.......................... | Picazo Buyco Tan Fider & Santos |
| **Counsel to the Joint Issue Managers, and the Joint Lead Underwriters and Bookrunners** ............. | SyCip Salazar Hernandez & Gatmaitan |
| **Incorporation by way of Reference** ..... | All disclosures, reports, and filings of the Company made after the date of the Prospectus (the "**Company Disclosures**") and submitted to the SEC |

and/or PDEx pursuant to the Revised Corporation Code, the Securities Regulation Code, the Revised Disclosure Rules of the PSE, and the Disclosure Rules of the PDEx are incorporated or deemed incorporated by reference in this Prospectus. Copies of the Company Disclosures may be viewed at the website of the Company at: http://www.sanmiguel.com.ph. The Company Disclosures contain material and meaningful information relating to the Company and investors should review all information contained in the Prospectus and the Company Disclosures incorporated or deemed incorporated herein by reference.

**Indicative Timetable** ..................

| | |
|---|---|
| [September 27, 2022] | Filing of the Registration Statement and the Prospectus with the SEC |
| [Week of October 31, 2022] | SEC En Banc Pre-effective Approval |
| [Week of October 31, 2022] | Price Setting and Allocation |
| [November 7, 2022] | Receipt of SEC Permit to Sell |
| [November 8, 2022 to November 14, 2022] | Public Offer Period |
| [Week of November 21, 2022] | Settlement Date<br>Issue and Listing Date |

# SUMMARY OF FINANCIAL INFORMATION

*Prospective purchasers of the Bonds should read the summary financial data below together with the financial statements, including the notes thereto, included in this Prospectus and "Management's Discussion and Analysis of Results of Operations and Financial Condition". The summary financial data for the three (3) years ended December 31, 2021, 2020, and 2019 are derived from the audited financial statements of SMC and the June 30, 2022 is derived from the interim financial statements, including the notes thereto, which are found as Appendix "A" of this Prospectus. The detailed financial information for the three (3) years ended December 31, 2021, 2020, and 2019 and June 30, 2022 are included as Appendix "A" and "B" of this Prospectus.*

The summary financial and operatIng information of SMC presented below as of and for the years ended December 31, 2021, 2020, and 2019 were derived from the consolidated financial statements of SMC, audited by R.G. Manabat & Co. (formerly Manabat Sanagustin & Co.), and prepared in compliance with the Philippine Financial Reporting Standards ("**PFRS**"). The financial and operating information of SMC presented below as of and for the six (6) months ended June 30, 2022 were derived from the unaudited consolidated financial statements of SMC prepared in compliance with PAS 34, "Interim Financial Reporting". The information below should be read in conjunction with the consolidated financial statements of SMC and the related notes thereto, which are included in Appendix "A" and "B" of this Prospectus. The historical financial condition, results of operations, and cash flows of SMC are not a guarantee of its future operating and financial performance.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding off. References to Annexes are to the Annexes set out in this Prospectus. All references herein to dates and times shall mean Philippine dates and times unless otherwise specified.

**Consolidated Statement of Income Data**

| | For the years ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | | **(Audited) (in millions)** | | **(Unaudited) (in millions)** | |
| | ₱ | ₱ | ₱ | ₱ | ₱ |
| Sales.................................................. | 1,020,502 | 725,797 | 941,193 | 410,124 | 711,416 |
| Cost of sales....................................... | 818,815 | 576,449 | 746,050 | 312,595 | 587,427 |
| Gross Profit........................................ | 201,687 | 149,348 | 195,143 | 97,529 | 123,989 |
| Selling and Administrative expenses.. | (85,972) | (77,872) | (77,991) | (36,513) | (38,131) |
| Interest expense and other financing charges ..................................................... | (56,019) | (52,035) | (49,265) | (23,539) | (25,633) |
| Interest income ................................. | 10,675 | 6,182 | 3,591 | 1,674 | 2,313 |
| Equity in net earnings of associates and joint ventures ....................................... | 105 | 417 | 1,040 | 320 | 725 |
| Gain (loss) on sale of property and equipment.................................. | (237) | (491) | 167 | 129 | 2 |
| Other income (charges) - net ............ | 6,848 | 11,861 | (6,733) | (1,908) | (32,386) |
| Income before income tax ................ | 77,087 | 37,410 | 65,952 | 37,692 | 30,879 |
| Income tax expense........................... | 28,513 | 15,531 | 17,793 | 8,122 | 11,074 |
| **Net income**........................................ | 48,574 | 21,879 | 48,159 | 29,570 | 19,805 |
| **Attributable to:** | | | | | |
| Equity holders of SMC ...................... | 21,329 | 2,973 | 13,925 | 13,070 | (1,341) |
| Non-controlling interests .................. | 27,245 | 18,906 | 34,234 | 16,500 | 21,146 |
| | 48,574 | 21,879 | 48,159 | 29,570 | 19,805 |
| Earnings (loss) per common share attributable to equity holders of SMC | | | | | |
| Basic and Diluted .............................. | 5.93 | (1.66) | 2.48 | 3.68 | (1.90) |

| | As of December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | | (Audited) | | (Unaudited) |
| | | (in millions) | | (in millions) |
| | ₱ | ₱ | ₱ | ₱ |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | 286,457 | 347,209 | 300,030 | 302,944 |
| Trade and other receivables - net | 136,488 | 124,369 | 161,808 | 222,189 |
| Inventories | 127,463 | 102,822 | 141,209 | 183,802 |
| Current portion of biological assets — net | 4,151 | 3,401 | 3,106 | 3,405 |
| Prepaid expenses and other current assets | 86,585 | 94,610 | 108,689 | 119,028 |
| **Total Current Assets** | 641,144 | 672,41 1 | 714,842 | 831,368 |
| **Noncurrent Assets** | | | | |
| Investments and advances — net | 52,861 | 50,495 | 55,002 | 57,293 |
| Investment in equity and debt instruments | 42,055 | 41,766 | 41,966 | 42,028 |
| Property, plant and equipment — net | 463,614 | 511,624 | 567,609 | 645,000 |
| Rights-of-use assets — net | 173,604 | 169,208 | 163,364 | 114,055 |
| Investment property — net | 51,779 | 60,678 | 69,825 | 70,627 |
| Biological assets — net of current portion | 2,808 | 2,352 | 2,244 | 2,592 |
| Goodwill — net | 130,073 | 129,733 | 130,081 | 130,492 |
| Other intangible assets — net | 149,014 | 169,532 | 190,979 | 209,078 |
| Deferred tax assets | 18,052 | 20,946 | 17,141 | 19,295 |
| Other noncurrent assets — net | 92,730 | 83,462 | 98,600 | 100,073 |
| **Total Noncurrent Assets** | 1,176,590 | 1,239,796 | 1,336,811 | 1,390,533 |
| **Total Assets** | **1,817,734** | **1,912,207** | **2,051,653** | **2,221,901** |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Loans payable | 169,492 | 140,645 | 190,779 | 242,147 |
| Accounts payable and accrued expenses | 176,037 | 153,249 | 194,579 | 243,347 |
| Lease liabilities — current portion | 24,979 | 25,759 | 23,423 | 20,204 |
| Income and other taxes payable | 21,185 | 20,998 | 23,102 | 33,251 |
| Dividends payable | 4,116 | 4,231 | 4,296 | 4,261 |
| Current maturities of long-term debt — net of debt issue costs | 43,808 | 74,502 | 88,857 | 133,193 |
| **Total Current Liabilities** | 439,617 | 419,384 | 525,036 | 676,403 |
| **Noncurrent Liabilities** | | | | |
| Long-term debt — net of current maturities and debt issue costs | 638,996 | 692,407 | 725,108 | 747,909 |
| Deferred tax liabilities | 25,265 | 27,749 | 28,742 | 63,886 |
| Lease liabilities — net of current portion | 117,269 | 91,278 | 71,569 | 30,653 |
| Other noncurrent liabilities — net of current portion | 22,192 | 26,301 | 19,959 | 20,387 |
| **Total Noncurrent Liabilities** | 803,722 | 837,735 | 845,378 | 862,835 |
| **Total Liabilities** | 1,243,339 | 1,257,119 | 1,370,414 | 1,539,238 |
| **Equity** | | | | |
| **Equity Attributable to Equity Holders of SMC** | | | | |
| Capital stock — common | 16,443 | 16,443 | 16,443 | 16,443 |
| Capital stock — preferred | 10,187 | 10,187 | 10,187 | 10,187 |
| Additional paid-in capital | 177,938 | 177,719 | 177,719 | 177,719 |
| Capital Securities | — | 28,171 | 28,171 | 28,171 |

| | As of December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | | (Audited) | | (Unaudited) |
| | | (in millions) | | (in millions) |
| | ₱ | ₱ | ₱ | ₱ |
| Equity reserves | 14,390 | 10,131 | 14,136 | 15,577 |
| Retained earnings: | | | | |
| Appropriated | 56,689 | 60,155 | 66,630 | 63,437 |
| Unappropriated | 173,092 | 162,204 | 157,707 | 154,383 |
| Treasury stock | (116,283) | (110,146) | (144,363) | (144,363) |
| | 332,456 | 354,864 | 326,630 | 321,554 |
| Non-controlling interest | 241,939 | 300,224 | 354,609 | 361,109 |
| **Total Equity** | | | | 682,663 |
| | 574,395 | 655,088 | 681,239 | |
| | **1,817,734** | **1,912,207** | **2,051,653** | **2,221,901** |

**Consolidated Statement of Cash Flows Data**

| | For the years ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | (Audited) (in millions) | | (Unaudited) (in millions) | |
| | ₱ | ₱ | ₱ | ₱ | ₱ |
| Net cash provided by (used in): | | | | | |
| Operating activities | 93,487 | 52,932 | 50,138 | 36,320 | 7,072 |
| Investing activities | (113,332) | (84,707) | (127,572) | (41,610) | (65,915) |
| Financing activities | 66,756 | 101,979 | 21,096 | 2,313 | 53,195 |
| Effect of exchange rates changes in cash and cash equivalents | (3,604) | (9,452) | 9,159 | 2,880 | 8,562 |
| Net increase in cash and cash equivalents | 43,307 | 60,752 | (47,179) | (97) | 2,914 |
| Cash and cash equivalents at beginning of period | 243,150 | 286,457 | 347,209 | 347,209 | 300,030 |
| Cash and cash equivalents at end of period | 286,457 | 347,209 | 300,030 | 347,112 | 302,944 |

# CAPITALIZATION

The following table sets forth the unaudited consolidated short-term and long-term debt and capitalization of SMC as of June 30, 2022. This table should be read in conjunction with the more detailed information and reviewed and audited financial statements, including notes thereto, found in Appendix "A" and "B" of the Prospectus.

| (in Php Millions) | **As at June 30, 2022** | **Adjustments** | **Notes** | **As adjusted for the Base Offer Size of ₱40 billion (Upon issuance of the Bonds)** | **As adjusted for maximum Offer Size of ₱60 billion (Upon issuance of the Bonds)** |
|---|---|---|---|---|---|
| **Current Liabilities** | | | | | |
| Loans payable | 242,147 | | | 242,147 | 242,147 |
| Accounts payable and accrued expenses | 243,347 | | | 243,347 | 243,347 |
| Lease liabilities – current portion | 20,204 | | | 20,204 | 20,204 |
| Income and other taxes payable | 33,251 | | | 33,251 | 33,251 |
| Dividends payable | 4,261 | | | 4,261 | 4,261 |
| Current maturities of long-term debt – net of debt issue cost | 133,193 | | | 133,193 | 133,193 |
| **Total Current Liabilities** | 676,403 | | | 676,403 | 676,403 |
| **Noncurrent Liabilities** | | | | | |
| Long term debt – net of current maturities and debt issue costs | 747,909 | 39,503 | *1a* | 787,412 | 807,241 |
| | | 19,829 | *1b* | | |
| Lease liabilities – net of current portion | 63,886 | | | 63,886 | 63,886 |
| Deferred tax liabilities | 30,653 | | | 30,653 | 30,653 |
| Other noncurrent liabilities | 20,387 | | | 20,387 | 20,387 |
| **Total Noncurrent Liabilities** | 862,835 | | | 902,338 | 922,167 |
| **Equity Attributable to Equity Holders of the Parent Company** | | | | | |
| Capital stock – common | 16,443 | | | 16,443 | 16,443 |
| Capital stock – preferred | 10,187 | | | 10,187 | 10,187 |
| Additional paid-in capital | 177,719 | | | 177,719 | 177,719 |
| Capital Securities | 28,171 | | | 28,171 | 28,171 |
| Equity reserves | 15,577 | | | 15,577 | 15,577 |
| Retained earnings | | | | | - |

| | | | | |
|---|---|---|---|---|
| Appropriated | 63,437 | | 63,437 | 63,437 |
| Unappropriated | 154,383 | | 154,383 | 154,383 |
| Treasury Stock | (144,363) | | (144,363) | (144,363) |
| | 321,554 | | 321,554 | 321,554 |
| Non-controlling interests | 361,109 | | 361,109 | 361,109 |
| **Total Equity** | 682,663 | | 682,663 | 682,663 |
| **Total Capitalization** | 2,221,901 | *2* | 2,261,404 | 2,281,233 |

*1 Adjusted amount as of June 30, 2022 includes proceeds of (a) ₱40 billion base offer size with an (b) oversubscription option of ₱20 billion, after deduction of fees, commissions and expenses.*

*2 Total capitalization is the sum of debt and equity.*

# DESCRIPTION OF THE BONDS

*The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors of the Company, the information contained in the Prospectus, the Trust Agreement, and the other Bond Agreements or other agreements, Applicable Law, rules and regulations of PDTC and PDEx relevant to the Offer, and to perform their own independent investigation and analysis of the Issuer and the Bonds. Prospective Bondholders must make their own appraisal of the Issuer and the Offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the Offer. They must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective Bondholder's independent evaluation and analysis. Prospective Bondholders are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Bonds.*

The registration of up to ₱60,000,000,000.00 aggregate principal amount of the Bonds was authorized by a resolution of the Board of Directors on September 22, 2022. The Bonds with an aggregate issue size of up to ₱60,000,000,000.00 consisting of the Base Offer of ₱40,000,000,000.00 and the Oversubscription Option of up to ₱20,000,000,000.00 shall be issued.

The Bonds will be issued on [November 21, 2022] (the "**Issue Date**") and will be comprised of 5.25-year Series L Bonds due 2028, 7-year Series M Bonds due 2029, and 10-year Series N Bonds due 2032. The Issuer has the discretion to allocate the principal amount of the Bonds among the Series L Bonds, the Series M Bonds, and the Series N Bonds based on the book building process.

The Bonds shall be offered and sold through a general public offering in the Philippines.

The Bonds shall be governed by the Trust Agreement dated [●] between the Issuer and Rizal Commercial Banking Corporation – Trust and Investments Group as Trustee. The Trustee has no interest in or relation to the Issuer which may conflict with the performance of its functions. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement.

A Registry and Paying Agency Agreement in relation to the Bonds was executed on [●] between the Issuer and PDTC as Registrar and Paying Agent. PDTC has no interest in or relation to the Issuer which may conflict with the performance of its functions.

Copies of the Trust Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Agreement and all the provisions of the Registry and Paying Agency Agreement applicable to them.

**Form and Denomination**

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing each of the Series L Bonds, Series M Bonds, and Series N Bonds sold in the Offer shall be issued in the name of the Trustee for the benefit of the Bondholders.

The Bonds shall be issued in minimum denominations of ₱50,000.00 each, and in integral multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

**Title**

Legal title to the Bonds will be shown in the Registry of Bondholders maintained by the Registrar and Paying Agent. A notice confirming the principal amount of the Bonds purchased by each Applicant in the Offer shall be issued by the Registrar and Paying Agent to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from the transferor to the transferee in the Registry of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfer or change, including, but not limited to, documentary stamps taxes, if any, shall be for the account of the relevant Bondholder or the transferee, as applicable.

**BOND RATING**

The Bonds have been rated PRS Aaa with a Stable Outlook by PhilRatings. PRS Aaa is the highest rating assigned by PhilRatings. The ratings and the corresponding outlook were assigned given the following key considerations: (a) diversified portfolio of market-leading businesses; (b) seasoned management team; (c) sustained profitability, driven by the continuous recovery of major businesses, albeit tempered by external headwinds; and (d) adequate liquidity, supported by stable cash flow generation.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

**TRANSFER OF THE BONDS**

**Registry of Bondholders**

The Issuer shall cause the Registrar to keep the Registry of Bondholders in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and assignments of Bonds, including any liens and encumbrances thereon, shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least every quarter (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Bonds may be made during the Closed Period (as defined below).

Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable prevailing Philippine selling restrictions.

**Transfers: Tax Status**

Trading of the Bonds will be coursed through a PDEx Trading Participant subject to the applicable PDEx Rules. Trading, transfer and/or settlement of the Bonds shall be performed in accordance with the PDTC rules and procedures to be set by the Issuer and the Registrar and Paying Agent. Upon any assignment of the Bonds, title thereto will pass by recording of the transfer from the transferor to the transferee in the Registry of Bondholders.

Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder or the transferee, as applicable.

The Bondholders may not transfer their Bonds as follows:

(a) transfers across Tax Categories on a date other than on an Interest Payment Date that falls on a Business Day; provided, however, that transfers from a tax-exempt Tax Category to a taxable Tax Category on a date other than an Interest Payment Date shall be allowed using the applicable tax rate on PDEx, ensuring the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt person shall be treated as being of the same Tax Category as its taxable counterparty for the interest period within which such transfer occurred; provided, finally, that this restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented. For purposes hereof, ["**Tax Categories**" shall refer to the four (4) final withholding tax categories in the PDEx system covering, particularly, tax-exempt persons, 20% tax-withheld persons, 25% tax-withheld persons, and 30% tax-withheld persons], as such categories may be revised, amended or supplemented by PDEx in accordance with its rules and Applicable Law;

(b) transfers by Bondholders with deficient documents; and

(c) transfers during a Closed Period. For purposes hereof, "**Closed Period**" means a period during which the Registrar shall not register any transfer or assignment of the Bonds, specifically: (i) the period of two (2) Business Days preceding any Interest Payment Date or the due date for any payment of the Final Redemption Amount of the Bonds; or (ii) the period when any of the Bonds have been previously called for redemption.

Transfers taking place in the Registry of Bondholders after the Bonds are listed on PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if/and or when so allowed under and in accordance with the relevant rules, conventions, and guidelines of PDEx and PDTC.

A Bondholder claiming tax-exempt status is required to submit to the Registry of Bondholders the required tax-exempt documents as detailed in the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar and Paying Agent. Please see the sections on "*Description of the Bonds – Tax-Exempt Status or Entitlement to Preferential Tax Rate*" for a detailed discussion on the requirements for claiming a preferential tax status.

Notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar and Paying Agent, and the Joint Lead Underwriters and Bookrunners of documentary proof of tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

The Bondholders shall be responsible for monitoring and accurately reflecting their tax status in the Registry of Bondholders. The payment report to be prepared by the Registrar and Paying Agent and submitted to the Issuer in accordance with the Registry and Paying Agency Agreement, which shall be the basis of payments on the Bonds on any Interest Payment Date, shall reflect the tax status of the Bondholders as indicated in their accounts as of the Record Date.

**Secondary Trading of the Bonds**

The Issuer intends to list the Bonds on PDEx for secondary market trading and, for that purpose, the Issuer has filed an application for such listing. However, there can be no assurance that such a listing will actually be achieved or whether such a listing will materially affect the liquidity of the Bonds on the secondary market. Such listing would be subject to the Issuer's execution of a listing agreement with PDEx that may require the Issuer to make certain disclosures, undertakings, and payments on an ongoing basis.

For so long as any of the Bonds are listed on PDEx, the Bonds will be traded in a minimum board lot size of ₱10,000.00, and in multiples of ₱10,000.00 in excess thereof. Secondary market trading in PDEx shall follow the applicable PDEx Rules governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEx and PDTC, all of which shall be for the account of the Bondholders.

**Ranking**

The Bonds shall constitute the direct, unconditional, unsecured, and unsubordinated obligations of the Issuer ranking at least *pari passu* and ratably without any preference or priority among themselves and at least *pari* *passu* with all its other present and future, unsecured and unsubordinated Debt of SMC, contingent or otherwise, other than Debt mandatorily preferred by law, and preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (but not the preference or priority established by Article 2244(14)(a) of the Civil Code of the Philippines).

**INTEREST AND INTEREST PAYMENT DATES**

**Interest**

The Series L Bonds shall have a term of five (5) years and three (3) months from Issue Date with a fixed interest rate equivalent to [●]% per annum.

The Series M Bonds shall have a term of seven (7) years from Issue Date with a fixed interest rate equivalent to [●]% per annum.

The Series N Bonds shall have a term of ten (10) years from Issue Date with a fixed interest rate equivalent to [●]% per annum.

**Interest Payment Dates**

The Bonds shall bear interest on its principal amount from and including the Issue Date, payable quarterly in arrears starting on [●], 2023 as the first Interest Payment Date, and on [●], [●], [●], and [●] of each year at which the Bonds are outstanding as the subsequent Interest Payment Dates, or the subsequent Business Day, without adjustment to the amount of interest due, if the relevant Interest Payment Date falls on a non-Business Day.

The cut-off date in determining the existing Bondholders entitled to receive interest or any other amount due under the Bonds shall be two (2) Business Days prior to the relevant Interest Payment Date or such other date as the Issuer may duly notify PDTC (the "**Record Date**"). The Record Date shall be the reckoning date in determining the Bondholders entitled to receive interest or any other amount due under the Bonds.

**Interest Accrual**

The Bonds shall cease to bear interest from and including the Maturity Date, as defined in the discussion on "*Description of the Bonds – Final Redemption*" below, unless (a) the Bonds are redeemed at an earlier date in accordance with the terms and conditions of the Bonds, or (b) upon due presentation, payment of the principal in respect of the Bonds then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see "*Description of the Bonds – Penalty Interest*" below) shall apply.

**Determination of Interest**

Interest on the Bonds shall be calculated on a European 30/360-day count basis, regardless of the actual number of days in a month.

**REDEMPTION AND PURCHASE**

**Final Redemption**

Unless otherwise earlier redeemed or purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on its Maturity Date. However, if the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.

For the Series L Bonds, the third (3rd) month after the fifth (5th) anniversary of the Issue Date or on [●].

For the Series M Bonds, the seventh (7th) anniversary of the Issue Date or on [●].

For the Series N Bonds, the tenth (10th) anniversary of the Issue Date or on [●].

Each Bondholder in whose name the Bonds are registered in the Registry of Bondholders at the close of business on the Record Date preceding the Maturity Date shall be entitled to receive the principal amount of the Bonds. In all cases, repayment of principal shall be remitted to the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

**Optional Redemption**

The Issuer shall have the right, but not the obligation, to redeem in whole (but not in part) any series of the outstanding Bonds on the dates set out below (each an "**Optional Redemption Date**"):

| **Series L Bonds** | |
|---|---|
| **Optional Redemption Dates** | **Optional Redemption Price** |
| On the 3rd anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to Maturity Date. | 100.50% |

| **Series M Bonds** | |
|---|---|
| **Optional Redemption Dates** | **Optional Redemption Price** |
| On the 5th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 6th anniversary of the Issue Date. | 101.00% |
| On the 6th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the Maturity Date. | 100.50% |

| **Series N Bonds** | |
|---|---|
| **Optional Redemption Dates** | **Optional Redemption Price** |
| On the 7th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 8th anniversary of the Issue Date. | 101.50% |
| On the 8th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest Payment Date prior to the 9th anniversary of the Issue Date. | 101% |
| On the 9th anniversary of the Issue Date and every Interest Payment Date thereafter until the Interest | 100.50% |

| | |
|---|---|
| Payment Date prior to the Maturity Date. | |

provided, that if the relevant Optional Redemption Date falls on a day that is not a Business Day, then the payment of accrued interest and the Optional Redemption Price shall be made by the Issuer on the next Business Day, without adjustment to the amount of interest and Optional Redemption Price to be paid. For the avoidance of doubt, the Bondholders shall not have any right to cause the Issuer to redeem the Bonds pursuant to this Optional Redemption.

The amount payable to the Bondholders upon the exercise of the Optional Redemption by the Issuer shall be calculated, based on the principal amount of Bonds being redeemed, as the sum of: (i) accrued interest computed from the last Interest Payment Date up to the relevant Optional Redemption Date; and (ii) the product of the principal amount of the Bonds being redeemed and the Optional Redemption Price in accordance with the above table.

The Issuer shall give no more than 60 nor less than 30 days' prior written notice to the Trustee, Registrar and Paying Agent of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds on the Optional Redemption Date stated in such notice. Upon receipt by the Trustee of such notice, the Trustee through the Issuer shall secure from the Registrar and Paying Agent an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the relevant Record Date shall be entitled to receive the interest and Optional Redemption Price. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

**Redemption for Taxation Reasons**

If payments under the Bonds become subject to additional or increased taxes (other than the taxes and rates of such taxes prevailing on the Issue Date) as a result of certain changes in law, rules or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, and not in part only, on any Interest Payment Date (having given not more than 60 nor less than 30 days' prior written notice to the Trustee, Registrar and Paying Agent) at par (or 100% of the face value) and paid together with the accrued interest thereon, subject to the requirements of Applicable Law; provided that if the Issuer does not redeem the Bonds, then all payments of principal and interest in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by Applicable Law. In that event, the Issuer shall pay to the Bondholders concerned such additional amount as will result in the receipt by such Bondholders of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.

Upon receipt by the Trustee of a written notice from the Issuer hereunder, the Trustee through the Issuer shall secure from the Registrar and Paying Agent an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Bonds under this section.

**Redemption by Reason of Change in Law or Circumstance**

Upon the occurrence of a Change in Law or Circumstance (as enumerated below), the Issuer may redeem the Bonds in whole, but not in part, having given not more than 60 days nor less than 30 days' prior written notice to the Trustee, the Registrar and the Paying Agent, at 100% of the face value and paid together with the accrued interest thereon.

The following events shall be considered as changes in law or circumstance ("**Change in Law or Circumstance**") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Agreement:

(a) any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified, withdrawn or withheld in a manner which will materially and adversely affect the ability of the Issuer to comply with such obligations;

(b) any provision of the Bond Agreements (in whole or in part) is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder or to enforce any provision thereunder; or any law is introduced or any existing Applicable Law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the Issuer of its obligations under the Bond Agreements;

(c) any concession, permit, right, franchise or privilege required for the conduct of the business and operations of the Issuer shall be revoked, cancelled, or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer; or

(d) the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer or the same does not materially and adversely affect the financial condition or operations of the Issuer.

Upon receipt by the Trustee of a written notice from the Issuer on the occurrence of any Change in Law or Circumstance, the Trustee shall secure from the Registrar an updated list of Bondholders as of the Record Date indicated in the notice from the Issuer and provide written notices to all registered Bondholders of the intended early redemption. Each Bondholder in whose name the Bonds subject of the early redemption are registered in the Registry of Bondholders at the close of business on the Record Date shall be entitled to receive the principal of the Bonds subject of the early redemption and the interest accrued thereon. The Issuer shall pay the Bondholders in accordance with the terms of the Registry and Paying Agency Agreement.

The Bondholders shall not have any right to cause the Issuer to redeem the Bonds pursuant to a Change in Law or Circumstance under this section.

**Purchase and Cancellation**

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make *pro rata* purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transaction in accordance with the applicable PDEx disclosure rules.

**Payments**

The principal of, interests on, and all other amounts payable on the Bonds shall be paid to the Bondholders through the Paying Agent. The Paying Agent shall credit the proper amounts received from the Issuer via RTGS, net of final taxes and fees (if any), to the cash settlement banks of the Bondholders (nominated by the Bondholders in the Application to Purchase or as the Bondholder may notify the Paying Agent in writing), for onward remittance to the relevant cash settlement account of the Bondholder with the cash settlement bank. The principal of, interest on, and all other amounts payable on the Bonds shall be payable in Philippine Pesos.

In the event that the details of the cash settlement account indicated by the Bondholder in the Application to Purchase are incomplete or erroneous, or the cash settlement account of the Bondholders has been closed or is dormant or inexistent, due to which payments to the Bondholders cannot be effected in a timely manner, the cash settlement bank shall handle such funds in accordance with its own internal procedures until the correction of the cash settlement account is effected and until credit of the relevant cash entitlement is completed. In these cases, the Issuer and the Paying Agent shall not be liable to the relevant Bondholder for any failure or delay in the Bondholder's receipt of such payments.

Upon credit of the funds indicated in the payment report, the obligation of the Issuer to deliver payment on the relevant Payment Date in accordance with the Registry and Paying Agency Agreement is discharged and the Issuer shall be held free and harmless from any losses, claims, damages, liabilities and expenses arising from or in relation to the non-receipt by the Bondholder of the interest, the Final Redemption Amount and/or such other payments due on the Bonds, unless such non-receipt by the Bondholder is solely and directly attributable to the fault or negligence of the Issuer. For the avoidance of doubt, the foregoing shall not create any right, privilege, or benefit in favor of the Bondholders.

The Issuer shall ensure that so long as any of the Bonds remain outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds, and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint such other leading institution in the Philippines authorized to act in its place.

**Payment of Additional Amounts – Taxation**

Interest income on the Bonds is subject to a withholding tax at rates of between 10% and 25% depending on the tax status of the Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided, however, that the Issuer shall not be liable for the following:

(a) the withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended (the "**Tax Code**"), and its implementing rules and regulations as may be in effect from time to time; provided, further, that all Bondholders are required to provide the Issuer through the Bondholders' Selling Agent or PDEx Trading Participant and endorsed to the Registrar and Paying Agent their validly issued tax identification numbers issued by the Bureau of Internal Revenue ("**BIR**");

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding;

(d) Value-Added Tax under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337 and Republic Act No. 10963; and

(e) any applicable taxes on any subsequent sale or transfer of the Bonds by any holder which shall be for the account of such holder (or its buyer, as the holder and the buyer may have agreed upon).

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

Please see the section on "*Taxation*" on page 311 of this Prospectus for a more detailed discussion on the tax consequences of the acquisition, ownership, and disposition of the Bonds.

**Tax-Exempt Status or Entitlement to Preferential Tax Rate**

An investor who is exempt from the aforesaid withholding tax or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar and Paying Agent, subject to acceptance by the Issuer as being sufficient in form and substance:

(a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant Applicant or Bondholder, confirming its exemption or its entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular ("**RMC**") No. 8-2014 including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief:

(ii) a non-resident Bondholder may signify its intention to claim preferential tax rate under the relevant tax treaty by submitting to the Issuer the Application Form for Treaty Purposes (BIR Form 0901) and Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, and such other documentary requirements enumerated in BIR Revenue Memorandum Order ("**RMO**") No. 14-2021 in relation to BIR RMC No. 77-2021 and 20-2022. For the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Bondholder is entitled to the preferential tax treaty rate based on the documents submitted by the non-resident Bondholder, provided that all the conditions for the availment thereof, other than residency, have been satisfied;

(ii) in the event that the Issuer determines that the non-resident Bondholder is not entitled to the preferential tax treaty rate based on the documents submitted in item (i) above and determines that all conditions for the availment thereof have not been satisfied, the Issuer shall apply the regular tax rates;

(iii) if the non-resident Bondholder intends to obtain a confirmation of entitlement to treaty benefits, the non-resident Bondholder may apply for tax treaty relief with the BIR in accordance with BIR RMO No. 14-2021;

(iv) if the regular withholding tax rate have been imposed, the Issuer shall not apply for any confirmatory application of preferential tax rates with the BIR;

(v) should the BIR grant the application for tax treaty relief, it is the obligation of the non-resident Bondholder to apply for refund with the BIR. The Issuer shall not refund the non-resident Bondholder any amount as a result of the application of the higher tax rate;

(vi) the non-resident Bondholder must update its Certificate of Entitlement to Treaty Benefits ("**COE**") annually, if applicable, as described in BIR RMO No. 14-2021, as further clarified by BIR RMC Nos. 77-2021 and 20-2022. Expired COEs will not be accepted by the Issuer; and

(vii) aside from the updated COE (if applicable), the non-resident Bondholder shall submit its TRC annually to the Issuer as continuing proof of its entitlement to the preferential tax treaty rate. Absent such updated TRC and COE (if applicable), the Issuer shall apply the regular tax rate;

(c) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption or preferential rate treatment based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account, or (ii) the trust officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (*i.e.* Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Bondholder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, upon submission of the Application to Purchase to the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners or Selling Agents (if any) who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

Failure on the part of the Bondholder to submit the aforementioned document/s within the time prescribed shall result in the application of the regular tax rates.

**FINANCIAL RATIO**

The Issuer may incur Debt if, on the Transaction Date, after giving effect to the incurrence of such Debt, but not giving any effect to the receipt or application of proceeds therefrom, the ratio of the Consolidated Net Debt to Consolidated Total Equity shall be equal to or less than 2.10x, and Consolidated EBITDA to Consolidated Total Interest Expense shall be equal to or more than 2.00x.

**NEGATIVE PLEDGE**

The Issuer will not, and shall procure that none of its Material Subsidiaries shall, without the consent of the Majority Bondholders, (i) create, assume, incur or suffer to exist any Lien upon any of its properties or assets; and (ii) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by the Issuer or any member of the SMC Group, in circumstances where the arrangement or transaction is entered into primarily as method of raising Debt or of financing acquisitions of an asset; provided that the foregoing restrictions shall not apply to any Permitted Liens.

**EVENTS OF DEFAULT**

Each of the following events shall constitute an "**Event of Default**" under the Bonds and the Trust Agreement:

(a) the Issuer defaults in the payment when due of any amount payable to the Bondholders under the Trust Agreement unless such failure arises solely as a result of an administrative or technical error or a Disruption Event and payment is made within three (3) Business Days after the date such payment is due (a "**Payment Default**");

(b) the Issuer fails to perform, comply with, or violates any material provision, term, condition, covenant or obligation contained in the Trust Agreement (other than by reason of paragraph (a) above), and any such failure, non-compliance or violation is not remediable or, if remediable, continues unremedied for a period of 30 days (or such longer curing period granted to the Issuer by the Majority Bondholders) from the date after written notice thereof shall have been given to the Issuer by the Trustee;

(c) any representation or warranty which is made by the Issuer or any of the directors or officers of the Issuer in the Trust Agreement or otherwise in connection with the Trust Agreement, or in any certificate delivered by the Issuer under or in connection with the Trust Agreement, shall prove to have been untrue or incorrect in any material respect as of the time it was made;

(d) any Debt of the Issuer, whether singly or in the aggregate, in excess of U.S.$35,000,000 or its equivalent in Pesos or other currencies, using the Philippine Dealing System (PDS) closing rate of the immediately preceding Business Day, is not paid on its due date or within any applicable grace period or is declared to be due and payable prior to its stated date of payment (except where liability for payment of that Debt is being contested in good faith by appropriate means);

(e) a decree or order by a court or other Governmental Authority having jurisdiction over the premises is entered without the consent or application of the Issuer:

(1) adjudging the Issuer bankrupt or insolvent;

(2) approving a petition seeking a suspension of payments by or a reorganization of the Issuer under any applicable bankruptcy, insolvency or reorganization law;

(3) appointing a receiver, liquidator or trustee or assignee in bankruptcy or insolvency of the Issuer or of all or substantially all of the business or assets of the Issuer;

(4) providing for the winding up or liquidation of the affairs of the Issuer;

(5) with a view to the rehabilitation, administration, liquidation, winding-up or dissolution of the Issuer; or

(6) taking other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (5) above (inclusive);

*provided*, that, the issuance of any such decree or order shall not be an Event of Default if the same shall have been dismissed or stayed by injunction or otherwise within 90 days from issuance thereof;

(f) the Issuer:

(1) institutes voluntary proceedings to be adjudicated bankrupt or insolvent or consents to the filing of a bankruptcy or insolvency proceeding against it;

(2) files a petition seeking a suspension of payments by it or its rehabilitation or reorganization under any applicable bankruptcy, insolvency, rehabilitation, or reorganization law or consents to the filing of any such petition;

(3) seeks or consents to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of all or substantially all of its business or assets;

(4) makes an assignment for the benefit of its creditors or admits in writing its inability to pay its debts generally as they become due;

(5) files a petition seeking the winding up or liquidation of its affairs or consents to the filing of any such petition;

(6) takes any other step with a view to its rehabilitation, administration, liquidation, winding-up or dissolution or a suspension of payments by it; or

(7) takes other action under Applicable Law which is similar to any of the events mentioned in paragraphs (1) to (6) above (inclusive);

(g) final and executory judgment(s) or order(s) are rendered by a court of competent jurisdiction against the Issuer or its properties or assets from which no appeal may be made for the payment of money which will have a Material Adverse Effect and such judgment or order shall continue unsatisfied or undischarged after 90 days;

(h) the Issuer shall suspend or discontinue all or a substantial portion of its business operations, whether voluntarily or involuntarily for a period of 30 consecutive days except in cases of strike, lockout, or closure when necessary to prevent business losses or when due to fortuitous events, or in cases of *force majeure*, *provided* that in any such event of strikes, lockouts, closure, or *force majeure*, there is no Material Adverse Effect; and

(i) any event or circumstance that will have a Material Adverse Effect has occurred and is continuing.

**Notice of Default**

The Trustee shall, within five (5) Business Days after receipt of written notice from the Issuer or the Majority Bondholders of the occurrence of an Event of Default, give to all the Bondholders written notice of any such Event of Default unless the same shall have been cured before the giving of such notice; provided, that in the case of a Payment Default (as described in paragraph (a) of the "*Description of the Bonds – Events of Default*") the Trustee shall immediately notify the Bondholders upon the occurrence of such Payment Default.

**Consequences of Default**

(a) If any one or more of the Events of Default shall have occurred and be continuing after the lapse of the period given to the Issuer within which to cure such Event of Default, if any, or upon the occurrence of such Event of Default for which no cure period is provided, (i) the Trustee upon the written direction of the Majority Bondholders, by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the Issuer in default ("**Declaration of Default**") and declare the principal of the Bonds then outstanding, together with all accrued and unpaid interest thereon and all amounts due thereunder, to be due and payable not later than five (5) Business Days from the receipt of the Declaration of Default ("**Default Payment Date**") with a copy to the Registrar and Paying Agent who shall then prepare a payment report in accordance with the Registry and Paying Agency Agreement. Thereupon, the Issuer shall make all payments due on the Bonds in accordance with the Registry and Paying Agency Agreement.

(b) All the unpaid obligations under the Bonds, including accrued interest, and all other amounts payable thereunder, shall be declared to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer.

**Penalty Interest**

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, or otherwise, is not paid on the relevant due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay a penalty fee on the defaulted amount(s) at the rate of 12% per annum (the "**Penalty Interest**") from the time the amount fell due until it is fully paid in accordance with the Terms and Conditions of the Bonds and the Trust Agreement.

**Payments in the Event of Default**

Upon the occurrence of any Event of Default, and provided that there has been a Declaration of Default and acceleration of payment of the Bonds by the Majority Bondholders, then in any such case:

(a) the Issuer will pay the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable, based on the payment report no later than the Default Payment Date. The Issuer also undertakes that it shall give the Trustee written notice of its intention to make any payments under this paragraph (a); and

(b) the Trustee shall have the right to require the Registrar and Paying Agent, upon demand in writing, to do the following:

  (i) to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee;

  (ii) deliver all evidence of the Bonds and all sums, documents, and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such demand; provided, that such demand shall be deemed not to apply to any documents or records which the Registrar and Paying Agent is not allowed to release by any law or regulation; and/or

  (iii) subject to the terms of the Registry and Paying Agency Agreement, apply any money received from the Issuer pursuant to this section in the order of preference provided in the "*Description of the Bonds – Application of Payments*" below.

**Application of Payments**

Any money collected by the Trustee as a consequence of a Declaration of Default and any other funds held by it, subject to any other provision of the Trust Agreement relating to the disposition of such money and funds or to the Registry and Paying Agency Agreement, shall be applied by the Trustee in the order of preference as follows:

(a) *First*: to the *pro rata* payment to the Trustee, the Registrar and Paying Agent, and PDEx of the reasonable, actual, and documented costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all reasonable, actual, and documented expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Bonds.

(b) *Second*: to the payment of all outstanding interest, including any Penalty Interest, in the order of maturity of such interest based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.

(c) *Third*: to the payment of the principal amount of the Bonds then due and payable based on the information on Bondholders reflected in the relevant registry account to be provided by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement.

(d) *Fourth*: the remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

**Prescription**

Claims in respect of principal and interest or other sums payable under the Bonds shall prescribe unless the claim is made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

**Remedies**

All remedies conferred by the Trust Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the discussion under "*Description of the Bonds – Ability to File Suit*".

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

**Ability to File Suit**

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer under the Trust Agreement on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder unless: (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds in accordance with the provisions on notice of default (See *Description of the Bonds – Notice of Default*); (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in its own name; (iii) the Trustee for 60 days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner herein provided and for the equal, ratable, and common benefit of all the Bondholders.

**Waiver of Default by the Bondholders**

The Majority Bondholders may direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Trust Agreement, or may on behalf of the Bondholders waive any past default except the Events of Default defined as a Payment Default, insolvency default or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee, and the Bondholders shall be restored to their former positions and rights under the Trust Agreement; provided, that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

**SUBSTITUTION**

Substitution of the Bonds is not contemplated.

**TRUSTEE; NOTICES**

The following discussion is qualified by the more detailed information in the Trust Agreement.

**Notice to the Trustee**

All documents required to be submitted to the Trustee and all other notices, requests, and other communications must be in writing and will be deemed to have been duly given only if delivered personally, or mailed (first class postage prepaid) or emailed to the Trustee at the following address, or email address; and addressed to the individuals named below:

To the Trustee:

**RIZAL COMMERCIAL BANKING CORPORATION – TRUST AND INVESTMENTS GROUP**
9th Floor, Yuchengco Tower RCBC Plaza 6819 Ayala Avenue,
Makati City

| | |
|---|---|
| Attention: | Ryan Roy W. Sinaon / Justine Kim C. Marte |
| Telephone No: | (+632) 8 894 9000 local 1278 |
| Email: | rwsinaon@rcbc.com |

All such notices, requests and other communications will: (i) if delivered personally to the address as provided above, be deemed given upon delivery; and (ii) if delivered by mail or email in the manner described above to the address as provided above, be deemed given upon receipt and in case of email, if received in readable form (in each case regardless of whether such notice, request or other communication is received by any other Person on behalf of such individual to whom a copy of such notice, request or other communication is to be delivered). The Trustee may from time to time change its address, email address, or other information for the purpose of notices hereunder by giving notice specifying such change.

Any notice, report or communication received on a non-working day or after business hours in the place of receipt will only be deemed given on the next working day in that place.

**Notice to the Bondholders**

The Trustee shall send all notices to Bondholders to their respective mailing address as set forth in the Registry of Bondholders. Except where a specific mode of notification is provided for in the Bond Agreements, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) ordinary mail; (iii) by publication for at least once a week for two (2) consecutive weeks in at least two (2) newspapers of general circulation in the Philippines; (iv) personal delivery to the address of record in the Registry of Bondholders; or (v) disclosure through the Online Disclosure System of the PDEx. The Trustee shall rely on the Registry of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by ordinary mail; (iii) on the date of last publication, if notice is made by publication; or (iv) on the date of delivery, for personal delivery; or (v) on the date of disclosure, if notice is made by disclosure through the Online Disclosure System of the PDEx.

A notice made by the Issuer to the Trustee is notice to the Bondholders. The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by the Issuer to the PDEx on a matter relating to the Bonds shall be deemed a notice to the Bondholders of said matter on the date of the first publication or the date of the disclosure, as the case may be.

**Duties and Responsibilities of the Trustee**

The Trustee shall be responsible for performing the following duties, among others, for the benefit of the Bondholders:

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such diligence, judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters will exercise in the management of their own affairs.

(c) None of the provisions contained in the Trust Agreement and the Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under the Trust Agreement.

**Resignation and Change of Trustee**

(a) The Trustee may at any time resign by giving at least 90 days' prior written notice to the Issuer and Bondholders of such resignation.

(b) Upon receipt of such notice of resignation of the Trustee, the Issuer shall immediately appoint a replacement trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the replacement trustee. If no replacement shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a replacement, or any Bondholder who has been a *bona fide* holder for at least the immediately preceding six (6) months may, for and in behalf of the Bondholders, petition any such court for the appointment of a replacement. Such court may thereupon after notice, if any, as it may deem proper, appoint a replacement trustee.

(c) Subject to paragraph (f) below, a replacement trustee must possess all the qualifications required under pertinent laws and the Trust Agreement.

(d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, or for other causes set out in the Trust Agreement, then the Issuer may within 30 days therefrom remove the Trustee, and appoint a replacement trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the replacement trustee. If the Issuer fails to remove the Trustee and appoint a replacement trustee, any Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a replacement trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a replacement trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and with consent of the Issuer, appoint a replacement trustee, by the delivery to the Trustee so removed, to the replacement trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders, which removal shall take effect 30 days from receipt of such notice by the Trustee; provided, that if no replacement trustee shall have been appointed within 90 days from the receipt of the Issuer of the required evidence of the action taken, the Majority Bondholders may appoint a replacement trustee without the consent of the Issuer. This is without prejudice to whatever remedies may be available to the Majority Bondholders under the law or in equity.

(f) Any resignation or removal of the Trustee and the appointment of a replacement trustee pursuant to any of the provisions in the Trust Agreement shall become effective upon the earlier of: (i) the acceptance of appointment by the replacement trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided, however, that after the effectivity of the resignation notice and, as relevant, until such replacement trustee is qualified and appointed, the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the replacement trustee promptly upon the appointment thereof by the Issuer and shall be entitled to incurred, due and demandable fee stipulated in the Trust Agreement for services already rendered.

**Successor Trustee**

(a) Any successor trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor trustee, the trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the trustee so ceasing to act as such. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship and/or by publication once in a newspaper of general circulation in Metro Manila, Philippines. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

**Reports to the Bondholders**

Only upon the existence of either (a) or (b) below, the Trustee shall submit to the Bondholders on or before March 1 of each year from the Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(a) the property and funds, if any, physically in the possession of the Registrar and Paying Agent held in trust for the Bondholders on the date of such report which shall be based on the report to be given by the Registrar and Paying Agent to the Trustee upon request by the Trustee through the Issuer; or

(b) any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within 90 days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Registrar and Paying Agent with respect to the character, amount, and the circumstances surrounding the making of such advance; provided that, the remaining unpaid amounts of such advance is at least 10% of the aggregate outstanding principal amount of the Bonds at such time.

**Inspection of Documents**

Upon due notice to the Trustee, the following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(a) the Trust Agreement;
(b) the Registry and Paying Agency Agreement;
(c) the latest Amended Articles of Incorporation and Amended By-Laws of the Company; and
(d) the Registration Statement of the Company with respect to the Bonds and the Prospectus.

**MEETING OF BONDHOLDERS**

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

The following discussion is qualified by the more detailed information in the Trust Agreement.

**Notice of Meetings**

The Trustee may at any time call a meeting of the Bondholders, on its own accord or upon the written request by the Issuer, or the Majority Bondholders, for purposes of taking any actions authorized under the Trust Agreement. The meeting may be held at such time and at such place as the Trustee shall determine. Meetings may be either in person or through teleconference, videoconference or through similar modes of modern communication technology.

Unless otherwise provided in the Trust Agreement, the Trustee shall give notice of every meeting of the Bondholders (which notice must set forth the time, place, and purpose of such meeting in reasonable detail) to the Issuer and each of the registered Bondholders not earlier than 45 days nor later than 15 days prior to the date fixed for the meeting (physical or *via* remote communication) and shall publish such notice once in a newspaper of general circulation; provided, that the Trustee shall fix the record date for determining the Bondholders entitled to notice and vote during the meeting, which record date shall not be earlier than 45 days before the date of the meeting; provided, further, that all reasonable, actual and documented costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement, subject to obtaining prior written consent of the Issuer for reasonable, actual and documented costs and expenses in excess of Fifty Thousand Pesos (₱50,000.00) per occurrence; provided, further, that any meetings of the Bondholders shall be held at such time and place within Metro Manila as the party requesting such meeting may determine.

**Failure of the Trustee to Call a Meeting**

Failure of the Trustee to call a meeting upon the written request of either the Issuer or the Majority Bondholders within five (5) Business Days from receipt of such request shall entitle the requesting party to send and publish the appropriate notice of Bondholders' meeting and fix the record date for determining the Bondholders entitled to attend and vote in accordance with the procedure set forth under "*Description of the Bonds – Notice of Meetings*". The costs for calling such a meeting shall be for the Trustee's account in case of unjustified failure of the Trustee to call the meeting is due to its willful misconduct, fraud, evident bad faith or gross negligence.

**Quorum**

The presence of Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders. The Trustee shall determine and record the presence of the Majority Bondholders based on the list of Bondholders prepared by the Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement (which list shall include all information necessary to the performance of the duties and powers of the Trustee under the Trust Agreement, such as, but not limited to, specimen signatures of the Bondholders' authorized signatories). The Registrar and Paying Agent shall provide the Trustee with the foregoing list and information upon receipt of a written request from the Trustee.

**Procedure for Meetings**

(a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Majority Bondholders as provided under "*Description of the Bonds – Failure of the Trustee to Call a Meeting*" in which case the Issuer or the Majority Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting. The elected secretary shall take down the minutes of the meeting, covering all matters presented for resolution by, and the results of the votes cast by, the Bondholders entitled to vote at the meeting and/or the Person appointed in writing by a public instrument as proxy or agent by any such Bondholder in accordance with the procedure set forth in "*Description of the Bonds – Voting Rights*". The elected secretary shall immediately provide the Trustee with a copy of the minutes of the meeting which copy shall be made available at any time to the Issuer and all Bondholders upon receipt of written request.

(b) Any meeting of the Bondholders may be adjourned from time to time for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called, and the meeting so adjourned may be held without further notice. Any such adjournment may be ordered by Persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

**Voting Rights**

To be entitled to vote at any meeting of the Bondholders, a Person should be a registered holder of the Bonds as reflected in the Registry of Bondholders on the relevant record date fixed by the Trustee, the Issuer or the Majority Bondholders (as the case may be), or a Person appointed in writing by a public instrument as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) for the meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00). The only Persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the Persons entitled to vote at such meeting, the Trustee, and any representative of the Issuer and its legal counsel.

**Voting Requirement**

Except as provided in "*Description of the Bonds – Amendments*," all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders (present or represented in a meeting at which there is a quorum). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Trustee as if the votes were unanimous.

**Role of the Trustee in Meetings of the Bondholders**

Notwithstanding any other provisions of the Trust Agreement, the Trustee may make such reasonable regulations (not inconsistent with the Trust Agreement) as it may deem advisable for any meeting of the Bondholders, with regard to proof of ownership of the Bonds, the appointment of proxies by the Bondholders, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem fit.

**Evidence Supporting the Action of the Bondholders**

Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

**Non-Reliance**

Each Bondholder also represents and warrants to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee or the Issuer, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Bonds and on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee or the Issuer. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all claims, liabilities, damages, penalties, judgments, suits, expenses, and other costs of any kind or nature against the Trustee in respect of its obligations under the Trust Agreement, except for its gross negligence, fraud, evident bad faith or willful misconduct.

**Amendments**

The Issuer and the Trustee may, without prior notice to or the consent of the Bondholders or other parties, amend or waive any provisions of the Trust Agreement if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency; provided, in all cases, that such amendment or waiver does not adversely affect the interests of the Bondholders; provided, further, that all Bondholders are notified of such amendment or waiver.

With the consent of the Majority Bondholders, the Issuer, when authorized by a resolution of the Board of Directors or the executive committee of the Board of Directors, and the Trustee may, from time to time and at any time, enter into an agreement or agreements supplemental to the Trust Agreement for the purpose of adding any provision to or changing in any manner or eliminating any of the provisions of the Trust Agreement; provided, that no such supplemental agreement shall:

(a) without the consent of all Bondholders affected thereby: (i) extend the maturity date of the Bonds; or (ii) reduce the principal amount of the Bonds; or (iii) reduce the rate or extend the time of payment of interest and principal thereon;

(b) impair the right of any Bondholder to (i) receive payment of principal of and interest on the Bonds on or after the due dates therefore or (ii) to institute suit for the enforcement of any payment on or with respect to such Bondholder;

(c) affect the rights of some of the Bondholders without similarly affecting the rights of all the Bondholders;

(d) make any Bond payable in money other than that stated in the Bond;

(e) subordinate the Bonds to any other obligation of the Issuer;

(f) amend or modify the provisions of the Terms and Conditions on Taxation, the Events of Default or the waiver of default by the Bondholders;

(g) reduce the percentage of the Bondholders required to be obtained under the Trust Agreement for their consent to or approval of any supplemental agreement or any waiver provided for in the Trust Agreement, without the consent of all the Bondholders; or

(h) make any change or waiver of the conditions under paragraphs (a) to (g) inclusive.

It shall not be necessary to obtain the consent of the Bondholders under the foregoing paragraphs for the purpose of approving the particular form of any proposed supplemental agreement, but such consent shall be necessary for the purpose of approving the substance thereof.

Any consent given pursuant to this section shall be conclusive and binding upon all Bondholders and upon all future holders and owners of the Bonds or of any Bonds issued in lieu thereof or in exchange therefor, irrespective of whether or not any notation of such consent is made upon the Bonds.

**GOVERNING LAW**

The Bond Agreements are governed by and are construed in accordance with Philippine law.

**VENUE**

Any suit, action, or proceeding arising out of, or relating to, the Bonds or the Trust Agreement shall be brought in any competent court in the Cities of Makati, Mandaluyong, and Pasig, at the option of the plaintiff and to the exclusion of all other courts of equal and competent jurisdiction, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer, Trustee and Bondholders expressly waiving other venue.

**WAIVER OF PREFERENCE**

The obligations created under the Bond Agreements and the Bonds shall not enjoy any priority of reference or special privileges whatsoever over any Debt or obligations of the Issuer. Accordingly, whatever priorities or preferences that the Bond Agreements may have or any Person deriving a right hereunder may have under Article 2244, paragraph 14(a) of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14(a) of the Civil Code of the Philippines shall be deemed revoked if it be shown that any Debt of the issuer has a priority or preference under the said provision.

# RISK FACTORS

**General Risk Warning**

*An investment in the Bonds involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of the Bonds. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the business, financial condition, and results of operations and cause the market price of the Bonds to decline. All or part of an investment in the Bonds could be lost. Investors deal in a range of investments each of which may carry a different level of risk.*

*The means by which we intend to address the risk factors discussed herein are principally presented under "The Company" beginning on page 132, "Management's Discussion and Analysis of Results of Operations and Financial Condition" beginning on page 291, and "Management" on page 274 of this Prospectus.*

*The risk factors discussed in this section are of equal importance and are separated into categories for ease of reference only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materializing, of the potential significance of the risks or of the scope of any potential harm to our business, results of operations, financial condition, and prospects*

***Prudence Required***

*The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly available information on the Bonds and SMC from the SEC, PDEx, and PSE.*

***Professional Advice***

*An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high-risk securities.*

***Risk Factors***

*This Prospectus contains forward-looking statements that involve risks and uncertainties. SMC adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of SMC, in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.*

*Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the Bonds. The business, financial condition, and results of operations of the Company could be materially and adversely affected by any of these risk factors.*

**RISKS RELATING TO SMC AND THE SMC GROUP**

***The COVID-19 Pandemic***

In order to contain the COVID-19 outbreak, the President of the Philippines issued a memorandum on March 13, 2020 imposing stringent social distancing measures in the National Capital Region effective March 15, 2020, as well as in other areas in the country. Since then, varying levels of measures restricting movement have been imposed. In the latter half of 2021, a surge of cases was brought about by the Delta variant which saw daily cases reach 20,000.

On September 11, 2020, President Rodrigo Duterte signed into law Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act" ("**Bayanihan II**"), which extends the emergency powers of the President granted by its predecessor law, Republic Act No. 11469, otherwise known as the "Bayanihan to Heal as One Act" which ceased to be effective on June 25, 2020. Section 4 of the Bayanihan II authorizes the President to exercise powers necessary and proper to undertake and implement COVID-19 response and recovery measures such as directing institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum 30-day grace period for the payment of utilities falling due within the period of enhanced community quarantine ("**ECQ**") or Modified ECQ ("**MECQ**"), without incurring interests, penalties, and other charges; provided that after the grace period, unpaid residential; micro-, small and medium-sized enterprises; and cooperative utility bills may be settled on a staggered basis payable in not less than three (3) monthly installments, subject to the procedural requirements of the concerned regulatory agencies in the imposition of such installment plan without interests, penalties and other charges. In case of the electric power sector, the minimum 30-day grace period and staggered payment without interests, penalties and other charges will apply to all payments due within the period of community quarantine in the entire electric power value chain to include generation companies, transmission utility and distribution utilities. Bayanihan II remained in effect until June 30, 2021.

On November 11, 2021, the President issued Executive Order No. 151, Series of 2021, which provided for the nationwide implementation of the Alert Level System as part of the government's COVID-19 pandemic response.

As of the date of this Prospectus, Metro Manila and neighboring areas have been placed under Alert Level 1, which is the least restrictive classification in the Alert Level System. Given the evolving and dynamic nature of the COVID-19 pandemic due to the emergence and proliferation of numerous variants, the Philippines continues to have minimum public health protocols imposed by the national government and local government units. Notably, the prolonged lockdowns in 2020 and 2021 gave rise to new norms such as work from home arrangements and online learning. With government restrictions generally easing up in 2022, government authorities have allowed onsite classes to gradually resume. Many businesses have likewise shifted to onsite work arrangements.

The COVID-19 pandemic, or the future outbreak of any other highly infectious or contagious diseases, could materially and adversely affect the Company's business, results of operations, and financial condition. Further, the continuing impact of the COVID-19 pandemic is highly unpredictable and uncertain, and has and will continue to cause disruptions in the Philippine and global economy and financial markets, as well as the Company's financial performance, among others.

The COVID-19 pandemic has created significant public health concerns as well as economic disruption, uncertainty, and volatility, all of which have affected and may continue to affect the Company's businesses. While the Company has implemented numerous initiatives to mitigate the adverse effects of the pandemic, the duration and extent of these effects are beyond the control of the Company. As of the date of this Prospectus, quarantine restrictions are still in place in the Philippines and may be made more stringent if COVID-19 cases rise.

Due to numerous uncertainties and factors surrounding the pandemic that is beyond the Company's control, it may be difficult to predict the pandemic's long-term bearing on the Company, its businesses, results of operations, cash flows, and financial condition. These factors and uncertainties include, but are not limited to:

- the severity and duration of the pandemic, including whether there are subsequent waves or other additional periods of increases or spikes in the number of COVID-19 cases in future periods in areas in which the Company operates;

- the extent and timeliness of the national and local government's response to the pandemic, including but not limited to, quarantine restrictions as well as vaccination procurement and deployment programs;

- restrictions on business operations, including complete or partial closure of offices, plants, and other facilities;
- economic measures, fiscal policy changes, or additional measures that have not yet been implemented;
- the health of, and effect of the pandemic on, the Company's personnel and the Company's ability to maintain staffing needs to effectively sustain its operations;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- impact—financial, operational or otherwise—on the Company's supply chain, including suppliers and third-party contractors;
- volatility in the credit and financial markets during and after the pandemic;
- the impact of any litigation or claims from customers, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto; and
- the pace of recovery considering the rebound in consumer confidence, driven by government and economic response.

The above factors and uncertainties, may result in adverse effects to the Company's businesses, results of operations, cash flows, and financial condition due to, among other factors:

- decline in consumer demand due to the general decline in business activity and more permanent behavioral and work policy changes, such as increased use of online channels for shopping, payments and social gatherings, and wider acceptance of work-from-home arrangements;
- further destabilization of the markets and decline in business activity negatively impacting customers' ability to pay for the Company's products and services;
- government moratoriums or other regulatory or legislative actions that limit changes in pricing;
- delays or inability to access equipment or the availability of personnel to perform planned and unplanned maintenance, which can, in turn, lead to disruption in operations;
- delay or inability to receive the necessary permits for the Company's development projects due to delays or shutdowns of government operations;
- increased volatility in commodity markets and foreign exchange;
- deterioration of economic conditions, demand, and other related factors resulting in impairments to goodwill or long-lived assets; and
- delay or inability in obtaining regulatory actions and outcomes that could be material to our business.

The extent to which the COVID-19 pandemic will continue to impact the Company will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19, in the Philippines and internationally, by governments, central banks, healthcare providers, health system participants, other businesses, and individuals, all of which are highly uncertain and unpredictable. To the extent the COVID-19 pandemic adversely affects the business and financial results of the Company, it may also have the effect of heightening many of the other risks described in this Prospectus.

On February 26, 2021, Republic Act No. 11525, otherwise known as the "COVID-19 Vaccination Program Act of 2021" was enacted. This law was part of government's efforts to institutionalize its strategy in implementing the vaccination country nationwide. The law covers the emergency use authorization of COVID-19 vaccines and outlines vaccine procurement and inoculation procedures. In particular, the law stipulates that the procurement, importation, donation, storage, transportation, and administration of COVID-19 vaccines would be exempt from taxes and fees levied by the government. In addition, individuals who experience serious adverse effects from the COVID-19 vaccine are compensated under such law through the creation of the COVID-19 National Vaccine Indemnity Fund.

Section 17 of Republic Act No. 11525 states that the law's effectivity shall remain throughout the period of the state of calamity which was declared under Proclamation No. 1021, Series of 2020, issued by President Rodrigo Roa Duterte on September 16, 2020 due to COVID-19. About a year later, President Duterte extended the said period of the state of calamity throughout the country until September 12, 2022. About a year later, on September 10, 2021, President Duterte issued Proclamation No. 1218, Series of 2021, which extended the period of the nationwide state of calamity to September 12, 2022. Thereafter, on September 12, 2022, President Ferdinand R. Marcos, Jr. further extended such state of calamity throughout the Philippines until December 31, 2022 by virtue of Proclamation No. 57, Series of 2022.

On September 15, 2022, the compulsory notification threshold for mergers and acquisitions to the PCC adjusted by Bayanihan II has expired. As such, the compulsory notification threshold for mergers and acquisitions is now ₱2.5 billion for the Size of Transaction and ₱6.1 billion for the Size of Parties. In regard to the regulatory relief and waiver of permits, licenses, certificates, clearances, consents, authorizations for private projects that are nationally significant, the provisions of Bayanihan II on said matters have expired on June 30, 2022.

By virtue of Proclamation No. 57, series of 2022, the President extended the period of state of calamity throughout the Philippines due to COVID-19 up to December 31, 2022. The state of calamity may be earlier lifted or extended, as circumstances may warrant. All government agencies and local government units were enjoined to continue rendering full assistance to and cooperation with each other and mobilize the necessary resources to undertake critical, urgent, and appropriate disaster response aid and measures in a timely manner to curtail and eliminate the threat of COVID-19.

Under Executive Order No. 04, series of 2022, cognizant of the continuing disruptive effects of the pandemic, the President imposed a moratorium on the payment of the principal value and annual interest due and payable by agrarian reform beneficaries. The moratorium shall be effective until September 13, 2023.

The Company believes this risk brought about by the COVID-19 pandemic can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide a complete insulation from such risk.

***Monkeypox outbreak***

Since early May 2022, cases of monkeypox have been reported from countries where the disease is not endemic and continue to be reported in several monkeypox endemic countries. Most confirmed cases with travel history reported travel to countries in Europe and North America, rather than West or Central Africa, where the monkeypox virus is endemic. This is the first time that many monkeypox cases and clusters have been reported concurrently in non-endemic and endemic countries in widely disparate geographical areas. Thus, the World Health Organization has declared it a public health emergency of international concern in July 2022.

The Department of Health ("**DOH**") detected the first confirmed case of monkeypox in the Philippines in July 2022. As of August 31, 2022, there has been a total of four (4) cases in the country, with each confirmed case undergoing isolation and contact tracing to identify close contacts who must quarantine. The DOH gave assurances that the country's public health surveillance systems are able to detect and confirm monkeypox cases and that the Philippines is compliant with the latest protocols to care for patients and halt infection. Meanwhile, the public has been urged to continue observing minimum health standards. Public health interventions and community engagement to track infections and prevent transmission continue worldwide, with some countries in Europe and North America seeing a sustained decline in cases.

As with the COVID-19 pandemic, the outbreak of a virus or any public health epidemic in the Philippines could have an adverse effect on the Philippine economy, and could materially and adversely affect the Company's business, financial condition, and results of operations. The extent to which outbreak-related regulations will impact the Company will depend on future developments, which are highly uncertain and cannot be predicted. The Company believes the risk brought about by the monkeypox outbreak can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion, please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide a complete insulation from such risk.

***Digital commerce platforms***

The importance of online selling platforms increased significantly during the COVID-19 pandemic. Heightened demand for consumer goods available online was observed as consumers chose to stay at home and avoid brick-and-mortar stores in the short to medium term as the country continues to grapple with the COVID-19 pandemic.

To improve product availability and accessibility during the COVID-19 pandemic, the Company, through SMFB launched a new ordering system, https://thehub.sanmiguel.com.ph (formerly, *https://themall.sanmiguel.com.ph)*, and has utilized the country's top e-commerce sites, including Lazada, Zalora, Grab Mart, Shopee, and Panda Mart, to sell its products.

The increased use by customers of e-commerce platforms could make SMC increasingly reliant on digital ordering and e-payments as sales channels. These digital ordering and payment platforms may be compromised or interrupted by power loss, system failures, user errors, other forms of sabotage and fraud or other *force majeure*. The execution of the Company's growth strategy moving forward will depend, in part, on such initiatives utilizing digital solutions, gathering, and leveraging data to enhance operations, and improving the customer experience on multiple platforms. Additionally, implementing, maintaining, and upgrading digital solutions to meet and serve consumer demands and support operations may require significant investment.

To mitigate this risk, the Company has in place data protection, security policies, and service level agreements with third-party digital platforms. The Company also monitors data privacy regulations and trends in the different markets it operates in to ensure compliance and implementation of best data protection practices.

***Changes in consumer preferences and purchasing power***

The SMC Group's ability to successfully develop and launch new products, which is a key part of its strategy, as well as the ability to maintain or increase demand for existing products, depend on the acceptance of these products by consumers, as well as consumers' purchasing power. Consumer preferences may shift for a variety of reasons, including changes in international, national, regional, and local economic conditions; culinary, demographic and social trends; and leisure activity patterns or consumer lifestyle choices.

There can be no assurance that any new products introduced in the future will generate the estimated consumer interest, projected revenues or expected market share. If the Company's marketing strategies are not successful or do not respond timely or effectively to changes in consumer preferences, large expenses may be incurred without the benefit of higher revenues and the Company's businesses and prospects could be materially and adversely affected.

In addition, as the Company continues to take advantage of the "premiumization" trend by strengthening the focus on its higher margin premium and upscale brands, particularly in the food and beverage business and in the Greater Manila and key cities nationwide, the Company's business and prospects become more closely related to, and affected by, changes in consumer purchasing power and lifestyles. Any decrease in consumers' purchasing power or disposable income levels could have a material adverse effect on the Company's financial condition and results of operations.

The Company believes this risk can be managed by leveraging on its strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***Diversification of businesses and acquisition of new businesses***

The traditional core businesses of SMC comprise beverage, food, and packaging products. Since embarking on its diversification strategy in 2007, SMC has expanded its businesses to include fuel and oil, energy, and infrastructure, among others. SMC implemented this strategy through a series of acquisitions and investments and intends to continue to pursue this diversification strategy through further acquisitions and investments to enhance its product and brand portfolio and realize other strategic and cost benefits.

The diversification strategy of SMC involves a number of risks and challenges, including substantial financial investments, the diversion of management's time and resources, and managing a broader scope of businesses and risks inherent in making new acquisitions and investments. Growth through acquisitions involves business risks, including unforeseen contingent risks, latent business liabilities, and other challenges that may only become apparent after the acquisition is finalized, such as the successful integration and management of the acquired business by SMC, retention of key personnel, joint sales and marketing efforts, and management of a larger business. In addition, there is no assurance that SMC will achieve the anticipated benefits, expected returns, strategic benefits or synergies of an acquisition, or that SMC will be as successful in new businesses as it has been in its traditional core businesses. Failure to successfully implement its diversification strategy, to integrate acquired businesses or to realize the anticipated benefits of acquisitions or investments could materially and adversely affect the business, financial condition, results of operations, and prospects of SMC.

SMC, through its mergers and acquisitions team, undertakes prudent review and due diligence, and evaluates the viability of any acquisition or investment. In addition, the Company is guided by metrics when assessing possible investments, which include, but not limited to, financial returns and possible synergies across the SMC Group, with an overall objective of maximizing returns for its shareholders.

***Ability of the largest shareholders to influence corporate actions***

Top Frontier Investment Holdings, Inc. ("**Top Frontier**") and Privado Holdings, Corp. ("**Privado**") are the major shareholders of SMC and hold directly and indirectly approximately 65.99% and 15.67% of the common shares of SMC, respectively, and collectively control approximately 81.66% of the voting rights of the common shares of SMC, as of June 30, 2022. Top Frontier and Privado are able to influence the businesses of SMC through their ability to vote on corporate actions that require board and shareholder approval. Top Frontier and Privado are not obligated to provide SMC with financial support. The interests of Top Frontier and Privado may differ from those of the holders of the Bonds or of the other shareholders of the Company, which may, as a result, adversely affect the interests of such holders. There can be no assurance that any conflicts of interest between and among the holders of Bonds, Top Frontier, Privado, or other shareholders of the Company will be resolved in favour of such holders, or that Top Frontier and Privado will influence SMC to pursue actions that are in the best interests of such holders

The Company continues to have comprehensive discussions and good relationship with its shareholders working towards a common goal of expanding the business, increasing profitability and maximizing shareholder value.

***Possible disagreements among joint venture partners of SMC***

Some of the businesses of SMC are conducted through joint ventures with other partners, including Kirin Holdings Company Limited ("**Kirin**") for beer, Hormel Netherlands B.V. for processed meats, Korea-Water Resources Corporation ("**K-Water**") for the Angat Hydroelectric Power Project ("**AHEPP**"), Nihon Yamamura Glass Co. Ltd. ("**NYG**"), Fuso Machine & Mold Manufacturing Co. Ltd. ("**Fuso**"), and Can Pack SA ("**Can-Pack**") for packaging products. Cooperation among partners on business decisions is crucial to the sound operation and financial success of these joint venture companies. While the SMC Group believes that it maintains good relationships with its partners, there can be no assurance that these relationships will be sustained in the future or that problems will not develop. For example, such partners may be unable or unwilling to fulfil their obligations, take actions contrary to SMC's policies or objectives, or experience financial difficulties. If any of these events occur, the businesses of these subsidiaries could be severely disrupted, which could have a material adverse effect on the Company's business, financial condition, and results of operations.

SMC continues to engage and generally has good working relationships with its business partners to ensure sound operation and financial success of these joint ventures.

***Dependence on trademarks and proprietary rights***

The SMC Group uses various brand names and trademarks, including *San Miguel*, *Ginebra San Miguel*, *Purefoods*, *Magnolia, Star*, *Dari Créme*, *B-Meg*, *La Pacita, Petron*, *Gasul,* and other intellectual property rights to prepare, package, advertise, distribute, and sell its products for its various businesses. Protection of those brands and intellectual property rights is important to maintaining the distinctive corporate and market identities of the SMC Group. If third parties sell products which use counterfeit versions or otherwise look confusingly similar to SMC Group brands, consumers may mistake products of the Company with those that they consider to be inferior. This could negatively affect the brand image and sales of the SMC Group, particularly in the beverage and food businesses. In addition, the SMC Group has been granted numerous trademark registrations covering its brands and products, and has filed, and expects to continue to file, trademark applications seeking to protect newly developed brands and products.

There is no assurance that third parties will not challenge, violate or attempt to infringe any existing or future trademarks issued to, or licensed by, the SMC Group. Any failure to protect the proprietary rights of the SMC Group could severely harm its competitive position, which could materially and adversely affect the business, financial condition, results of operations, and prospects, as well as the reputation, of the SMC Group. In addition, certain intellectual property rights used by the SMC Group are licensed and there is no assurance that the relevant licensors will agree to renew the licenses on terms acceptable to the SMC Group or at all. The failure to renew one or more of its material licenses could have a material adverse effect on the ability of the SMC Group to market certain products and on the results of operations of the SMC Group.

SMC closely monitors products released in the market that may mislead consumers as to the origin of such products and attempt to ride on the goodwill of its brands and other proprietary rights. The Company has also retained independent external counsels to alert the Company of any such attempts and to enjoin third parties from the use of colorable imitations of its brands and/or marked similarities in general appearance or packaging of products, which may constitute trademark infringement and unfair competition.

***Availability of financing***

The expansion and growth plans of the SMC Group are expected to be funded through a combination of internally generated funds and external fund-raising activities, including debt and equity financing. The continued access of the SMC Group to debt and equity financing as sources of funding for new projects and acquisitions and for refinancing maturing debt is subject to many factors, including: (i) Philippine regulations limiting bank exposure to a single borrower or related group of borrowers; (ii) the compliance of SMC Group with existing debt covenants, which include debt-to-equity ratio and debt service coverage ratio covenants; (iii) the ability of the SMC Group to service new debt; and (iv) perceptions in the capital markets regarding the SMC Group and the industries in which it operates, and other factors, including general conditions in the debt and equity capital markets, which are outside of its control. Political instability, an economic downturn, social unrest, or changes in the Philippine regulatory environment could increase the cost of borrowing for the SMC Group or restrict its ability to obtain debt financing.

In addition, certain subsidiaries of SMC have significant finance lease obligations, long-term debt, and have issued perpetual capital securities.

As of June 30, 2022, the noncurrent liabilities of SMC included finance lease liabilities (net of current portion) of ₱63,886 million and long-term debt (net of current maturities and debt issue costs) of ₱747,909 million. For the same period, the current liabilities of SMC included accounts payable and accrued expenses of ₱243,347 million and finance lease liabilities (current portion) of ₱20,204 million.

There is no assurance that the SMC Group will be able to arrange and obtain additional financing when needed on commercially acceptable terms, or at all. Any additional debt financing may place restrictions on the Company, which may, among others:

- increase vulnerability to general adverse economic and industry conditions;
- limit ability to pursue growth plans;
- limit ability to raise additional financing and access credit or equity markets to satisfy its repayment obligations as they become due on favourable terms, or at all;
- require the Company to dedicate a substantial portion of cash flow from operations to payments on debt and capital securities, thereby reducing the availability of its cash flow to fund capital expenditure, working capital requirements, and other general corporate purposes; and/or
- limit its flexibility in planning for, or reacting to, changes in its business and its industry, either through the imposition of restrictive financial or operational covenants or otherwise.

Any inability of the SMC Group to obtain financing from banks and other financial institutions or from the capital markets would adversely affect the ability of the SMC Group to execute its expansion and growth strategies, as well as its financial condition and prospects.

The Company believes that close monitoring, management, and the exercise of financial prudence for its financing requirement, guided by its corporate governance and risk management initiatives will lessen any impact of such events. The Company can also rely on its strengths to navigate and have continual access to financing. For further discussions on these strengths, please refer to Strengths and Strategies on page 144.

***Potential changes in the legal and regulatory environment***

The businesses and operations of the SMC Group are subject to a number of national and local laws, rules, and regulations governing several different industries both in the Philippines and in other countries where it conducts its businesses. While each industry where the SMC Group operates has specific regulatory risks, the one common factor among these is that the political and regulatory landscape is continually evolving, and the SMC Group is required to continuously assess and ensure it is up to date with the demands of regulatory compliance. These laws and regulations require the Company to obtain and maintain several approvals, licenses, and permits from various entities such as the Philippine Food and Drug Administration ("**FDA**"), the Philippine Department of Environment and Natural Resources ("**DENR**"), the Philippine Energy Regulatory Commission (the "**ERC**"), the Philippine Department of Trade and Industry ("**DTI**"), and the Philippine Department of Transportation ("**DOTr**"), among others. Additionally, the Company may need to apply for more approvals, licenses, and permits and renew such approvals, licenses, and permits that may expire from time to time. In addition, there is no assurance that the Company will not be subject to new licensing requirements in the future or that it will be able to obtain and/or maintain such approvals, licenses or permits in a timely manner, or at all, or that it will not become subject to any regulatory action on account of not having obtained or renewed such approvals, licenses, and permits.

For example, SMC Global Power is subject to extensive regulation in the Philippines, including the Electric Power Industry Reform Act of 2001 ("**EPIRA**"), as amended. The enactment and implementation of any such bills or amendments to the EPIRA or other changes to Philippine laws and regulations relevant to the power industry, could have a material adverse effect on the business, financial condition, and results of operations of SMC Global Power, or on the rules and regulations governing the power industry, which could materially reduce sales and profitability. For the toll road business, the approval of the TRB, which is under DOTr, is necessary before a toll road concessionaire may implement a toll rate increase. In 2017, the TRB approved the toll rate increase for the STAR Tollway, of which 50% of the toll rate increase has been implemented in November 2017.

For the Fuel and Oil Business, House Bill No. 8764, House Bill No. 5172, House Bill No. 4550 and House Bill No. 7928 are currently pending in Congress to amend the Downstream Oil Industry Deregulation Act (Republic Act No. 8469). Among the proposed amendments is to authorize the Department of Energy ("**DOE"**) to: (a) determine the formula for the computation of the fair price to be used by the oil industry sector in the increase or decrease of prices of gasoline and related products; and (b) fix the maximum rate of increase in the prices of fuel and other petroleum products. In addition, House Bill No. 10411 was filed on November 15, 2021 to suspend the collection of higher excise on gasoline, diesel, kerosene, and other oil products as mandated by the TRAIN Act.

There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Company. In particular, the enactment and implementation of any such bills or amendments to the Tax Code, or other changes to Philippine laws and regulations relevant to the food and beverage, packaging, fuel and oil, power, and infrastructure industries, could increase the Company's costs and have a material adverse effect on the business, financial condition, and results of operations. In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the SMC 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 SMC Group.

While the SMC Group believes that it has, at all relevant times, materially complied with all applicable laws, rules and regulations, there is no assurance that changes in laws, rules or regulations or the interpretation thereof of relevant government agencies, will not result in the SMC Group having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities or being subject to an increased rate of taxation or fines and penalties.

The SMC Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the SMC Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that the SMC Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Company endeavours to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

***Increases and changes in applicable taxes, taxation laws and tax incentives***

The businesses and operations of the SMC Group are subject to various taxes, including value-added tax ("**VAT**"), excise taxes, duties, and tariffs in the Philippines and in other countries where it conducts its businesses. An increase in prices due to additional taxes may affect demand for its products in the Philippines.

For example, the second package of the tax reform program, also known as the CREATE Act, was passed by both the House of Representatives and Senate of the Philippines on February 3, 2021, and signed into law by the President of the Philippines on March 26, 2021 as Republic Act No. 11534. The CREATE Act took effect on April 11, 2021, 15 days after its publication in a newspaper of general circulation last March 27, 2021. In approving the CREATE Act, the President of the Philippines vetoed certain provisions including, among others, provisions relating to tax incentive entitlement of domestic market enterprises with an investment capital of ₱500 million and domestic market enterprises engaged in activities that are classified as "critical" to a special corporate income tax. The CREATE Act lowers the corporate income tax and provides for rationalization of fiscal incentives that may be granted by investment promotion agencies (such as the Authority of the Freeport Area of Bataan) to qualified registered business enterprises. Under the CREATE Act, the corporate income tax rate for domestic corporations and resident foreign corporations shall be reduced to 25% effective July 1, 2020 and effective on January 1, 2021 for non-resident foreign corporations; domestic corporations, resident foreign corporations no longer have an option to be taxed at 15% on gross income; and the rate of the minimum corporate income tax ("**MCIT**") is lowered to 1% from July 1, 2020 to June 30, 2023.

As part of the rationalization of tax incentives, the CREATE Act provides that: (i) any law to the contrary notwithstanding, the importation of petroleum products by any person shall be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, shall be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the BIR to ensure that crude oil shall not be lifted from the refinery without payment of appropriate duties and taxes.

The other tax reform packages that the government hopes to implement under the CTRP include tax amnesties (estate and general), as well as "sin" (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP proposes to remove the transaction tax on listed and traded debt instruments by 2026 and exempt non-monetary documents from documentary stamp tax.

On September 9, 2019, the House of Representatives of the Philippines approved on third and final reading House Bill No. 304, or the Passive Income and Financial Intermediary Taxation Act ("**PIFITA**"). The PIFITA bill provides for, among others, a reduction in the tax rates on interest income from yield or any other monetary benefit earned or received from bank deposits, deposit substitutes, trust fund and similar arrangements from the current 20% to 15%, and an increase in the tax rate on cash and/or property dividends from the current 10% to 15%. In addition, the PIFITA bill provides for the rationalization of documentary stamp taxes. In the event the PIFITA bill is enacted, there may be additional costs that may be passed on to the Company. To date, the PIFITA bill remains pending in Congress.

Increases in excise tax, changes in the applicable tax regime or other taxes and incentives to which the SMC Group is subject, or the imposition of new taxes on its operations or products, including those which may result from ongoing tax reforms by the Government may, (i) if passed on to the consumers by way of upward price adjustments, reduce consumption of SMC Group products, (ii) if prices remain unchanged, reduce margins, or (iii) if additional taxes are not fully passed on to the consumers, have both of the foregoing effects. Thus, as with other Philippine companies engaged in similar businesses, these increases and changes may materially and adversely affect the Company's business, financial condition, and results of operations.

There can be no assurance that any pending tax legislation or future changes in the tax regime in the Philippines would not have a material and adverse effect on the Company's business, financial condition, and results of operations.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***Compliance with and renewal of licenses, permits and other authorizations***

The SMC Group is required to maintain licenses, permits, and other authorizations for the operations of its businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If the SMC Group fails to meet the terms and conditions of any of our licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While the Company believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules, and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in the Company having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties. The measures implemented by SMC to comply with laws and regulations may also be deemed insufficient by governmental authorities. If the Company fails to comply or is deemed to be non-compliant with any applicable laws or regulations, the SMC Group may be subject to penalties, which could disrupt its operations and have a material adverse effect on its business and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings, the costs of which could be material. In the event that the Company becomes involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect its business, financial condition, and results of operations.

There can be no assurance that the SMC Group will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If the Company is unable to obtain or renew them or are only able to do so on unfavourable terms, this could have an adverse effect on the Company's business, financial condition, and results of operations.

The SMC Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits, and approvals are anticipated and obtained in a timely manner. The Office of the Compliance Officer of the Company monitors, reviews, evaluates, and ensures compliance by the Company with the rules and regulations and all governance issuances of regulatory agencies. The Office of the Compliance Officer also identifies, monitors, and controls compliance risks and possible areas of compliance issues. Further, the SMC Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

***Exposure to safety, health and environmental costs and liabilities***

The businesses of the SMC Group span several industries and are subject to a variety of laws, rules, and regulations that impose limitations, prohibitions, and standards with respect to health and safety, as well as the use, discharge, emission, treatment, release, disposal, and management of regulated materials and waste, and hazardous substances. Safety, health and environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly stricter in the future. The adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations as well as any costs related to fines and penalties.

Furthermore, if the measures implemented by the SMC Group to comply with these laws and regulations are not deemed sufficient by governmental authorities, compliance costs may significantly exceed estimates. If the SMC Group fails to meet safety, health, and environmental requirements, it may be subject to administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the SMC Group, as well as orders that could limit or halt its operations. There is no assurance that the SMC Group will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health, and environmental matters in the future, the costs of which could be material. Environmental compliance and remediation costs at sites on which its facilities are located and related litigation and other proceedings could materially and adversely affect the cash flow, results of operations, and financial condition of SMC.

The strong compliance culture of the SMC Group and the processes in place to manage adherence with laws and regulations mitigate this risk. For further information, see section on Regulatory Framework on page 316 and Compliance with Environmental Laws on page 154.

***Potential shortage of raw materials***

The products and businesses of the SMC 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 spirits business may face disruptions in the supply of major raw materials. For example, the current global focus on bioethanol fuel has contributed, and is expected to continue to contribute, to higher prices for molasses, which is a major raw material to produce spirits, as traders can choose to sell their molasses to producers of bioethanol rather than of beverage alcohol, thereby causing higher demand and cost.

Water is critical in the operations of the beer business, and it may not be able to source sufficient quantities or may face increases in water costs in the future. The beer business sources water requirements from deep wells and from water utility service providers. The Water Code of the Philippines (the "**Water Code**," Presidential Decree No. 1067) and its implementing rules and regulations govern the appropriation and use by any entity of water within the Philippines. Water permits are issued by the National Water Resources Board and restrictions on the use of deep well water could disrupt operations. Likewise, price increases for the use of deep well water or by water utility service providers could adversely affect operating costs, which could adversely affect the beer business, its financial condition, results of operations, and prospects.

The food business may be affected by disruptions in the supply of major raw materials which include anhydrous milk fat, wheat, and soybean meal due to weather conditions of source countries, outbreak of diseases or other geopolitical developments that may affect trade situations. Another raw material that may be affected is cassava, a substitute raw material in producing animal feeds. Adverse weather conditions and the relative price attractiveness of corn farming versus cassava at certain times may discourage local farmers to plant cassava and switch to planting corn. An assembler's program was established in 2017 which encourages farmers to organize into a business unit and assemble a minimum of 20 hectares of land for cassava or corn production. This program provides them with an assured market, a guaranteed floor price, technical assistance, access to financing and planting material advances. This may in turn result in the food business' purchasing a greater quantity of higher cost raw materials, which may affect the profit margin of the food business.

The packaging business also needs to obtain sufficient quantities of quality raw materials, including glass, aluminum, paper, and composites in a timely manner, and it requires a significant amount of electricity in order to maintain its operations.

The fuel and oil business is primarily affected by the volatility of crude oil prices, which are affected by changes in global supply and demand, international economic conditions, global conflicts or acts of terrorism, weather conditions, domestic and foreign governmental regulation, and other factors over which Petron has no control.

The power business requires sufficient coal supply from its power plants, which have entered into coal supply contracts with PT Kaltim Prima Coal ("**PT KPC**"), PT Bara Tabang ("**Bayan**"), and other reputable coal suppliers. If PT KPC, Bayan, and the other reputable coal suppliers fail to perform their obligations under the coal supply contracts, the disruption of coal supply may materially affect power plant operations.

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

Although the SMC Group actively monitors the availability and prices of raw materials, there is no assurance that these items will be supplied in adequate quantities or at the required quality to meet its needs or will not be subject to significant price fluctuations in the future. While the SMC Group may, in certain limited instances, be able to shift to alternative raw materials to produce its products, there is no assurance that it will be able to reduce its reliance on these raw materials in the future. The SMC Group may only have a limited ability to hedge against commodity prices and any hedging activities may not be as effective as planned. Moreover, market prices of raw materials could increase significantly if there are material shortages due to, among other things, competing usage, drastic changes in weather or natural disasters. There is no assurance that any increases in product costs could be passed on to consumers. As a result, any significant shortages or material increase in the market price of such raw materials could have a material adverse effect on the financial and operating performance of the SMC Group.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***Rising prices of raw materials***

The DTI continues to adjust suggested retail prices for basic necessities and prime commodities due to rising prices of raw materials, packaging, and other costs globally. Prices of petroleum products remain volatile as supply in the world market remains tight. Some groups have called for the suspension of excise oil tax and to review the oil deregulation law to offset the effects of the continuous oil price increase, which has already seeped to other commodities. Moreover, high cost of production of rice due to skyrocketing rates of fuel and fertilizers could further dissuade farmers from planting rice. Wheat price increased because of the Russian invasion of Ukraine, followed by the drought in India and the USA. Meat processors have also called for price increase on meat products to break even with their production costs.

Given the circumstances such as the Ukraine-Russia conflict, continuous lack of supply and increasing cost of imported raw materials, such as coal, fuel, and grains, increasing Peso-Dollar exchange rate, slight surges in COVID-19 cases both in the Philippines and abroad, prices of goods and services continue to rise. Growth in consumer prices soared further in August 2022 to 6.3 percent from 6.1 percent in June 2022, bringing year to date inflation to 4.9 percent, as supply limitations in the domestic market squeezed food costs. Expensive food continued to be the main driver of the surge in inflation during the month while other contributors were transport and utilities.

As previously mentioned, the SMC Group may only have a limited ability to hedge against commodity prices and any hedging activities may not be as effective as planned. There is no assurance that any increases in product costs could be passed on to consumers. Consequently, any significant increase in the market price of raw materials could have a material adverse effect on the financial and operating performance of the SMC Group. The Company believes the risk brought about by the rising prices of raw materials can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***Increased competition in the industries where the SMC Group operates***

The businesses of the SMC Group operate in an increasingly competitive environment, as discussed further elsewhere in this Prospectus.

The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources or have more extensive experience than the Company and its businesses, giving them the ability to respond to operational, technological, financial, and other challenges more quickly than the SMC Group. In addition, consolidation among competitors, the entry of new, larger competitors or other actions by competitors, such as unanticipated pricing of products at below-market prices or unconventional promotional activities, could exert downward pressure on prices of the SMC Group's products or cause market share to decline. Finally, the review by the Philippine Competition Commission ("**PCC**") of mergers and acquisitions meeting certain criteria and thresholds may delay or result in revisions to planned mergers and acquisitions, which could impact the SMC Group's plans and diversification program.

Any failure to successfully compete with competitors, maintain its customer base and market share or respond to new challenges could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies to ensure competitiveness. For a more detailed discussion please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***Ability of subsidiaries and associates to distribute dividends***

SMC is a holding company that conducts all of its operations through its subsidiaries, associates and joint ventures. As a holding company, the revenues of SMC are derived from, among other sources, dividends paid by its subsidiaries and associates. SMC is reliant on such sources of funds with respect to its obligations and in order to provide financial support to its subsidiaries. The ability of the subsidiaries, associates, and joint ventures of SMC to pay dividends is subject to, (i) the performance and cash flow requirements of such subsidiaries, associates, and joint ventures; (ii) the applicable laws; (iii) restrictions contained in loans and/or debt instruments of such subsidiaries; and (iv) the deduction of taxes.

Any restriction or prohibition on the ability of some or all of the subsidiaries, associates, and joint ventures of SMC to distribute dividends or make other distributions to SMC, either resulting from regulatory restrictions, debt covenants, operating difficulties or other limitations, could have a negative effect on the cash flow, financial condition, and results of operations of SMC.

SMC maintains a policy wherein subsidiaries declare a maximum level of dividends to the Parent Company, taking into consideration the funding requirements of the subsidiaries for its operations and expansion programs.

***Foreign exchange risk***

In 2021, approximately 81.17% of the consolidated sales of the SMC Group was denominated in Philippine Peso, while a substantial portion of its expenses, including raw materials, crude oil purchases, and foreign currency-denominated debt service costs, is denominated in U.S. Dollars. As of June 30, 2022, the percentage of outstanding short-term and long-term loans of the SMC Group denominated in foreign currencies was around 31%.

In addition, the financial reporting currency of SMC is in Philippine Peso, and therefore, depreciation of the Philippine Peso would result in an increase in foreign currency-denominated expenses of SMC as reflected in its Philippine Peso financial statements. This could also result in foreign exchange losses due to mark-to-market valuation of foreign currency-denominated assets and liabilities, including increases in the Philippine Peso amounts of the foreign currency-denominated debt obligations of SMC, thereby possibly adversely affecting its results of operations and financial condition. In addition, there is no assurance that SMC could increase its Peso-denominated product prices to offset increases in costs resulting from any depreciation of the Philippine Peso.

Further, the continuing depreciation of the Philippine Peso, may result in significant liquidity shortages and capital or exchange controls. This could result in a reduction of economic activity, economic recession, sovereign or corporate loan defaults, lower deposits, and an increased cost of funds. The occurrence of any of the foregoing events could have a material adverse effect on the businesses, financial condition, liquidity, and results of operations of SMC.

SMC uses a combination of natural hedges, coming from its foreign currency denominated assets, and derivative instruments to manage its exchange rate risk exposure as part of its prudent financial risk management.

***Loss of key personnel***

Any loss of key personnel, inability to replace such personnel, and failure to train and retain replacement personnel could materially and adversely affect the ability of the SMC Group to provide products and services to its customers. Continued resignation of trained personnel could also result in the SMC Group incurring additional expenses in hiring and training replacement personnel in a competitive job market, and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel being replaced. In addition, the SMC Group has relied and will continue to rely significantly on the continued individual and collective contributions of its senior management team. If any key personnel are unable or unwilling to continue in their present positions, the SMC Group may not be able to replace them easily, and its business may be significantly disrupted. Any of the foregoing could have a material adverse effect on the businesses of the SMC Group.

SMC Group strives to strengthen the competencies of its employees, specifically those in the succession pipeline of key personnel. The subsidiaries of SMC have established employee training programs such as the Brewing School for SMB that trains brewmasters, the San Miguel Pure Foods University and the Leadership Enrichment and Development Program of Petron, management training programs in partnership with Harvard Business Publishing and John Clements Consultants that prepare their employees to take on higher responsibilities. SMC also pursues strategic hiring for identified critical positions.

***Labor disruptions***

As of August 31, 2022, approximately 12% of the employees of the SMC Group were parties to various collective bargaining agreements and there are 34 labor unions within the businesses of the SMC Group. The SMC Group maintains good labor relationships and a constant line of communication with its employees. SMC also engages its employees through employee relations programs to maintain a high level of employee satisfaction.

Other than the January 4, 2020 strike staged by the Bataan Refiners Union of the Philippines at the Petron Limay Refinery, to which the Secretary of the Department of Labor and Employment ("**DOLE**") issued an Assumption Order on January 5, 2020 directing the striking union members to return to work, the SMC Group has not experienced any other strikes, work stoppages or other labor disruptions since 2003. However, there is no assurance that it will not experience future labor disruptions to its operations due to disputes or other issues with employees, which could materially and adversely affect its business, financial condition, and results of operations.

The SMC Group maintains good labor relationships and a constant line of communication with its employees. SMC also engages its employees through employee relations programs to maintain a high level of employee satisfaction.

***Covenants in existing debt agreements***

The existing debt agreements of the Company contain various covenants and cross-default clauses in relation to indebtedness of a Material Subsidiary of the Company. Under a cross-default clause, if a default by such Material Subsidiary under its debt agreement is not cured or waived, the default could result in the default by the Company under its own existing debt agreements. Moreover, the ability of the Company and its subsidiaries to comply with covenants contained in their respective debt agreements may be affected by events beyond the control of the Company or its subsidiaries, including but not limited to, prevailing economic, financial, and industry conditions. Even if the Company is able to comply with all of the applicable covenants and potential defaults by it or its subsidiaries may be cured or waived, any default by the Company on its existing debt agreements or an occurrence of a cross-default could adversely affect the business of the Company by, among other things, limiting its ability to take advantage of financing and investment opportunities that may be beneficial to the Company and to the SMC Group.

The cross-default clause is subject to monetary thresholds and cure periods as agreed with the relevant lenders and to compliance with procedural requirements before the Company can be declared in default under such debt instruments. Moreover, to mitigate this risk, the Company exercises prudent financial risk management and has an established system to regularly monitor and ensure compliance by the Company and its subsidiaries with their respective debt and financing covenants.

***Uninsured losses***

The SMC Group ensures that its facilities are adequately covered by insurance policies against certain business risks. However, the SMC Group may not be fully insured against, and insurance may not be available for, unexpected losses caused by natural disasters, breakdowns, or other events that could affect the facilities and processes used by its businesses. Any unexpected losses caused by such events against which it is not fully insured could have a material adverse effect on its businesses, financial condition, and results of operations. Any accident at the facilities of the SMC Group, which is not adequately covered by insurance, could result in significant losses. It could suffer a decline in production, receive adverse publicity, and be forced to invest significant resources in addressing such losses. Such events could materially and adversely affect its financial condition and results of operations.

The Company believes that it can withstand such events with its business strategies in place. The Company also has a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives. For further discussions on the business strategies of the Company, please refer to page 149.

***Outsourcing risk***

The Company outsources certain beverage, food, and packaging manufacturing and distribution operations to third-party contractors. To ensure the timely production and distribution of its products, the SMC Group continuously monitors the efficiency and manufacturing capabilities of the relevant production facilities. However, any of the third-party contractors may experience operational issues that could cause production shortages and distribution delays. If one or more of the contract manufacturers, facility operators or distributors of the SMC Group fails to or is unable to manufacture, produce or distribute products in a timely manner, in sufficient quantities or at satisfactory quality levels, then its ability to bring products to the market and its reputation could suffer, and these could have a material adverse effect on the businesses, financial performance, and prospects of SMC. In addition, there is no assurance that it will continue to find new contract manufacturers or distributors in line with increased customer demand in the future, which could materially and adversely affect the business and prospects of SMC.

Outsourcing also carries with it certain inherent risks. These include potential actions from employees of our third-party service providers who may claim an employee-employer relationship with SMC and the risk that our third-party contracting arrangements may be found by the DOLE to be "labor-only contracting," which could have a significant impact on labor costs. In addition, a labor dispute involving a substantial number or all of its employees may harm the Company's reputation, disrupt operations, and reduce revenues, while the resolution of disputes may increase costs.

The SMC Group continuously monitors the efficiency and manufacturing capabilities of the production facilities of its various contractors.

***Disruption of operations***

The SMC Group's facilities and operations 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. The Philippines has experienced a number of major natural catastrophes over the past years, including typhoons, volcanic eruptions, earthquakes, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. In the past, these events have affected our operating results. For example, the Japanese government banned the entry of any Philippine poultry products after the avian influenza outbreak in August 2017 and as a result, SMFB's customers in Japan cancelled their orders. In April 2017, SMFB suspended production in the flour mills located in Batangas Province for two (2) days after a series of earthquakes hit the area to assess the extent of damage and structural integrity of the building. A fire that occurred last February 1, 2020 in Pandacan, Manila damaged the storage and handling area for the plastic pallets of SMYPC as well as a portion of SMYPC's Manila plastics plant, which resulted in the suspension of operations at the plant. Said fire also damaged approximately 300 meters of a portion of the Skyway Stage 3 Project. There is no assurance that insurance coverage for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes. The Company's business, financial condition, and results of operations may be materially and adversely affected by any disruption of operations, whether at its own facilities or that of its suppliers, including those due to any of the events mentioned above.

The SMC Group undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices including regular monitoring of operations, scheduled maintenance of facilities and equipment, and continuous training of safety and maintenance personnel.

*Performance of information technology systems*

The SMC Group relies on its information technology systems to effectively and efficiently manage business data, communications, supply chain, order entry and fulfilment, and other business processes. The failure of such information technology systems to perform as anticipated could disrupt business operations, and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, affecting the business generally and causing results of operations to suffer. In addition, the SMC Group's information technology systems may be vulnerable to damage or interruption from circumstances beyond its control, including fire, natural disasters, power outages, systems failures, security breaches, cyber-attacks, and viruses. Any such damage or interruption could have a material adverse effect on the Company's businesses, financial condition, and results of operations.

To mitigate this risk, the Company invests in an up to date and integrated information technology systems with demonstrated capabilities. The Company also engages reputable third-party service providers for web services requirements and online platform.

*Legal and other proceedings*

The SMC Group may, from time to time, be involved in disputes with various parties in the operations of its businesses, including those relating to commercial or contractual matters, and may be subject to investigations by regulatory and administrative bodies. Regardless of the outcome, these disputes and investigations may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management's attention. In addition, the Company and its subsidiaries may also have disagreements with regulatory bodies in the course of operations, which may subject the Company to administrative proceedings and decisions that may result in penalties or other liabilities. Any of these outcomes could materially and adversely affect the Company's business, financial condition, and results of operations. See "*Legal Proceedings*" on page 256 of this Prospectus.

In the event that the SMC Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Company endeavours to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

***The Company enters into numerous transactions with related parties***

In the ordinary course of business, the Company transacts with its related parties, such as its subsidiaries and certain of its associates, and joint ventures. These transactions have principally consisted of advances, loans and purchases, and sale of products and services.

Under Section 50 of the Tax Code, in the case of two (2) or more businesses owned or controlled directly or indirectly by the same interests, the BIR Commissioner is authorized to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business. On January 23, 2013, the BIR issued Regulation No. 2-2013 on Transfer Pricing Regulations (the "**Transfer Pricing Regulations**") which adheres to the arm's length methodologies set out under the Organization for Economic Cooperation and Development Transfer Pricing Guidelines in addressing Base Erosion and Profit Shifting (BEPS). The Transfer Pricing Regulations are applicable to cross-border and domestic transactions between related parties and associated enterprises. The BIR Transfer Pricing Regulations defines "related parties" as two (2) or more enterprises where one enterprise participates directly or indirectly in the management, control, or capital of the other; or if the same persons participate directly or indirectly in the management, control, or capital of the enterprises. The arm's length principle requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party, such that if two (2) related parties derive profits at levels above or below comparable market levels solely by reason of the special relationship between them, the profits will be deemed as non-arm's length. In such a case, the BIR pursuant to the BIR Commissioner's authority to distribute, apportion or allocate gross income or deductions between or among two (2) or more businesses owned or controlled directly or indirectly by the same interests (if such is necessary in order to clearly reflect the income of such business), may make the necessary transfer pricing adjustments to the taxable profits of the related parties to ensure that taxpayers clearly reflect income attributable to controlled transactions and to prevent the avoidance of taxes with respect to such transactions. Although the Company has instituted internal policies with respect to related party transactions, including establishing a board committee to oversee such matters, and believes that all past related party transactions have been conducted at arm's length on commercially reasonable terms and documented pursuant to the Transfer Pricing Regulations, there can be no assurance that the BIR may confirm these transactions as arm's length on the basis of the Transfer Pricing Regulations and there can be no assurance that any transfer pricing adjustments by the BIR will not have a material adverse effect on the Company's business, financial condition, and results of operations.

For more information on the Company's related party transactions, see "*Certain Relationships and Related Party Transactions*," Note 33 to the Company's audited consolidated financial information.

**RISKS RELATING TO THE FOOD AND BEVERAGE BUSINESS**

***Price sensitive market***

The market for SMFB's beverages, such as beer and spirits, is price-sensitive. At the same time, demand for many its products is closely linked to consumers' purchasing power and disposable income levels, which may be adversely affected by unfavourable economic developments in the Philippines. While SMFB endeavours to increase prices at reasonable levels, the increase in price could cause sales volumes to decline and may affect its ability to pass on increases in excise taxes, raw material costs or other expenses, which may negatively affect revenues and results of operations.

SMFB's beverage business implements campaigns as well as consumer and trade programs designed to strengthen brand equity, which have been successful in increasing consumption of its products.

***Increases in excise tax***

In the Philippines, excise tax represents a significant component of production costs of alcoholic beverages. The Tax Code provides for the excise taxes on alcohol products, including fermented liquors, such as beer, and distilled spirits such as gin. The BIR requires entities subject to such taxes, such as SMFB, to obtain a permit to manufacture such products to enforce the collection and payment thereof.

Under the Tax Code, excise tax on fermented liquor is determined per litre of volume capacity in relation to the net retail price (excluding the excise tax and value added tax thereon) and is payable by the producer. The tax rate varies depending on the type of alcoholic beverage being produced, with more expensive products being subject to higher rates. Excise tax accounts for a significant portion of SMB's production costs.

Effective January 1, 2017, Republic Act No. 10351 imposed a unitary tax rate of ₱23.50 per litre on all fermented liquors, except those affected by the "no downward classification clause," which was a change from the two-tier tax structure imposed in 2013. Several of SMB's products were affected by the "no downward reclassification" clause in the law and were thus subjected to higher excise tax rates. The unified tax rate in 2017 of ₱23.50 for all fermented liquor products will be increased by 4% annually until reviewed and amended by an act of Congress.

On January 22, 2020, President Rodrigo R. Duterte signed Republic Act No. 11467, which amended certain provisions of the Tax Code and set additional excise tax on alcoholic beverages. The new excise tax rate for beer and fermented liquor was ₱35.00 per litre commencing from the date of effectivity of Republic Act No. 11467. The excise tax was then increased to ₱37.00 per litre in 2021, and ₱39.00 per litre in 2022. It will then increase to ₱41.00 per litre in 2023, and ₱43.00 per litre in 2024. Effective January 1, 2025, the excise tax rate shall be increased by 6% every year thereafter.

For distilled spirits, an additional *ad valorem* tax of 22% of the net retail price (excluding excise tax and value-added tax) shall be assessed and collected. In addition to the *ad valorem* tax, a specific tax at the following rates shall be collected: ₱42.00 per proof litre effective January 1, 2020, ₱47.00 per proof litre in 2021, ₱52.00 per proof litre in 2022, ₱59.00 per proof litre in 2023, and ₱66.00 per proof litre in 2024. The specific tax will be increased by 6% every year thereafter, effective January 1, 2025, through revenue regulations to be issued by the Secretary of Finance.

The sale of beer and NAB in the Philippines is also subject to value-added tax and withholding tax, when applicable.

The beverage business has put in place an effective price management program to manage effects of taxes on both its sales volume performance and profit margins.

***Production difficulties***

Although SMFB, particularly for segments with large consumer markets, continuously seeks to enhance the efficiency and manufacturing capabilities of its production facilities, it may, from time to time, experience production difficulties that may cause shortages and delays in deliveries, as is common in the manufacturing industry. If SFMB will be unable to increase the efficiency and manufacturing capabilities of its production facilities in line with increased customer demand in the future, this may adversely and materially affect its business and operations. Furthermore, SMFB may have to incur significant additional capital expenditures in the future to be able to meet increasing demand for its products.

The Company believes this risk can be managed through strengthening sustainable business strategies in all its operations and in adopting world-leading practices. For a more detailed discussion, please refer to the Company's Strategies on page 149 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***Outbreak of diseases***

SMFB's Food Division is subject to risk of losses caused by outbreaks of disease at any of the hog, cattle or poultry farms it owns or has contracted. The livestock and poultry industries in the Philippines have experienced outbreaks of disease in the past. In addition, there were sporadic cases of porcine epidemic diarrhoea ("**PED**") during the third quarter of 2016 and first quarter of 2017, when two (2) of our farms were affected, the Newcastle disease outbreak in the first quarter of 2016, and the Avian Influenza (H5N6) during the third quarter of 2017. Moreover, in September 2019, the Philippine Department of Agriculture ("**DA**") confirmed the outbreak of African swine fever ("**ASF**") across several regions in the Philippines and restrictions have been imposed by some local government units on movements of hogs across provinces. At the height of the outbreak, the DAR said ASF cases were recorded in 12 regions. As of October 2021, there are only three (3) regions where ASF is present. To date, none of SMFB's farms have been affected by the outbreak.

Recently, new variants of ASF were identified in China, which appear to cause a milder form of the disease, making it less deadly but harder to detect and to bring under control. Researchers suggest that this strain represents a potential threat strong enough to warrant precautionary measures. In addition to this, health officials in China have also confirmed a case of bubonic plague in a herdsman from the Inner Mongolia district. The World Health Organization says it is "carefully monitoring" this case. These potential outbreaks of contagious diseases in the Philippines could have a material adverse effect on our financial condition and results of operations. In particular, any outbreak of contagious diseases could adversely affect the general level of economic activity in the Philippines, including consumer demand for SMFB's products, and our ability to adequately staff operations and distribution networks. There can be no assurance that the policies and controls for outbreak prevention and disease recurrence, including the separation of hog breeding, nursery and growing operations, bird proofing to prevent the entry of migratory birds into our poultry facilities, and strict visitor screening and sanitation procedures for entrance to any of our facilities, will be successful in preventing disease outbreaks or recurrences or that any actual or suspected outbreak of bird flu or any other contagious disease affecting our livestock production in the Philippines or elsewhere will not occur. We cannot assure our prospective investors that any future outbreak of contagious diseases will not have a material adverse effect on our business, financial condition, and results of operations.

Moreover, there can be no assurance that our internal controls and policies will be fully effective in preventing all food and beverage safety issues concerning the products we sell, including any occurrences of foodborne illnesses such as Salmonella, E. coli, and Hepatitis A. Particularly for the Food Division, selling conditions in the trade, especially in wet markets, makes fresh food vulnerable to the risk of foodborne illness. New illnesses resistant to our current precautions may develop in the future, or diseases with long incubation periods could arise, that could give rise to claims or allegations on a retroactive basis. One or more instances of food and beverage safety or a foodborne illness related to our products could negatively affect our sales. This risk exists even if it were later determined that the illness was wrongly attributed to our products. The occurrence of a food and beverage safety or a foodborne illness incident, or negative publicity or public speculation about an incident, could have a material adverse effect on our business, financial condition, and results of operations.

SMFB has adopted strict bio-security measures in its facilities to prevent the outbreak or recurrence of diseases, including the separation of its hog breeding from growing operations, bird proofing to prevent the entry of other birds into its poultry farms and implementation of strict visitor screening and sanitation procedures for entry into its poultry and hog facilities.

***Product liability claims***

The success of the food and beverage business depends largely upon consumers' perception of the reliability and quality of its products. Any event or development that detracts from the perceived reliability or quality of SMFB's products could materially reduce demand. For example, a contamination of Beer and NAB Division's or Food Division's products by bacteria or other external agents, such as Listeria monocytogenes, Salmonella or E. coli, whether arising accidentally or through deliberate third-party action, could potentially result in product liability claims. Improper storage and handling of products may result in spoilage, defects, recalls, or complaints that may be encountered by the Food Division for temperature-sensitive products. Product liability claims, whether or not they are successful, could adversely affect the reputation of the Company's brands which may result in reduced sales and profitability. In particular, there is little, if any, control over handling procedures once SMFB's products have been dispatched for distribution and are, therefore, particularly vulnerable to problems in this phase. Even an inadvertent distribution of contaminated products may constitute a violation of law and may lead to increased risk of exposure to product liability claims, product recalls, increased scrutiny and penalties, including injunctive relief and plant closures by regulatory authorities, and adverse publicity, which could aggravate the associated negative consumer reaction. While no material product liability claim has been filed against SMFB, there is no assurance that any such product liability claims will not be filed against us in the future, and any such product liability claim, whether or not successful, could damage the Company's reputation and that of its products, and could have a material adverse effect on SMFB's financial condition and results of operations.

For more information on the strategy of the food and beverage business to reduce risks relating to product liability claims, see discussion on "*Quality Control, Health, Safety and Environmental Matters*" on pages 169, 174 and 181.

***Competition in the food and beverage industry***

SMFB operates in a highly competitive market and faces competition from domestic or local producers, which sell their own brands and/or foreign brands produced under license, and from foreign producers or imported products. Such competition could result in a loss of market share or reduce operating margins, which could adversely affect SMFB's results of operations and financial condition.

In the food and beverage industry, competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, customer service, and the ability to respond effectively to shifts in consumer tastes and preferences. SMFB also competes with other discretionary items, including other food and beverage products and other goods and services. While SMFB seeks to continuously develop new and innovative products to meet its customers' demands and to maintain its customer base and market share, if its competitors are able to develop more innovative or better-quality products or less expensive products of similar quality, SMFB may not be able to maintain its competitive edge or market share.

In addition, consolidation among competitors, the entry of new, larger competitors into the Philippine food and beverage market or actions by competitors, such as unanticipated pricing of products at below-market prices or unconventional promotional activities, could exert downward pressure on prices of its products or cause our market share to decline.

Any failure to successfully compete with our competitors or maintain our customer base and market share could have a material adverse effect on our business, financial condition, results of operations, and prospects.

SMFB continues to actively invest in market research. For more information on the efforts to address these risks, please refer to the discussion on "*Powerful consumer insights drive growth, innovation, and new product development*" on page 159.

***Importation of lower-priced products***

The Food Division may face increased competition from less expensive product imports to the Philippines as import duties on those products are decreased or eliminated. In particular, the Philippines is a signatory to several free trade agreements—the ASEAN Trade in Goods Agreement, the ASEAN Free Trade Agreement, the ASEAN-China Free Trade Agreement, the ASEAN-Korea Free Trade Area Agreement, the ASEAN-Korea Comprehensive Economic Cooperation Agreement, the Japan-Philippines Economic Partnership Agreement, the ASEAN People's Republic of China Comprehensive Economic Cooperation Agreement, the ASEAN-Japan Comprehensive Economic Partnership, the ASEAN-Australia-New Zealand Free Trade Area Agreement, the Philippines-European Free Trade Association Free Trade Agreement, the ASEAN-India Comprehensive Economic Cooperation Agreement, the ASEAN-India Free Trade Area Agreement, the ASEAN Trade in Goods Agreement ("**ATIGA**"), the European Free Trade Association ("**EFTA**"), and the ASEAN-Hong Kong, China Free Trade Agreement—each of which may lead to increasingly lower-priced imported products entering the Philippine market. For example, with the coming into force of ATIGA, the Philippines eliminated intra-ASEAN import duties on 99.56% of its tariff lines for poultry, meat of bovine animals, flour, sausage, prepared or preserved meat, cereals, bread, pastry, cakes, biscuits, fruit juices, coffee, tea or maté, sauces and preparations, ice cream, beer, certain spirits, liqueurs, and spirituous beverages.

SMFB's Food Division has already experienced the effects of increased competition as a result of the elimination of these import duties and expect that competition from imported products will continue to increase. In addition, any reduction in tariffs on imports from other ASEAN countries, such as Thailand and Vietnam, and from other countries party to a free trade agreement with the Philippines, such as China and Japan, could give rise to increased competition for products.

Moreover, the Food Division faces competition from other countries. The Protein segment competes with the import of chicken leg quarters from the United States and Brazil; the flour milling business competes with imported flour sourced from Turkey, Vietnam, and Indonesia; and the Prepared and Packaged Food segment faces challenges from imports of butter, corned beef, luncheon meat, cheese, milk and biscuits, partly due to a decrease of the tariffs imposed on specific products under the free trade agreements. If SMFB is unable to compete effectively with lower-priced imports, its market share and sales may decrease, and its business, financial condition, results of operations, and prospects could be materially and adversely affected.

To mitigate this risk, SMFB plans to invest in tailored brand building and marketing campaigns as well as pursue targeted new product development ("NPD") strategies in each product category. SMFB also undertakes to enhance profitability through cost-saving initiatives. For more information on the efforts to address these risks, please refer to the discussion on "*Maintain market leadership positions in core categories while growing the total addressable market through marketing initiatives and new product development*" on page 160 and "*Continued enhancement of profitability through cost-saving initiatives*" on page 161.

***Derivative and hedging transactions***

From time to time, SMFB enters into various commodity derivative instruments, such as forward purchases and caps and collars for wheat and soybean meal, to manage price risks on strategic commodities. For hedging transactions, if prices decrease, hedging positions may result in mark-to-market losses, which are, in turn, expected to be offset by lower raw material costs. SMFB endeavours to generally hedge up to 20% of its wheat and soybean meal requirements. As hedging transactions are mark-to-market, to the extent that the market price of the raw materials subject to such hedging transactions falls below the fixed price under futures contracts, net income will be lower than it would be had such transactions not been entered into. Consequently, the Company's financial performance could be adversely affected during periods in which prices of raw materials are volatile.

To mitigate this risk, the Company exercises prudent financial risk management and has an established system to regularly monitor its derivative and hedging transactions.

***Implementation of expansion strategy***

SMFB intends to increase sales volume through, among others, the introduction of new products and entry into new categories to broaden its product offering, expansion of its distribution network, and possible acquisitions of, or joint ventures with, other food and beverage businesses in the Philippines and in other countries. The expansion strategy will allow SMFB to expand production and generate additional value for SMFB and may be financed by a combination of additional borrowings and equity. The implementation of this expansion strategy may face uncertainties and risks and there can be no assurance that SMFB will be successful in implementing these initiatives or the implementation of any growth plans would result in an increase in income. There is also no assurance that acquisitions made or joint ventures entered into as part of these expansion plans would be successfully integrated into our operations or may result in possible contingent liabilities or other financial or legal exposure which were not sufficiently quantified during the due diligence prior to the acquisition, joint venture or other investment. As a result, these may have a material adverse effect on our liquidity, financial condition, and results of operations.

The Company believes this risk can be managed through SMFB's strategies to further strengthen and solidify its position as the leading food and beverage company in the Philippines, and consistently expand its business to meet rapidly growing consumer demand. For a more detailed discussion, please refer to the Company's Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***International and export operations***

SMFB exports products and maintains international operations in certain countries outside of the Philippines, with plans for further international expansion. Expansion in international markets may be affected by the respective domestic economic and market conditions, as well as social and political developments in these countries, and there is no guarantee that the existing business and export operations as well as expansion plans will be successful in those countries. SMFB's business, financial condition, prospects, and results of operations could be adversely affected if it is not successful in the international markets in which it has operations or if exports of products to these international markets are affected by changes in political, economic and other factors, over which it has no control.

The Company believes this risk can be managed through continued execution of regionally tailored strategies, leveraging on SMFB's unique understanding of consumers. For a more detailed discussion, please refer to the Company's Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

***Price monitoring by the Government***

Basic necessities, such as bread, fresh pork, beef and poultry meats, fresh eggs, milk, coffee and cooking oil, and prime commodities, such as flour, processed meats, other dairy products and swine and poultry feeds may be made subject to price monitoring by the Government. Under the Philippine Republic Act No. 7581 (the "**Price Act**"), as amended by Republic Act No. 10623, the President of the Philippines may impose a price ceiling on basic necessities and prime commodities in the event of a calamity, an emergency, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. In addition, the Department of Trade and Industry (DTI) issues a "Suggested Retail Price" list for certain prime commodities, which includes some of the Food Division's products. The DTI should be informed of any price movement in these products prior to implementing the same.

The Price Act imposes an automatic price control on the prices of basic commodities in areas declared as disaster areas, under emergency or martial law or in a state or rebellion or war. Unless sooner lifted by the President of the Philippines, prices shall remain frozen for a maximum of 60 days, except for price control on basic necessities that are wholly imported and deregulated. The President of the Philippines may likewise impose a price ceiling on basic necessities and prime commodities in cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. The implementing government agencies of the Price Act are also given the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of concerned trade, industry and consumer sectors. Any resulting price control may have a material adverse effect on SMFB's business, financial condition, and results of operations.

In light of the Philippines' reduced local pork output due to the outbreak of ASF that has significantly affected the supply and prices of pork in the market, President Duterte signed Executive Order No. 124, series of 2021 ("**EO No. 124**"), imposing a 60-day price ceiling on pork and chicken products in the National Capital Region from February 1, 2021. Under EO No. 124, a price ceiling of ₱270/kg for *kasim/pigue*, ₱300/kg for *liempo*, and ₱160/kg for dressed chicken was imposed.

The Company believes this risk can be managed by leveraging on the Company's strengths and strategies. For a more detailed discussion, please refer to the Company's Strengths and Strategies on page 144 of this Prospectus. However, there is no assurance that the Company can provide an effective mitigation to such risk.

**RISKS RELATING TO THE PACKAGING BUSINESS**

***Handling of products***

While the Packaging Group strictly implements product safety policies, there is no assurance that products packaged by the Packaging Group would not be contaminated during manufacturing, distribution or retail process. Lack of care in the handling or storage by distributors of products produced by the customers of the Packaging Group, tampering, vandalism or terrorist activities could result in the contamination or adulteration of the finished products. Any lack of care or tampering of such products, especially in instances where it is not readily capable of detection, could negatively impact the reputation of the Packaging Group and may have a material adverse effect on its business, financial performance and results of operations.

The Packaging Group is committed to providing products and services that secure the satisfaction of its customers. It adheres to various management systems, including food safety and quality, to prevent or minimize the contamination of packaging products during manufacturing, distribution or retail process.

***Competition and challenges in product development and production processes***

One of the success factors of the Packaging Group is its ability to identify, adapt to, and meet changing customer requirements and trends in the industry. Any failure to timely develop and introduce new products, or enhance existing products in response to changing customer requirements or industry standards could have a material adverse effect on its business, financial condition, and results of operations.

In addition, new technology or production methods require significant capital investments and could take substantial amount of time to implement. There is no assurance that the Packaging Group will successfully develop the technology and production methods that will be accepted by existing customers or attract new customers, which could have a material adverse effect on its business, financial condition, and results of operations.

The Packaging Group continues to develop and implement product innovations and improve its production technology, processes and efficiencies in order to compete in the packaging industry.

**RISKS RELATING TO THE FUEL AND OIL BUSINESS**

***Volatility in the price of crude oil and petroleum products***

Petron's financial results are primarily affected by the relationship, or margin, between the prices for its refined petroleum products and the prices for the crude oil that is the main raw material for these refined petroleum products. Crude oil accounted for approximately 36%, 35%, and [•] of Petron's total cost of goods sold in 2019, 2020, and 2021, respectively.

Many factors influence the price of crude oil, including changes in global supply and demand for crude oil, international economic conditions, global conflicts or acts of terrorism, weather conditions, domestic and foreign governmental regulation, price wars among oil producers and other factors over which the Company has no control. In 2020, Dubai price averaged U.S.$42/bbl as the COVID-19 pandemic triggered an unprecedented collapse in demand through global lockdowns, further dampened by the on-going oil price war between Saudi Arabia and Russia. Meanwhile, crude prices started to return to pre-pandemic levels in February 2021 with the gradual improvement in demand driven by the reopening of economies and continued crude supply management. As volatility risks continue to linger, OPEC+ intends to maintain market balance and plans to gradually increase its oil production by 0.4 mmbpd with the gradual reopening of economies driven by increasing global vaccination rates. Dubai price for fiscal year 2021 averaged U.S.$69/bbl. On the other hand, the volatility of product cracks may arise from changes in the supply and demand balance due to seasonal effects, disruptions in global refinery runs due to natural calamities or unplanned shutdowns, slower demand recovery or growth, changes in price trends of fuel substitutes such as coal or natural gas vs diesel. For example, gasoline cracks started low in 2021 at about U.S.$5-6/bbl due to low demand. With the reopening of economies and increased demand, cracks reached about U.S.$11/bbl for fiscal year 2021 but are now on a downtrend with COVID-19 resurgence in Europe and China.

Accordingly, since Petron accounts for its inventory using the first-in-first-out method, a sharp drop in crude oil prices could adversely affect Petron, as it may require Petron to sell its refined petroleum products produced with higher-priced crude oil at lower prices. Petron may not be able to pass crude oil price fluctuations along to its consumers in a timely manner, or at all, due to regulatory restrictions or social and competitive concerns. The Philippine government has historically intervened to restrict increases in the prices of petroleum products in the Philippines from time to time. Any inability to pass on fluctuations in the price of crude oil may have a material adverse effect on the Petron's business, results of operations and financial condition. In addition, even if Petron were able to pass on increases in the price of crude oil to its customers, demand for its products may decrease as a result of such price increases. In addition, Petron's Malaysian operations are subject to government price controls.

Furthermore, a sharp rise in crude oil prices would increase Petron's requirements for short-term financing for working capital and may result in higher financing costs for Petron. Any difficulties in securing short-term financing for working capital, or unfavorable pricing terms, may have a material adverse effect on Petron's financial condition and results of operations.

To minimize Petron's risk of potential losses due to volatility of international crude and product prices, Petron enters into commodity hedging for crude and petroleum products. A hedging policy developed by Petron's Commodity Risk Management Department is in place. Hedges are intended to protect crude inventories from risks of downward price movements and margin contractions. Decisions are guided by the conditions set and approved by management.

***Dependence on a number of suppliers for a significant portion of its crude oil requirements in the Philippines and Malaysia***

Petron acquires crude oil for the Petron Bataan Refinery primarily through its arrangements with its wholly-owned subsidiary Petron Singapore Trading Pte. Ltd. ("**PSTPL**"), which in turn obtains crude oil from different sources, through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco for year 2021 to purchase various Saudi Arabian crude. Monthly Official Selling Price is determined by Saudi Aramco through a formula that is linked to international industry benchmarks applicable to all its customers in the Far East. The contract is automatically renewed annually unless either Petron or Saudi Aramco decides to terminate the contract upon at least 60 days' written notice prior to its expiration date. As of the date of this Prospectus, neither Petron nor Saudi Aramco has terminated the contract.

The supply of crude oil by Saudi Aramco and several other suppliers on a spot basis is subject to a variety of factors beyond Petron's control, including geopolitical developments in and the stability of Saudi Arabia and the rest of the oil-producing countries, government regulations with respect to the oil and energy industry in those regions, weather conditions, and overall global economic conditions.

Petron acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. Petron has a long-term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobil Exploration and Production Malaysia Inc. ("**EMEPMI**") until March 2022 (to be renewed), supplemented by other short-term supply contracts and spot crude purchases. The Port Dickson Refinery is able to source suitable crude oil blend to meet monthly optimal crude run. As of September 30, 2021, about 60% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Productions are supplemented by imports and local purchases of finished products to meet domestic sales demand for LPG, gasoline and diesel through term and spot arrangements.

A disruption in the operations of Saudi Aramco, EMEPMI, other suppliers or a decision by any of them to amend or terminate their respective contracts with Petron, could impact Petron's crude oil supply. If Petron's supply of crude oil were disrupted, Petron would be required to meet any consequent supply shortfall through other suppliers or spot market purchases. Depending on market conditions at the time and timing of the disruption, such purchases from other suppliers or the spot market could be at higher prices than Petron's purchases from Saudi Aramco, EMEPMI or other suppliers, which would adversely affect Petron's financial condition and results of operations.

The Petron Bataan Refinery is capable of processing various types of crude oil. Petron's crude oil optimization strategy includes the utilization of various types of crude oil ranging from light and sweet crude to heavier, more sour alternative crude, to provide additional value to Petron. The completion of the second phase of Petron's Refinery Master Plan project at the Petron Bataan Refinery ("**RMP-2**") has given the Petron Bataan Refinery greater flexibility to use heavier, more sour alternative crude.

The Port Dickson Refinery is designed to process sweet crude oil. Petron's crude oil optimization strategy for the Port Dickson Refinery includes diversification in processing different types of local as well as regional sweet crude oil. With the forthcoming operation of the Diesel Hydrotreater unit at the Port Dickson Refinery, Petron will be able to process slightly higher sulphur crude oil.

If Petron is unable to obtain an adequate supply of crude oil or is only able to obtain such supply at unfavorable prices, its margins and results of operations would be materially and adversely affected.

Petron maintains sufficient inventory that provides ample lead time to source for supply and meet the needs of its clients based on projected demand.

***Petron's business, financial condition and results of operations may be adversely affected by intense competition and cyclicality in global and regional refining capacities.***

Petron faces intense competition from a number of multinational and local competitors in the sale of petroleum and other related products in the markets in which it operates because of the commodity nature of oil products, and competition in the Philippine and international markets for refined petroleum products is based primarily on price as adjusted to account for differences in product specifications and transportation and distribution costs. Participants in the reseller and LPG sectors in the Philippines continue to rely on aggressive pricing and discounting in order to expand their market share. On the other hand, Petron's Malaysian operations are mostly subject to government price controls and quotas. As a result, competition in these market sectors is based primarily on product quality, operational cost efficiency, supply chain reliability, and customer value creation.

Petron's competitiveness will depend on its ability to manage costs, increase and maintain efficiency at its refineries, effectively hedge against fluctuations in crude oil prices, maximize utilization of its assets and operations, and comply with and obtain additional quotas from the Malaysian government. If Petron is unable to compete effectively, its financial condition and results of operations, as well as its business prospects, could be materially and adversely affected.

In addition, the Philippine oil industry is affected by ongoing smuggling and illegal trading of petroleum products. These illegal activities have resulted in decreases in sales volume and sales price for legitimate oil market participants in the Philippines. Petron's ability to compete effectively will depend to a degree on the proper enforcement of Philippine regulations by the Philippine government, which is beyond Petron's control.

Furthermore, the global and regional refining industry has historically experienced periods of tight supply, resulting in increased prices and margins, as well as periods of substantial capacity additions, resulting in oversupply and reduced prices and margins. Any downturn in prices or margins resulting from existing or future excess industry capacity could have a material adverse impact on Petron's business, financial condition, and results of operations.

Petron strengthens and expands its distribution network to improve its presence in both growing and high potential markets. In addition, Petron continues to invest in building brand equity to ensure consistent market recognition.

***Disruption in operations or casualty loss at the refineries***

Petron's operation of its refineries and implementation of its expansion plans could be adversely affected by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, fires, explosions, release of toxic fumes, engineering and environmental problems, natural disasters and other unforeseen circumstances and problems. For example, on April 22, 2019, about a week before its scheduled total plant maintenance shutdown, the Petron Bataan Refinery had an emergency total plant shutdown due to loss of power and steam when an earthquake triggered the safety interlock system of its Refinery Solid Fuel Fired Boilers and caused power loss from the Luzon power grid. After power from the grid was restored and the boilers were restarted, the Petron Bataan Refinery continued to conduct safe shutdown activities and process unit preservations and proceeded with scheduled maintenance activities. In September 2019, a leak was discovered in an underwater valve of the crude SBM pipeline manifold (PLEM) co-owned with Hengyuan Refinery in Malaysia. The leak was discovered through a thin layer of oil sheen observed around the SBM and required 35 days of temporary outage for inspection and repair work. Quick response by suspending the operation followed by immediate investigation prevented any major oil spill through the leak. The SBM outage resulted in refinery shutdown for 25 days given no supply of crude can be discharged into the refinery. The incident required the activation of Petron's business continuity plan, managing incoming crude supply and continued supply of petroleum products to customers, to ensure the reliable and continuous supply of finished products. Although the Port Dickson Refinery underwent a temporary shutdown to facilitate investigations and repair works, there was no significant impact on product supply due to the activation of Petron's business continuity plan. No injury was recorded and the incident left minimal impact on the environment. These types of disruptions could result in product run-outs, facility shutdowns, equipment repair or replacement, increased insurance costs, personal injuries, loss of life, and/or unplanned inventory build-up, all of which could have a material adverse effect on the business, results of operations and financial condition of Petron.

Petron has insurance policies that cover property damage, marine cargo, third party liability, personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown, and business interruption to mitigate the potential impact of these risks. However, these policies do not cover all potential losses, and insurance may not be available for all risks or on commercially reasonable terms. Petron self-insures some risks which have a low probability of occurring and for which insurance policies are not readily available or are priced unreasonably high. There can be no assurance that operational disruptions will not occur in the future or that insurance will adequately cover the entire scope or extent of the losses or other financial impact on Petron.

***Effect of Malaysian government policies and regulations relating to the marketing of fuel products***

As in many countries, the fuel business in Malaysia is regulated by the government. The Malaysian government regulates the pricing structure through the automatic pricing mechanism ("**APM**"), pursuant to which it mandates (i) the prices of certain refined petroleum products, (ii) quotas, and (iii) certain fixed amounts for marketing, transportation, and distribution costs in relation to the subsidy structure. The Malaysian government may subsidize fuel prices so that increases in international crude oil and finished products prices are not borne fully by Malaysian consumers. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of Research Octane Number ("**RON**") 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore ("**MOPS**"). If government-mandated prices are lower than the fuel products' total built-up cost per the APM, Petron will receive subsidies from the Malaysian government. conversely, if government-mandated prices are higher than the fuel products' total built-up cost per the APM, Petron will pay duties to the Malaysian government. A substantial portion of Petron's revenue has been derived from sales of refined petroleum products in Malaysia that are subject to price controls.

In addition, the sale of retail diesel in Malaysia is subject to a quota system that applies to oil companies and eligible users and customers to ensure that subsidized diesel sold at service stations (meant strictly for road transport vehicles) is not sold illegally to industrial or commercial customers at unregulated prices. Diesel sales at service stations that exceed the volumes permitted under Petron's or its customers' quotas are not eligible for government subsidies. Accordingly, in instances when the government-mandated prices are lower than the company's total built-up costs, Petron endeavors to limit diesel sales to volumes covered by the quotas. There can be no assurance that the Malaysian government will increase quotas corresponding to fuel demand growth, grant applications or not decrease Petron's quotas or those of any of its customers in the future. A substantial portion of Petron's revenue is derived from sales of diesel in Malaysia that are subject to the quota system. Accordingly, if the Malaysian government decreases or does not increase Petron's quotas or those of any of its selected transportation sector customers, Petron's financial condition and results of operations may be materially and adversely affected.

Petron keeps itself updated on government policies and regulations pertaining to the oil industry in Malaysia in order to identify potential regulatory risks and proactively respond to these risks.

***Compliance with safety, health, environmental and zoning laws and regulations***

The operations of Petron are subject to a number of national and local laws and regulations in the countries in which it operates, including safety, health, environmental, and zoning laws and regulations. These laws and regulations impose controls on air and water discharges, the storage, handling, discharge and disposal of waste, the location of storage facilities, and other aspects of Petron's business. Failure to comply with relevant laws and regulations may result in financial penalties or administrative or legal proceedings against Petron, including the revocation or suspension of Petron's licenses or operation of its facilities.

Petron has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. Programs were recently implemented to comply with Health and Safety Regulatory guidelines: (a) Project TRACIE (Tracking and Recognizing All COVID-19 Infection in the workplace Environment) – launched as part of compliance to DOLE and DTI Interim Guideline; (b) compliance by the Petron Bataan Refinery, terminal operations, and Petron's headquarters to Republic Act No. 11058 otherwise known as an "*Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations thereof,"* specifically the Occupational Safety and Health ("**OSH**") Compliance Binder; and (c) compliance to mandatory 8-hour OSH seminars, among others. In addition, Petron has made, and expects to continue to make, capital expenditures on an ongoing basis to comply with safety, health, environmental, and zoning laws and regulations. There are ongoing discussions, clarifications, and technical conferences between DENR-EMB and all stakeholders, including Petron Bataan Refinery, for reconsideration of removal/relaxation of specific effluent parameters initially covered under Water Quality Guidelines and General Effluent Standards of 2016 (DAO No. 2016-08). If these discussions are successful, additional investment on the Petron Bataan Refinery's wastewater treatment plant may no longer be required at this time. There can be no assurance that Petron will be compliant with applicable laws and regulations or will not become involved in future litigation or other proceedings or be held responsible in any future litigation or proceedings relating to safety, health, environmental, and zoning matters, the costs of which could be material.

In addition, safety, health, environmental, and zoning laws and regulations in the Philippines and Malaysia have become increasingly stringent. There can be no assurance that the adoption of new safety, health, environmental, and zoning laws and regulations, new interpretations of existing laws, increased governmental enforcement of safety, health, environmental, and zoning laws or other developments in the future will not result in Petron being subject to fines and penalties or having to incur additional capital expenditures or operating expenses to upgrade or relocate its facilities.

For example, the mandatory compliance with Euro IV standards in the Philippines in 2016 and the implementation in Malaysia of various Euro 4M and Euro 5 compliant fuels in phases from 2015 through 2027 required Petron to incur additional capital expenditures in order to meet these standards. Petron has complied with the Euro IV standards in the Philippines and has constructed a new diesel hydrotreater process unit in the Port Dickson Refinery to comply with Euro 5 diesel regulations in 2021 as mandated by the Malaysian government. If Petron fails to complete its planned refinery upgrades or enhancements on time, it may have to import additional products in the spot market to blend with its own production to ensure compliance with the relevant standards, which could have a material adverse effect on Petron's financial condition and results of operations.

In addition, if the measures implemented by Petron to comply with applicable laws, regulations and standards are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates, and expose Petron to potential liabilities, including administrative penalties. If Petron fails to meet safety, health, and environmental requirements, it may be subject to administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against Petron and damage to its reputation, as well as orders that could limit or affect its operations. There is no assurance that Petron will not become involved in future litigation or other proceedings relating to safety, health, and environmental matters. Litigation or other proceedings are inherently unpredictable and may be time-consuming and disruptive to Petron's business and operations, regardless of the merits of the claims. There is no assurance that Petron will not be held responsible in any such future litigation or other proceedings, the costs of which could be material. Environmental compliance and remediation costs at sites on which Petron's facilities are located or other locations and related litigation and other proceedings could materially and adversely affect Petron's financial condition and results of operations.

Petron maintains a strong compliance culture and monitors government policies and regulations to enable Petron to identify potential regulatory risks and proactively respond to such risks.

***Failure to respond quickly and effectively to product substitution or government-mandated product formulations***

Any potential increase in oil prices and environmental concerns could make it more attractive for Petron's customers to switch to alternative fuels such as compressed natural gas and electric vehicles for transport and liquefied natural gas for power. Additionally, increasing biofuels content in gasoline and diesel effectively displaces refinery produced products.

For instance, the Philippine government pushed for the increase of coco methyl ester ("**CME**") content in diesel from 2% to 5% by 2020. Implementation, however, was delayed due to the significant price disparity between Diesel and CME as well as the COVID-19 pandemic. In addition, the government targets to increase ethanol content in gasoline from the current 10% to 20% by 2040.

In Malaysia, palm oil methyl ester content in diesel will be increased from 10% to 20% beginning June 2021 for Sabah and December 2021 for the Peninsula.

If Petron does not respond quickly and effectively to product substitutions or government-mandated product formulations in the future, its business and prospects may be adversely affected.

To ensure adherence to government product substitution requirements, Petron monitors developments in government policies and coordinates with regulators.

***Significant capital expenditures, financing, and expansion of marketing and logistical support***

Petron's business is capital intensive. Specifically, the processing and refining of crude oil and the purchase, construction, and maintenance of machinery and equipment require substantial capital expenditures. Petron's ability to maintain and increase its sales, net income, and cash flows depends upon the timely and successful completion of its planned capital expenditure projects. Specifically, Petron intends to (i) continue investments in the Petron Bataan Refinery facilities to: (a) ensure reliability and efficiency of critical refinery processes, and

(b) reduce costs with the construction of a new power plant which would replace some of its old generators and generate incremental power and steam; (ii) continue to build service stations in high-growth or high-volume sites and expansion of its retail network for its LPG and lubes segment; (iii) expand and upgrade its logistics capacity; and (iv) expand Malaysia operations with new service stations and facilities improvements in the Port Dickson Refinery, in compliance with applicable regulations.

If Petron fails to complete its planned capital expenditure projects on time or within budget or at all, or to operate its facilities at their designed capacity, it may be unable to achieve the targeted growth in sales and profits, and its business, results of operations, and financial condition could be adversely affected. Furthermore, there can be no assurance that the Petron Bataan Refinery will run at the expected capacity or achieve the expected production profile, or that there will be sufficient demand and logistical support for Petron's production. Any of the foregoing factors could adversely affect Petron's business, financial condition, and results of operations.

In addition, Petron has incurred a substantial amount of indebtedness to finance its capital expenditure projects. Petron's ability to complete its planned capital expenditure projects and meet its debt servicing obligations will depend in part on its ability to generate sufficient cash flows from its operations and obtain adequate additional financing. There can be no assurance that Petron will be able to generate sufficient cash flows from its operations or obtain adequate financing for its planned capital expenditure projects or to meet its debt servicing obligations, on acceptable terms or at all. Failure by Petron to finance and successfully implement its planned capital expenditure projects could adversely affect its business, financial condition, and results of operations.

Petron judiciously monitors its capital expenditure projects and ensures costs are within budget and progress is on track. Petron likewise practices prudent financial management.

***Changes in applicable taxes, duties and tariffs***

Petron's operations are subject to various taxes, duties, and tariffs. The tax and duty structure of the oil industry in the Philippines has undergone some key changes. For example, excise taxes for petroleum products were increased to ₱9.00 per litre for regular gasoline and unleaded premium gasoline, ₱4.00 per litre of aviation turbojet fuel and aviation gas, ₱4.00 per litre for kerosene, ₱4.50 per litre for diesel, and ₱2.00 per kilogram of LPG, effective as of January 1, 2019. These excise taxes were subject to increase effective January 1, 2020, to ₱10.00 per litre for regular gasoline and unleaded premium gasoline, ₱4.00 per litre for aviation turbojet fuel and aviation gas, ₱5.00 per litre for kerosene, ₱6.00 per litre for diesel, and ₱3.00 per kilogram for LPG.

On June 1, 2018, the Malaysian government withdrew the Goods and Services Tax ("**GST**"). The GST was replaced with a Sales and Services Tax ("**SST**") on September 1, 2018.

There can be no assurance that any future tax changes in the Philippines or Malaysia would not have a material and adverse effect on Petron's business, financial condition and results of operations.

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**RISKS RELATING TO THE ENERGY BUSINESS**

***Increased competition in the Philippine power industry***

The Government has sought to implement measures designed to enhance the competitive landscape of the power market, particularly for the unregulated sectors of the industry. These measures include the privatization of National Power Corporation of the Philippines ("**NPC**") -owned and -controlled power generation assets, the establishment of the Philippine Wholesale Electricity Spot Market ("**WESM**"), the start of the Retail Competition and Open Access ("**RCOA**"), implementation of mandatory competitive selection process ("**CSP**") for distribution utilities, the implementation of the green energy option, which allows contestable customers to directly contract with a renewable energy supplier, the implementation of the Renewable Portfolio Standards, which mandates electricity suppliers to source an agreed portion of their energy supply from eligible renewable energy ("**RE**") resources, and the establishment of the Renewable Energy Market ("**REM**"), a venue for the trading of

Renewable Energy Certificates ("**RECs**") and for the compliance of electricity suppliers with their Renewable Portfolio Standards obligations. Further, Republic Act No. 10667 or the Philippine Competition Act was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities, prevent economic concentration which will manipulate or constrict the discipline of free markets, and penalize all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

The move towards a more competitive environment could result in the emergence of new and numerous competitors. These competitors may have greater financial resources and may have more extensive experience than SMC Global Power, giving them the ability to respond to operational, technological, financial and other challenges more quickly than SMC Global Power. These competitors may therefore be more successful than SMC Global Power in acquiring existing power generation facilities or in obtaining financing for and the construction of new power generation facilities, or in successfully bidding at CSPs conducted by distribution utilities. The type of fuel that competitors use for their generation facilities may also allow them to produce electricity at a lower cost and to sell electricity at a lower price. In addition, other sources for the provision of ancillary services may arise, including technological developments or establishment of new market regimes, which may increase competition and reduce prevailing prices for these services. Moreover, a decline in oil and gas prices, which reduces the cost of producing electricity from fossil fuels, could make energy storage solutions integrated with renewable energy sources less competitive against other solutions including conventional generation. SMC Global Power may therefore be unable to meet the competitive challenges it will face.

As a result of increased competition, SMC Global Power could also come under pressure to review or renegotiate the terms of existing offtake agreements with customers, which may lead to a downward adjustment of tariffs, and could adversely affect the business, financial performance and results of operations of SMC Global Power. To the extent that distribution utilities or industrial offtakers agree to purchase from other generation companies instead of purchasing from SMC Global Power, or the SMC Global Power is unable to participate or otherwise successfully compete in bids for supply contracts, the ability of SMC Global Power to increase its sales and sell additional electricity to distribution utilities or industrial offtakers through its generation facilities would be adversely affected.

SMC Global Power, through its subsidiaries, has a diversified portfolio which allows it to be more competitive with its supply offers. It is also managed by an experienced management team composed of experts with extensive knowledge of the Philippine power industry. Coupled with the strong shareholder support from SMC, this will enable SMC Global Power to sustain its position as one of the major players in the industry. Moreover, SMC Global Power also continues to engage and cultivate its good working relationship with its offtakers which ensures continuity of its customer base.

***Suspension of issuance and renewal of RES licenses.***

In June 2015, the DOE through its Department Circular ("**DC**") 2015-06-0010 enjoined the ERC to immediately issue the supporting guidelines including the revised rules for issuance of RES licenses. In compliance with the department circular, the ERC issued the following resolutions to govern the issuance of new RES licenses and renewal of existing RES licenses and the registration of retail customers (collectively, the "2016 ERC RES Issuances"):

- Resolution No. 5, Series of 2016, entitled "A Resolution Adopting the 2016 Rules Governing the Issuances of the Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements and Conditions Therefor" (the "RES License Guidelines")

- Resolution No. 10, Series of 2016, entitled "A Resolution Adopting the Revised Rules for Contestability"
- Resolution No. 11, Series of 2016, entitled "A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market"
- Resolution No. 28, Series of 2016, entitled "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, Series of 2016 Entitled Revised Rules for Contestability"

However, in February 2017, the Philippine Supreme Court ("**SC**"), acting on a petition filed by certain entities, issued a temporary restraining order on the implementation of DC 2015-06-0010 and the 2016 ERC RES Issuances. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC 2017-12-0013 and DC 2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA. In 2019, the DOE issued DC 2019-07-0011, amending various issuances on the implementation of the RCOA. DC 2019-07-0011 provides that registration of contestable customers as trading participant in the WESM shall be on a voluntary basis and that contestable customers shall source its electricity supply requirements from ERC-licensed/authorized suppliers. On March 2, 2021, the Philippine SC promulgated its decision, a copy of which was made publicly available on September 24, 2021, finally declaring DC 2015-06-0010 and the 2016 ERC RES Issuances, void for being bereft of legal basis. As a result, the temporary restraining order issued by the Philippine SC in February 2017, which enjoined the DOE and ERC from implementing DC 2015-06-0010 and the 2016 ERC RES Issuances, has been made final. In the same decision, the Philippine SC also directed the ERC to promulgate the supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014.

In 2020, the ERC resumed the processing of RES license applications on the basis of a 2011 ERC resolution on RES licensing (the "**2011 ERC Resolution**") which, according to the ERC, is not covered by the above-mentioned temporary restraining order. As of date of this Prospectus, the ERC continues to process RES license applications on the basis of the 2011 ERC Resolution as it has yet to issue supporting guidelines to DC 2017-12-0013 and DC 2017-12-0014 in compliance with the directive of the SC. As the ERC has been mandated by the Philippine SC to issue new supporting guidelines (including guidelines relating to licensing of RES) pursuant to DC 2017-12-0013 and DC 2017-12-0014, reliance by the ERC on the 2011 ERC Resolution to process ERC licenses may be open to question.

SMC Global Power's subsidiaries, SMELC, SCPC and MPPCL were granted RES licenses originally expiring in August 2021. SMC Global Power submitted RES license renewal applications for SCPC and MPPCL in May and June 2021, respectively. As of the date of this Prospectus, SMC Global Power has not renewed the RES license for SMELC, to streamline its business and for cost-efficiency objectives of SMC Global Power. Pending the completion of the final evaluation of the renewal applications, the ERC has extended the validity of SCPC's and MPPCL's RES licenses until September 29, 2022.

The ability of SMC Global Power to directly contract with contestable customers may be limited if (a) the existing RES licenses are not timely renewed, or (b) the authority of the ERC to issue ERC licenses on the basis of the 2011 ERC Resolution, and the RES licenses issued and renewed by the ERC on such basis, are questioned.

Such limitation on the ability of SMC Global Power to directly contract with contestable customers could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

SMC Global Power is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, SMC Global Power maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

***Disruptions and fluctuations in fuel supply.***

The operations of the Sual Power Plant, Ilijan Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant and Davao Greenfield Power Plant depend on the availability of fuel, in particular coal and natural gas. SMC Global Power, through its subsidiaries, is responsible, at the cost of the latter, for supplying the fuel requirement of the Sual Power Plant, Masinloc Power Plant, Limay Greenfield Power Plant and Davao Greenfield Power Plant. SMC Global Power, through its subsidiaries, has entered into fuel supply agreements (see "Power Generation Facilities—Fuel Supply" for information on the sources and names of major fuel suppliers) for its power plants and, subject to regulatory approval, is able to pass on the fuel cost to its customers particularly for distribution utilities and electric cooperatives. Certain PSAs with Meralco covering an aggregate capacity of 1,290 MW entered into by certain subsidiaries of SMC Global Power, (see "*The Company—Energy Business—Stable and Predictable Cash Flows*" on page 212 of this Prospectus), have fixed price escalation mechanisms rather than tariff adjustment based on current fuel prices as a result of the latter's CSP conducted in September 2019. Consequently, SMC Global Power may no longer pass-through the impact of fuel price fluctuations and may have positive benefits or negative exposures should fuel prices decrease or increase, respectively. As of the date of this Prospectus, SMC Global Power does not have plans to switch fuel sources of the respective plants.

There is no assurance that there will not be any interruption or disruption in, or change in terms of, the fuel supplies to these power plants, or that there will be sufficient fuel in the open market at competitive prices or sufficient transportation capacity available to ensure that these power plants receive sufficient fuel supplies required for their operations on a timely basis or at all. Moreover, the recent geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, changes in foreign policy or regulatory requirements, trade restrictions, higher tariffs and changes to existing tariffs, or the imposition of additional regulations relating to the import or export of products such as fuel supplies could impact global trade and supply chains and adversely affect SMC Global Power's ability to access fuel supplies at competitive prices or in sufficient amounts for the operations of its power plants.

SMC Global Power is implementing price risk mitigation measures to counter the impact of rising indices, primarily for coal fuel, through the fuel price pass-through mechanism or the periodic tariff rate review allowed under its PSAs or retail supply contracts with most of its offtakers. It also has supply-side risk mitigation, including among others, maintaining a pool of international and local sources of coal fuel which provide a certain level of fuel price risk mitigation and more importantly, fuel supply security. In the future and should there be a need to further mitigate fuel supply risk in the event of further escalation of events in Europe, SMC Global Power could consider operationalizing its coal mining assets in southern Mindanao.

There is also no assurance that SMC Global Power, through its subsidiaries, will be able to purchase all of its required fuel supplies from its regular suppliers that produce fuel of acceptable and known quality. Consequently, SMC Global Power could experience difficulties ensuring a consistent quality of fuel, which could negatively affect the stability and performance of these power plants.

For example, the Ilijan Power Plant sources natural gas for its operations from the Malampaya gas facility in Palawan ("**Malampaya**"). According to the DOE, Malampaya's natural gas output is estimated to decline substantially by 2022 as the Malampaya gas supply is depleted. SMC Global Power believes that it is well placed to secure access to alternative sources of fuel, and has executed a terminal use agreement covering the use of a hybrid terminal composed of onshore regasification units and onshore and offshore storage technologies, to be constructed in Ilijan, Batangas and which is expected to allow SMC Global Power to receive, store, and process LNG from the global market. Alternatively, the Ilijan Power Plant may also be reconfigured to be a diesel or an LNG-type facility in the future. There can be no assurance that the planned Batangas LNG terminal will be completed within the expected time frame or at all, or that SMC Global Power will be able to access natural gas it requires for its operations. SPPC signed an agreement with Philippine National Oil Company ("**PNOC**") for the acquisition of 70.26 petajoule in banked gas from Malampaya last June 23, 2022. To date, however, PNOC has yet to deliver the banked gas.

SMC Global Power has invested in circulating fluidized bed ("**CFB**") or supercritical power plants (for the Limay Greenfield Power Plant, Davao Greenfield Power Plant, and Units 3, 4 and 5 of the Masinloc Power Plant) that can use low-grade coal and has retrofitted its existing pulverized coal ("**PC**") power plants (Masinloc Units 1 and 2) to use low-grade coal, which is also less expensive and relatively more abundant compared to high-grade coal (i.e., coal of 6,000 Kcal upwards). There can be no assurance that SMC Global Power will be able to obtain the quality of coal in such quantities that it requires for its operations.

The Indonesian government imposed a coal export ban in January 2022, which was gradually lifted as its domestic power plants stock-piled their coal inventories. While coal sourced from Indonesia accounts for approximately 80% to 90% of SMC Global Power's coal supply, the ban did not adversely impact plant operations. SMC Global Power has a contract with an international trader-supplier that can source coal supply from other countries such as Australia, if needed. Coal inventory levels during the period runs at about one to one and a half months. If necessary, inventory from the portfolio if its power plants can be allocated to those plants urgently needing replenishment. SMC Global Power also sourced domestic suppliers to potentially cover its coal requirements to mitigate the impact of the restriction. Reduced supply of high-grade coal may also cause disruptions in SMC Global Power's fuel supply. Following recent developments and easing of the coal export ban, SMC Global Power has received certain Indonesian coal shipments from its suppliers to date. SMC Global Power has been able to fully or partially pass-through the increase in coal prices in more than 70% of its contracted capacity. About 30% to 35% of SMC Global Power's bilateral volumes have fuel pricing provisions that allow it to fully pass-on its fuel price exposure to its customers. Most of these volumes are assigned to the Sual, Masinloc and the Davao Greenfield Power Plants. Approximately 35% of the bilateral volumes are with Meralco with a guaranteed rate escalation of 3.5% per annum and is the subject of joint petition for a price increase with the ERC to allow it to charge its incremental power supply costs for its 1000MW in contracted capacity to Meralco. This is a temporary relief that essentially allows SMC Global Power to charge its actual power supply costs to Meralco on top of its margins determined at the time of execution of the pertinent power supply agreements. About 20% of revenues are with retail customers. Post June 2022, the Company was able to renegotiate most of its offtake agreements with retail customers to allow fuel price pass through during this period of high coal prices.

Such factors, which may include events which are beyond the control of SMC Global Power, could affect the normal operation of these power plants or incur significant costs to source replacement power or to reconfigure its plants, which could have material adverse effect on the business, financial condition and results of operations of SMC Global Power.

SMC Global Power, through its subsidiaries, has fuel supply agreements with reputable and reliable international coal suppliers, such as but not limited to, Vitol Asia Pte. Ltd., PT Trubaindo Coal Mining, PT Bayan Resources Tbk, PT Bara Tabang, PT Kaltim Prima Coal and PT Bharinto Ekatama for its power plants. The diversity of coal suppliers of SMC Global Power provides assurance of fuel supply limiting any issues with any specific region or supplier. For natural gas, NPC/PSALM is contractually obligated to deliver supply of fuel to the Ilijan Power Plant under the Ilijan IPPA Agreement during the cooperation period. Neither SMC Global Power, nor SPPC, has direct relationship with the supplier of natural gas. However, events of shutdown or gas restrictions can be interpreted as force majeure or may be covered by the outage provisions of the downstream offtake agreements of SPPC, limiting any adverse effects of disruptions in the supply of natural gas to SPPC.

SMC Global Power also believes that the size and diversity of the fuel supply of its power portfolio reduces the exposure of SMC Global Power and its customers to fuel-type specific risks such as variations in fuel costs, and regulatory concerns that are linked to any one type of power plant or commodity price.

***Reliance on Independent Power Producers for the operation and maintenance of the IPPA Power Plants.***

Power generation involves the use of highly complex machinery and processes and the success of SMC Global Power depends on the effective maintenance of equipment for its power generation assets. IPPs associated with the respective IPPA Power Plants are responsible for the operation and maintenance of their respective IPPA Power Plants.

Although the energy conversion agreement ("**ECA**") for Sual and the San Roque ECA contain bonus and penalty provisions, and SMC Global Power monitors the IPPs' adherence to the minimum operating protocols specified in the IPPA and ECAs, there is still a risk that the IPPs will fail to satisfactorily perform their respective operations and maintenance obligations. Any failure on the part of such IPPs to properly operate and/or adequately maintain their respective power plants could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

In addition, if SMC Global Power, through its subsidiaries, fails to generate or deliver electricity beyond contractually agreed periods due to the failure of the IPPs to operate and maintain the power facilities, the counterparties of SMC Global Power in its power supply contracts ("**PSCs**") may have a right to terminate those contracts for outages beyond applicable outage allowances in the PSCs, and replacement contracts may not be entered into on comparable terms or at all. Any of the foregoing could have a material adverse effect on the financial and operating performance of SMC Global Power.

SMC Global Power leverages on the strengths and track record of its world-class IPP partners in operating its existing power portfolio while monitoring their adherence to the minimum operating protocols specified in the IPPA and ECAs in line with international best practices.

***Market limitations under the EPIRA.***

Based on the total installed generating capacities in the ERC Resolution on Grid Market Share Limitation under ERC Resolution No. 01 Series of 2022 dated March 9, 2022 (A Resolution Setting the Installed Generating Capacity and Market Share Limitation er Grid and National Grid for 2022), SMC Global Power believes that its combined installed capacity comprises approximately 19% market share of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case as of June 30, 2022. The EPIRA limits the market share of a participant to 30% per grid and 25% of the National Grid by installed capacity. Even though SMC Global Power is currently within its market share cap (taking into account the greenfield power plants and expansion projects under construction), it may not receive permission to increase its capacity and market share further if this would result in exceeding the permitted capacity or market share prescribed by the EPIRA. Such inability to expand and grow the power business could materially and adversely affect the business prospects of SMC Global Power.

SMC Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the growth of the Philippine power industry. Pursuant to the EPIRA limits, SMC Global Power may still expand by as much as 1,429.1 MW nationwide, but limited to the following capacities per grid: 724.5 MW in Luzon, 991.8 MW in Visayas and 945.3 MW in Mindanao. In implementing the foregoing expansion targets, SMC Global Power shall take into account, and shall ensure compliance with, any and all applicable market share or market capitalization restrictions. At the current levels, SMC Global Power is within the market share capitalization even with the addition of its greenfield power projects under construction today.

***Development of greenfield power projects and expansion projects of existing plants involves substantial risks.***

The development of greenfield power projects and expansion projects of existing power plants involves substantial risks that could give rise to delays, cost overruns or unsatisfactory construction or development in the projects. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, and unforeseen engineering and environmental problems, among others. Any such delays, cost overruns, unsatisfactory construction or development could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of SMC Global Power.

Project risks could emanate from various sources such as poor project planning, execution and contractor/subcontractor issues. If not addressed in a timely manner, these issues may negatively impact the project which would ultimately affect SMC Global Power's financial condition and results of operations, such as revenue loss resulting from delay in commercial operations. For example, under SMC Global Power's EPC contract for Unit 3 of the Masinloc Power Plant, commercial operations were scheduled to begin in April 2019. As a result of various delays incurred by the EPC contractor, Unit 3 completed commissioning and commenced commercial operations on September 26, 2020. In view of the delay in the commercial operations of Unit 3, SMC Global Power received a settlement from its EPC contractor on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts.

Further, any delay in the receipt of the relevant permits will also delay the completion of a project. Any of these project risks could have a material adverse effect on the business, financial condition, results of operations, and future growth prospects of SMC Global Power.

To manage these risks, SMC Global Power has strong credit lines to avail external financing and sufficient internally generated funds to finance its projects. Also, SMC Global Power has entered into offtake agreements with various distribution utilities and industrial users that has substantially contracted the projects' commercial capacity, such as the PSA of EERI with Meralco for the supply of 1,200 MW Contract Capacity from the planned Batangas Combined Cycle Power Plant and the PSA of MPPCL to supply 600 MW Contract Capacity from the Masinloc Power Plant expansion Units 4 and 5, both contracts having a term of 20 years.

SMC Global Power has contracted world-class and industry-leading EPC contractors to construct its projects. Under the EPC contracts, SMC Global Power will be indemnified in the event of delay and/or default of the EPC contractor. To ensure timely delivery and performance, the EPC contracts provide for a schedule of payments of the contract price based on agreed milestones. SMC Global Power checks on the accomplishments of the EPC contractor prior to the release of the corresponding payment per milestone.

***Adverse effect of WESM price fluctuations.***

From the time the WESM for Luzon began operating in June 2006, market prices for electric power have fluctuated substantially. Unlike many other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, power prices are subject to significant volatility from supply and demand imbalances. Long-term and short-term power prices may also fluctuate substantially due to other factors outside of the control of SMC Global Power, including:

- increases and decreases in generation capacity in the markets, including the addition of new supplies of power from existing competitors or new market entrants as a result of the development of new generation power plants or expansion of existing power plants or additional transmission capacity;

- changes in power transmission or fuel transportation capacity constraints or inefficiencies;

- electric supply disruptions, including power plant outages and transmission disruptions;

- changes in the demand for power or in patterns of power usage, including the potential development of demand-side management tools and practices;

- the authority of the ERC to review and, if warranted under applicable circumstances, adjust the prices on the WESM;

- climate, weather conditions, natural disasters, wars, embargoes, terrorist attacks and other catastrophic events;

- availability of competitively priced alternative power sources;

- development of new fuels and new technologies for the production of power; and

- changes in the power market and environmental regulations and legislation.

These factors could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

On March 3, 2014, the ERC issued an order ("**March 3, 2014 ERC Order**") declaring the prices in the WESM for the November and December 2013 billing months, as null and void, and ordered the Philippine Electricity Market Corporation ("**PEMC**"), the operator of the WESM, to calculate and issue adjustment bills using recalculated prices. Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, "2014 ERC Orders"). Certain parties including SMEC, SPPC, SPDC and MPPCL filed a request with the ERC for the reconsideration of the 2014 ERC Orders. Other generators also requested the SC to stop the implementation of the 2014 ERC Orders. On June 26, 2014, certain parties including SMEC, SPPC and SPDC filed with the Court of Appeals ("**CA**") a Petition for Review of these orders. On the other hand, MPPCL filed its Petition for Review with the CA on December 12, 2014. After consolidating the cases, the CA, in its decision dated November 7, 2017, granted the Petition for Review filed by SMEC, SPPC, SPDC and MPPCL declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months November to December 2013. The CA affirmed this decision in its March 29, 2019 Omnibus Resolution. The ERC appealed the decision and resolution of the CA, which nullified and set aside the 2014 ERC Orders declaring the WESM prices for November and December 2013 void. On August 3, 2021, a decision was rendered by the Supreme Court En Banc on a separate case declaring the March 3, 2014 ERC Order as null and void. Considering that this decision of the Supreme Court *En Banc* ("SC Decision") covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SMEC, SPPC, SPDC, SMELC and MPPCL will have to be settled with the Independent Electricity Market Operator of the Philippines ("**IEMOP**," the current operator of the WESM).

It is highly likely that the SC Decision will attain finality, and in that instance, a claim for refund may be made by the relevant subsidiaries with IEMOP in the aggregate amount of up to ₱2,322 million.

The strategy of SMC Global Power is to source majority of its revenues from bilateral offtake agreements. This ensures cash flows while minimizing the exposure of SMC Global Power to any unfavorable fluctuations in WESM prices. Revenue from bilateral contracts with offtakers contributed 94%, 95% and 92% of total revenue for the years ended December 31, 2019, 2020 and 2021, respectively, and 90% and 93% for the six months ended June 30, 2021 and 2022, respectively.

***Non-renewal of or non-compliance with offtake agreements.***

SMC Global Power, through its subsidiaries, has offtake agreements with various distribution utilities, electric cooperatives and large industrial and commercial users. In respect of the IPPA Power Plants, some offtake agreements will expire before the termination of the applicable IPPA Agreement, although they may be renewed by mutual agreement of the parties. The IPPA Agreements provide that the amounts of payment obligations of SMC Global Power will increase over time. While SMC Global Power intends to renew the offtake agreements upon expiration to provide stable and predictable revenue streams, there is no assurance that SMC Global Power will be able to renew or enter into new offtake agreements for similar volumes or at similar prices, or that SMC Global Power will be able to enter into new offtake agreements. If SMC Global Power is unable to enter into new offtake agreements, SMC Global Power will be further exposed to fluctuations in electricity prices in the WESM, which could materially and adversely affect the profitability of SMC Global Power.

When the current offtake agreements with Meralco expire or are otherwise renegotiated, they may be renewed for lower electricity volumes than in the past or on different terms, including under different pricing terms. In addition, there can be no assurance that Meralco and other offtakers will be able to meet their future payment obligations under their agreements with SMC Global Power. For SMC Global Power's greenfield power plants, there is no assurance that SMC Global Power, through its subsidiaries, will be awarded contracts pursuant to any CSP conducted by Meralco or other distribution utilities or electric cooperatives, or will successfully negotiate with various contestable customers or RES.

The business, cash flows, earnings, results of operations and financial condition of SMC Global Power could be materially and adversely affected if SMC Global Power is unable to successfully participate and bid for supply contracts with Meralco and other offtakers under favorable terms or at all, or if Meralco and other offtakers are unable to meet their payment obligations under existing agreements, and SMC Global Power is unable to find new customers to replace Meralco and other offtakers.

In September 2019, Meralco conducted a CSP for its power supply, in accordance with the requirements under DOE Circular No. DC2018-02-0003 (the "**DOE CSP Policy**"). SPPC was awarded two (2) offtake contracts to supply an aggregate of 960 MW from the Ilijan Power Plant. The first contract is for the supply of 670 MW for baseload power requirements for a period of 10 years from December 26, 2019 and the second contract is for the supply of 290 MW mid-merit power requirements for a period of five (5) years from December 26, 2019. In addition, SMEC was also awarded a contract to supply 330 MW for baseload power requirements from the Sual Power Plant for a period of 10 years from December 26, 2019. The three (3) contracts have been executed between Meralco and the relevant IPPAs (the "**2019 Meralco PSCs**"). The 2019 Meralco PSCs have been implemented under the provisional authority and are pending final approval from the ERC. On August 4, 2022, SMEC and SPPC issued separate termination notices to Meralco covering the 1,000 MW baseload capacity that is the subject of joint petition for a temporary price increase with the ERC to allow it to charge its incremental power supply costs. The effectivity date of termination shall be on October 4, 2022, following the 60-day notice period. Meralco filed its Urgent Manifestations before the ERC on August 5, 2022. In August 2022, Meralco conducted the emergency procurement of supply to replace the 1,000 MW baseload capacity. MPPCL, SCPC and SPPC participated in the offer and were awarded 570 MW in aggregated capacity for one (1)-year power supply commencing on October 4, 2022 and were priced at the prevailing fuel cost regime.

In another CSP conducted by Meralco in January 2021 for its 1,800 MW (net) power requirements, EERI and MPPCL were awarded the following 20-year PSAs after emerging as the winning bidders: (i) PSA with EERI for the supply and delivery of 1,200 MW contract capacity with commercial operations date on November 26, 2024 and expiring on November 25, 2044; and (ii) PSA with MPPCL for the supply and delivery of 600 MW contract capacity with commercial operations date on April 26, 2025 and expiring on April 25, 2045. These PSAs have been executed by the relevant parties and were filed with the ERC on March 23, 2021 for approval.

On February 2, 2022, SPPC won the CSP conducted by Meralco for the supply of 170 MW (net) contract capacity for a five-month period which will commence upon the issuance of approval by the ERC of the relevant PSA. As of the date of this Prospectus, the PSA is pending ERC approval.

SMC Global Power manages a large, reliable and diverse portfolio of power plants that allows it to supply at competitive rates and terms. Considering the increasing electricity requirements of the country underpinned by a strong GDP and population growth rate, SMC Global Power believes that its bilateral offtake agreements will be renewed or it will be able to expand its customer base. Further, SMC Global Power has an experienced sales and marketing team that actively markets to its existing and new financially capable prospective customers and intends to continuously participate in CSPs to be conducted by distribution utilities. In addition, SMC Global Power maintains good working relationships with its offtakers and has cultivated a long history of reliability and good customer service.

***Administration of the output of SMC Global Power's power portfolio necessarily involves significant risks.***

The administration of the output of power generation facilities necessarily involves significant risks, including:

- breakdown or failure of power generation equipment, transmission lines, pipelines or other equipment or processes, leading to unplanned outages and operational issues;
- flaws in the equipment design or in power plant construction;
- issues with the quality or interruptions in the supply of key inputs, including fuel or water;
- material changes in legal, regulatory or licensing requirements;
- operator error;
- performance below expected levels of output or efficiency;
- industrial actions affecting power generation assets owned or managed by the subsidiaries of SMC Global Power or its contractual counterparties;
- pollution or environmental contamination affecting the operation of power generation assets;
- planned and unplanned power outages due to maintenance, expansion and refurbishment;
- inability to obtain or the cancellation of required regulatory, permits and approvals;
- opposition from local communities and special interest groups; and
- force majeure and catastrophic events including fires, explosions, earthquakes, volcanic eruptions, floods and terrorist acts that could cause forced outages, suspension of operations, loss of life, severe damage and plant destruction.

There is no assurance that any event similar or dissimilar to those listed above will not occur or will not significantly increase costs or decrease or eliminate sales derived by SMC Global Power from its power generation assets. While the IPPA Agreements of SMC Global Power provide certain reliefs in the event the IPPA Power Plants cannot produce or dispatch electricity, if any of the power generation assets of SMC Global Power is unable to generate or deliver electricity to customers for an extended period of time which may be due to the aforementioned risks, its customers may be exempt from making certain payments so long as any such events continue. In addition, if the subsidiaries of SMC Global Power fail to generate or deliver electricity beyond the contractually agreed outage periods, its counterparts in its PSCs may have a right to terminate those contracts, and replacement contracts may not be entered into on comparable terms. Any of the foregoing could have a material adverse effect on the financial and operating performance of SMC Global Power.

SMC Global Power leverages on the strengths and track record of its partners in operating its existing power portfolio by monitoring their adherence to the minimum operating protocols specified in their respective IPPA Agreements or operations and maintenance agreements in line with international best practices.

***Operating and other risks leading to network failures, equipment breakdowns, planned or unplanned outages.***

Power generation is vulnerable to human error in operation, equipment failure, catastrophic events, natural disasters, sabotage, terrorist attacks or other events which can cause service interruptions, network failures, breakdowns or unplanned outages. There is no assurance that accidents will not occur with SMC Global Power's power plants or that the preventive measures taken by SMC Global Power will be fully effective in all cases, particularly in relation to external events that are not within its control. Moreover, any loss from such events may not be recoverable under the SMC Global Power's insurance policies. SMC Global Power's income and cash flows will be adversely affected by any disruption of operations of its plants due to any of the foregoing risks. Any unplanned plant shutdowns for an extended period of time will have a material adverse effect on SMC Global Power's ability to sell power and SMC Global Power's results of operations could suffer. For example, from September 16, 2020 to May 12, 2021, the Sual Power Plant Unit 2 experienced an outage due to major turbine repairs to improve its reliability moving forward. In the event of a service disruption, SMC Global Power would typically seek to purchase replacement power, which may be at a significantly greater cost than power generated by it or than it is able to recover. SMC Global Power is also entitled to reduction in the IPPA payments to Power Sector Assets and Liabilities Management Corporation ("**PSALM**") for fixed and generation fees of the IPPA Power Plants that will compensate it for any loss in margins from prolonged outages. Nevertheless, any of these factors may be beyond SMC Global Power's control, and their occurrences could have a material adverse effect on SMC Global Power's business, financial condition or results of operations.

SMG Global Power undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices.

***Insufficient insurance coverage for generation plants.***

The IPPs of the IPPA Power Plants are responsible for maintaining insurance for all of the facilities, equipment and infrastructure for those power plants, with the exception of the dam and spillway of the San Roque Power Plant, for which NPC is obligated to maintain insurance coverage. The IPPA of these IPPA Power Plants, namely SMEC and SPDC, however, are not beneficiaries of any of these insurance policies. These IPPAs have no business interruption insurance coverage and are therefore uninsured for liabilities or any direct or indirect costs and losses which may be incurred, as a result of any business interruption that their respective IPPA Power Plant may experience. SMC Global Power believes that there is no business interruption insurance available for the IPPA business model under which its IPPA- subsidiaries are currently operating. Accordingly, any uninsured liabilities or direct or indirect losses, including any third-party claims that result from an interruption to the business of these IPPAs, could have a material adverse effect on its financial condition and results of operations.

For the power plants of SMC Global Power, SPPC, SCPC, SMCPC and MPPCL secure the necessary insurance for their respective power plants, the terms of which are reviewed regularly and cover industrial all risks, business interruption, marine cargo insurance, sabotage and terrorism, physical material loss or damage caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses. The business interruption insurance policies of these entities however do not cover any declines in production or adverse publicity that SPPC, SCPC, SMCPC, or MPPCL may suffer as well as any significant resource that SPPC, SCPC, SMCPC, or MPPCL may invest to address such losses.

In addition, there is no assurance that SMC Global Power will be able to renew these policies on similar or otherwise acceptable terms, or at all, or that SMC Global Power will not experience a material increase in the premiums payable under its insurance policies. If one or more of SMC Global Power's power projects were to incur a serious uninsured loss, a loss that significantly exceeds the limits of its insurance policies or any unexpected losses against which these subsidiaries are not fully insured, this could have a material adverse effect on their businesses, financial condition and results of operations.

While SMC Global Power has not experienced any major downturn in the operations of the IPPA Power Plants brought about by unexpected losses caused by natural disasters or other events that could affect its facilities, SMC Global Power believes that it can withstand such events with its business strategies in place. SMC Global Power also has a system of financial prudence and corporate governance that provides the foundation for its risk management initiatives. For further discussion on the business strategy of SMC Global Power, please refer to the "*The Company–Businesses of the Company–Energy Business–Strengths and Strategies*" portion below.

***No direct contractual and operational relationship.***

SMC Global Power is dependent on the operators of the IPPA Power Plants to generate power from the IPPA Power Plants, and for the IPPs to comply with their contractual obligations to NPC under their IPP Agreements. SMC Global Power does not have a direct contractual relationship with the IPPs and cannot directly enforce the IPP Agreements against the IPPs. Failure by an IPP to comply with its obligations under its IPP Agreement may significantly reduce or eliminate power generation volumes or increase costs, thereby decreasing or eliminating revenues that the IPPA subsidiaries of SMC Global Power can derive from selling the power generated by the IPPA Power Plants. Any claims for damages for breach, or other entitlement, benefit or relief under the IPPA Agreement arising from the breach, by the IPP, of its IPP Agreement obligations must be claimed by SMC Global Power against PSALM through specified claim mechanisms. The IPPA Agreements do not permit set-off of claims, and the IPPA subsidiaries of SMC Global Power are only entitled to payment of their claim after PSALM has received payment from the IPP of its corresponding claim. Accordingly, the IPPA subsidiaries of SMC Global Power bear the risks associated with the lack of direct recourse against the IPPs, delays in the enforcement of their claims and other risks related to pursuing claims or legal proceedings against a state-owned entity such as PSALM. Any of these factors could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

SMC Global Power believes this risk can be managed by leveraging on SMC Global Power's strengths and strategies. For a more detailed discussion please refer to "*The Company–Businesses of the Company–Energy Business–Strengths and Strategies*" section on page 211 of this Prospectus. However, there is no assurance that SMC Global Power can provide an effective mitigation to such risk.

***Foreign exchange risk.***

While most of the offtake agreements of SMC Global Power allow adjustments for foreign exchange rate fluctuations, SMC Global Power remains subject to foreign exchange risk. A substantial amount of revenue from sales of power by SMC Global Power is denominated in Philippine Pesos, while a portion of its expenses and obligations are denominated in U.S. Dollars. The scheduled payment obligations to PSALM pursuant to the IPPA Agreements of the IPPA subsidiaries with PSALM are denominated in both U.S. Dollars and Pesos. The proportion of U.S. Dollars to Pesos payable under the IPPA Agreements is approximately 50% at the exchange rates prevailing as of the dates of the respective IPPA Agreements. SMC Global Power, through its subsidiaries, also purchases coal as fuel for the Sual Power Plant and its other coal power projects using U.S. Dollars.

In addition, a significant portion of the capital expenditures required for its greenfield power projects are denominated in U.S. Dollars. In March 2018, SMC Global Power obtained U.S.$1,200 million term facilities from various foreign financial institutions for the acquisition of the Masinloc Power Plant, of which U.S.$500 million remains outstanding as of December 31, 2021. In March 2021, SMC Global Power executed a U.S.$200 million term loan facility from various foreign financial institutions that refinanced a maturing obligation for the same amount. In May 2014 and August 2015, SMC Global Power issued undated subordinated capital securities amounting to U.S.$300 million for each issuance, which SMC Global Power has since redeemed on the relevant step-up dates of November 7, 2019 and February 26, 2021, respectively. In addition, SMC Global Power issued redeemable perpetual securities amounting to U.S.$650 million for the acquisition of the Masinloc Power Plant in March 2018. On April 25, 2019, SMC Global Power issued U.S.$500 million senior perpetual capital securities. On July 3, 2019, SMC Global Power issued an additional U.S.$300 million senior perpetual capital securities, which were consolidated into and form a single series with the U.S.$500 million senior perpetual capital securities issued on April 25, 2019. On November 5, 2019, SMC Global Power issued U.S.$500 million senior perpetual capital securities and on January 21, 2020, SMC Global Power issued U.S.$600 million senior perpetual capital securities. On October 21, 2020, SMC Global Power issued the U.S.$400 million senior perpetual capital securities, followed by an issuance of U.S.$350 million senior perpetual capital securities on December 15, 2020, which were consolidated into and form a single series with the U.S.$400 million senior perpetual capital securities issued on October 21, 2020. On April 12, 2021, SMC Global Power drew U.S.$50 million on its term loan facility with a foreign bank executed on October 12, 2020, and on May 21, 2021, SMC Global Power executed a U.S.$100 million syndication agreement relating to the U.S.$200 million facility agreement dated March 9, 2021. On June 9, 2021, SMC Global Power issued the U.S.$600 million senior perpetual capital securities followed by an issuance of U.S.$150 million senior perpetual capital securities on September 15, 2021, which were consolidated into and form a single series with the U.S.$600 million senior perpetual capital securities issued on June 9, 2021. On January 21, 2022, SMC Global Power availed of U.S.$200 million from a three-year term loan facility agreement executed with foreign banks on September 8, 2021. The initial loan amount under the facility agreement of U.S.$100 million was increased to U.S.$200 million on December 16, 2021. On May 10, 2022, SMC Global Power availed of U.S.$200 million one-year term loan facility agreement executed with a foreign bank on April 29, 2022. On May 24, 2022, SMC Global Power availed of U.S.$100 million from a three-year term loan subject of a facility agreement executed with a group of foreign banks on May 18, 2022.

In addition, the PSAs entered into with Meralco as a result of the latter's CSP conducted in September 2019 (see "*The Company—Businesses of the Company–Energy Business—Stable and Predictable Cash Flows*" on page 212 of this Prospectus), with an aggregate capacity of 1,290 MW starting 2020, have fixed price escalation mechanisms rather than tariff adjustment based on current foreign exchange rates. Consequently, SMC Global Power may no longer pass-through the impact of foreign exchange fluctuations and may have positive benefits or negative exposures should the Peso appreciate or depreciate, respectively.

A depreciation of the Peso, particularly with respect to the U.S. Dollar, increases the Peso equivalent value of the foreign currency-denominated costs and obligations of SMC Global Power. This could adversely affect the results of operations of SMC Global Power and its ability to service its foreign currency-denominated liabilities.

SMC Global Power actively evaluates combinations of natural hedges, such as holding U.S. Dollar-denominated assets and liabilities and foreign exchange adjustments in the pricing for certain offtake contracts and derivative instruments to manage its exchange rate risk exposure. SMC Global Power has entered into derivative contracts covering its net foreign currency denominated monetary liabilities. As a general policy, SMC Global Power may hedge up to 50% of its exposure and subject to management approval, for more than 50% of its exposure if necessary. Less than 10% of the consolidated net foreign currency-denominated monetary liabilities has been hedged as of June 30, 2022. SMC Global Power also considers redenomination of U.S. Dollar-denominated obligations to Philippine Peso to minimize exposure to foreign exchange fluctuations. Nonetheless, there can be no assurance that the Peso will not depreciate significantly against the U.S. Dollar or other currencies in the future or that such depreciation will not have an adverse effect on the growth of the Philippine economy or the financial condition of SMC Global Power.

***Variations in hydrological conditions and irrigation requirements.***

Hydroelectric generation is dependent on the amount and location of rainfall and river flows, which vary widely from quarter to quarter and from year to year. NPC owns and operates the dam and the dam-related facilities of the San Roque Power Plant and has obtained a water permit allowing it to use the water flow from the Agno River to generate power from the San Roque Power Plant with an allowable volume dictated by downstream irrigation requirements set by the National Irrigation Administration ("**NIA**").

The facilities of AHEPP are located within the Angat Watershed Reservation, which is managed by and is under the jurisdiction of NPC. NPC was issued a water permit dated November 28, 1979 by then National Water Resources Council pursuant to which NPC has authority to extract water from the Angat River for power generation purposes. In a resolution dated April 4, 2016, the National Water Resources Board ("**NWRB**") granted KWPP Holdings Corporation's petition for the transfer of the said water permit to itself and authorized its lease to AHC. The water discharged by the AHEPP is used for the following purposes: (i) the water outflow of the three (3) Auxiliary Units of 6 MW capacity each (each, an "**Auxiliary Unit**" or collectively, "**Auxiliary Units**") flows to the Ipo Dam and is conveyed by Metropolitan Waterworks and Sewerage System ("**MWSS**") to Metro Manila for domestic use; and (ii) the water outflow of the four (4) Main Units of 50 MW capacity each (each a "**Main Unit**" or collectively, "**Main Units**") flows to the Bustos Dam and is conveyed by NIA to the province of Bulacan for irrigation purposes.

The levels of hydroelectric production can therefore vary from period to period depending on the water levels in the reservoir and downstream irrigation and water supply requirements. In years of less favorable hydrological conditions, such as periods of drought or when the El Niño weather phenomenon occurs, the reservoir has low water levels, which reduces the amount of power that the San Roque Power Plant and the AHEPP are able to generate. This could reduce the revenues from the sale of power from the San Roque Power Plant and the AHEPP, which could have a material adverse effect on SMC Global Power's business, financial condition and results of operations. Conversely, if too much rainfall occurs at any one time, such as during a typhoon, water may flow too quickly and at volumes in excess of the water intake capacity of the San Roque Power Plant and AHEPP, which may cause release of water using the spillway.

SMC Global Power, through its subsidiaries, actively manages the water supply of the hydro power plants to optimize generation while ensuring that the irrigation supply requirements are met in coordination with the relevant government agencies.

***Challenges in successfully implementing its growth strategy.***

Implementing the growth strategy of SMC Global Power involves: (i) substantial investments in new power generation facilities such as LNG power plants and expansion of existing power generation facilities; (ii) acquisitions of existing power generation capacity; (iii) entering into alliances with strategic partners; (iv) entering into new and developing technologies and services, such as energy storage solutions, particularly BESS and ancillary services, such as frequency regulating reserves; and (v) targeting new markets, such as the renewable energy market. The success in implementing the strategy of SMC Global Power will depend on, among other things, its ability to identify and assess investment and acquisition opportunities as well as potential partners, its ability to successfully finance, close and integrate investments, acquisitions and relevant technologies for the production of power, its ability to manage construction of planned greenfield and expansion power projects within technical, cost and timing specifications, its ability to establish BESS projects and integrate these with the grid and support renewable energy sources, its ability to secure offtake agreements through CSP, its ability to control costs and maintain sufficient operational, financial and internal controls, the strength of the Philippine economy (including overall growth and income levels), the growth of the relevant target markets, and the overall levels of business activity in the Philippines.

SMC Global Power is also contemplating several additional potential investments and acquisitions, but has not entered into any definitive commitment or agreement for any such contemplated investment or acquisition. If general economic and regulatory conditions or market and competitive conditions change, or if operations do not generate sufficient funds or other unexpected events occur, SMC Global Power may decide to delay, modify or forego some of its planned or contemplated projects or alter aspects of its growth strategy, and its future growth prospects could be materially and adversely affected. For example, SMC Global Power may consider alternative technologies for planned power projects that will improve efficiencies and lower emissions.

The growth strategy of SMC Global Power will also place significant demands on its management, financial and other resources. In particular, continued expansion will increase the challenges for financial and technical management, recruitment, training and retention of sufficient skilled technical and management personnel and developing and improving its internal administrative infrastructure. In addition, expansion into new markets will necessitate recruitment and development of expertise in new technologies, including natural gas and BESS technologies. Any inability to meet these challenges could disrupt the business of SMC Global Power, reduce its profitability and adversely affect its results of operations and financial condition.

To manage these risks, SMC Global Power: (i) maintains a highly experienced management team composed of experts with extensive knowledge of the Philippine power industry; (ii) has in place a system of financial prudence and corporate governance; and (iii) strengthens the competencies of its employees specifically those in the succession pipeline of key personnel, provides training to prepare employees to take on higher responsibilities, and pursues strategic hiring for identified critical positions.

SMC Global Power also undertakes prudent review and due diligence and evaluates the viability of any acquisition or investment. In addition, SMC Global Power is guided by metrics when assessing possible investments, which include, but are not limited to, financial returns and possible synergies, with an overall objective of maximizing returns.

***Availability of financing and significant long-term debt as well as perpetual capital securities.***

SMC Global Power expects to fund its expansion and growth plans through a combination of internally generated funds and external financing. The continued access to debt and equity financing of SMC Global Power is subject to factors, many of which are outside of the control of SMC Global Power. Political instability, economic downturn, social unrest, or changes in the Philippine regulatory environment could increase the cost of borrowing, decrease the price of its securities, or restrict the ability of SMC Global Power to obtain debt or equity financing. In addition, recent disruptions in global capital and credit markets may continue indefinitely or intensify. Disruptions in the global capital and credit markets, including as a result of geopolitical tensions and uncertainties caused by events such as the Russian invasion of Ukraine, rising tensions between Russia and the

European Union and the U.S., as well as the potential for the continuation of global trade wars between key economic powers could adversely affect SMC Global Power's ability to access the liquidity needed to maintain its business and pursue its growth plans.

Other factors affecting the ability of SMC Global Power to borrow include (i) Philippine regulations limiting bank exposure (including single borrower limits) to a single borrower or related group of borrowers; (ii) compliance by SMC Global Power with existing debt covenants, which include debt to equity ratio and debt service coverage ratio covenants; and (iii) the ability of SMC Global Power to service new debt. The inability of SMC Global Power to obtain financing from banks and other financial institutions or from capital markets would adversely affect its ability to execute its expansion and growth strategies and have a material adverse effect on the business, financial condition, and results of operations of SMC Global Power. There is no assurance that SMC Global Power will be able to refinance or obtain additional financing when needed on commercially acceptable terms or at all. Any additional debt financing may place restrictions on SMC Global Power, which may, among others:

- increase vulnerability to general adverse economic and industry conditions;
- limit ability to pursue growth plans;
- limit ability to raise additional financing and access credit or equity markets to satisfy its repayment obligations as they become due on favorable terms, or at all;
- require SMC Global Power to dedicate a substantial portion of cash flow from operations to payments on debt and capital securities, thereby reducing the availability of its cash flow to fund capital expenditure, working capital requirements and other general corporate purposes; and/or
- limit its flexibility in planning for, or reacting to, changes in its business and its industry, either through the imposition of restrictive financial or operational covenants or otherwise.

SMC Global Power employs a system of financial prudence and good corporate governance to manage the risks relating to debt and equity financing. SMC Global Power can also rely on its strengths to navigate and have continual access to financing. For further discussions on these strengths, please refer to "*The Company–Businesses of the Company–Energy Business–Strengths and Strategies*" portion below.

***Dependence on the existence of transmission infrastructure.***

The transmission infrastructure in the Philippines continues to experience constraints on the amount of electricity that can be delivered from power plants to customers, as well as limited interconnectivity between the Luzon-Visayas grid and the lack of any interconnectivity between the Visayas-Mindanao grid.

SMC Global Power and its subsidiaries are in constant consultation and communication with National Grid Corporation of the Philippines ("**NGCP**") and other relevant Government institutions to address the transmission infrastructure requirements of SMC Global Power and its subsidiaries. The DOE is mandated by law to prepare a Transmission Development Plan to be implemented by NGCP which aims to address projected infrastructure limitations and interconnectivity of sub-grids.

If these transmission constraints continue, the ability of SMC Global Power to supply electricity from the IPPA Power Plants of its subsidiaries and its operating and planned greenfield power projects, as well as the ability of SMC Global Power to increase its geographical reach, will be adversely affected. This could have a material adverse effect on the business and revenue growth of SMC Global Power from the sale of power.

***Changes in taxation and certain tax exemptions and tax incentives.***

On September 9, 2019, the House of Representatives approved House Bill No. 304 or the PIFITA bill. It provides for, among others, a reduction in the tax rates on interest income from yield or any other monetary benefit earned or received from bank deposits, deposit substitutes, trust fund and similar arrangements from the current 20% to 15%, and an increase in the tax rate on cash and/or property dividends from the current 10% to 15%. In addition, the PIFITA bill provides for the rationalization of documentary stamp taxes. In the event the PIFITA bill is enacted, the amount required to be grossed up by SMC Global Power will increase. As of the date of this Prospectus, the House of Representatives is awaiting the Senate's action on the PIFITA bill.

On March 26, 2021, President Rodrigo Duterte signed into law Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises Act" ("**CREATE Act**") which introduces reforms to the corporate income tax and incentives systems. Effective July 1, 2020, corporate income tax rate on domestic corporations is reduced from 30% to 25%, while domestic corporations with net taxable income not exceeding ₱5 million and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100 million are subject to 20% corporate income tax. The CREATE Act further enhanced certain incentives that investment promotion agencies may grant to business enterprises, such as additional deductions, increased net-operating loss carry-over, VAT exemption on importation and VAT zero-rating of local purchases of goods and services directly and exclusively used in the registered project or activity, among others. In view of the effectivity of the CREATE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday ("ITH") prior to the effectivity of the law shall be allowed to continue to avail of the ITH for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the ITH but have not yet availed of such incentive upon the effectivity of the law may use the ITH for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an ITH prior to the effectivity of the law and that are entitled to the 5% tax on gross income earned incentive after the ITH shall be allowed to avail of the 5% tax on gross income incentive subject to the 10-year limit provided under the CREATE Act; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue to avail of such tax incentive for 10 years.

Registered subsidiaries of SMC Global Power with incentives granted prior to the effectivity of the CREATE Act may continue to avail of the same, subject to the rules prescribed under the said law. One of the incentives retained is the continued use of ITH for the original periods specified in the terms and conditions of their respective registrations. However, the entitlement to 5% gross income tax after the ITH (granted to MPGC by the Authority of the Freeport Area of Bataan) subject to the 10-year limit for both incentives reckoned from the effectivity of the CREATE Act, instead of the original period of 21 years.

As of June 30, 2022, certain subsidiaries of SMC Global Power, namely, SCPC for the Limay Greenfield Power Plant, SMCPC for the Davao Greenfield Power Plant, MPPCL for the Masinloc Power Plant and Masinloc BESS, EERI for the Batangas Combined Cycle Power Plant, SMCGP Philippines Energy for the Kabankalan BESS and UPSI for the various BESS projects were registered with the BOI as new operators with pioneer status and non-pioneer status for its greenfield projects. BOI-registered entities are granted certain tax exemptions and tax incentives, deductions from taxable income subject to certain capital requirements and duty-free importation of capital equipment, spare parts and accessories.

For those plants currently availing of these incentives, if these tax exemptions or tax incentives expire, are revoked, or are repealed, the income from these sources will be subject to the applicable corporate income tax rate, which would be 25% of net taxable income as of June 30, 2022. As a result of a loss in any tax exemptions or tax incentives, the tax expense of SMC Global Power would increase and its profitability would decrease. The expiration, non-renewal, revocation or repeal of these tax exemptions and tax incentives, and any associated impact on SMC Global Power, could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power. Furthermore, there can be no assurance that any pending tax legislation or future changes in the tax regime, including changes in fiscal incentives, in the Philippines would not have a material and adverse effect on SMC Global Power's business, financial condition, and results of operations.

SMC Global Power believes this risk can be managed by leveraging on SMC Global Power's strengths and strategies. For a more detailed discussion please refer to SMC Global "*The Company–Businesses of the Company–Energy Business–Strengths and Strategies*" portion on page 211 of this Prospectus. However, there is no assurance that SMC Global Power can provide an effective mitigation to such risk.

***Compliance with and renewal of licenses, permits and other authorizations***

SMC Global Power and its subsidiaries are required to maintain licenses, permits, and other authorizations for the operations of their respective businesses, including business permits and permits concerning, for example, health and safety, and environmental standards. These licenses, permits, and other authorizations contain various requirements that must be complied with to keep the same valid. If SMC Global Power and its subsidiaries fail to meet the terms and conditions of any of their respective licenses, permits or other authorizations necessary for operations, these operations may be suspended or terminated.

While SMC Global Power believes, to the best of its knowledge, that it has, at all relevant times, materially complied with all applicable laws, rules and regulations and has established a strong compliance culture to ensure that all requirements, permits, and approvals are obtained in a timely manner, there is no assurance that changes in laws, rules or regulations or the interpretation thereof by relevant government agencies, will not result in SMC Global Power having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities, or being subject to fines and penalties. The measures implemented by SMC Global Power and its subsidiaries to comply with laws and regulations may also be deemed insufficient by governmental authorities. If SMC Global Power and/or its subsidiaries fail to comply, or is deemed to be non-compliant with any applicable laws or regulations, SMC Global Power and/or its subsidiaries, as the case may be, may be subject to penalties, which could disrupt their operations and have a material adverse effect on their businesses and results of operations. Potential liabilities for such non-compliance with the legal requirements or violations of prescribed standards and limits under these laws include administrative, civil, and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, that could limit or affect its operations such as orders for the suspension and/or revocation of permits or licenses or suspension and/or closure of operations. There can be no assurance that SMC Global Power and its subsidiaries will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings, the costs of which could be material. In the event that SMC Global Power and its subsidiaries become involved in any future litigation or other proceedings or is subject to any adverse rulings or decisions, such events may materially and adversely affect the business, financial condition, and results of operations of SMC Global Power and its subsidiaries.

There can be no assurance that SMC Global Power and its subsidiaries will continue to be able to renew the necessary licenses, permits, and other authorizations as necessary or that such licenses, permits, and other authorizations will not be revoked. If SMC Global Power and its subsidiaries are unable to obtain or renew them or are only able to do so on unfavorable terms, this could have an adverse effect on the business, financial condition, and results of operations of SMC Global Power and its subsidiaries.

SMC Global Power and its subsidiaries are in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. The relevant compliance officers of the SMC Global Power and its subsidiaries monitor, review, evaluate, and ensure compliance by each of SMC Global Power and its subsidiaries with the rules and regulations and all governance issuances of regulatory agencies. Such compliance officers also identify, monitor, and control compliance risks and possible areas of compliance issues. Further, SMC Global Power and its subsidiaries maintain a strong compliance culture and has processes in place in order to manage adherence to laws and regulations.

***Climate change policies.***

SMC Global Power is currently invested in certain coal-fired power plants in the Philippines. Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect SMC Global Power's business and the markets in which it operates. The enactment of an international agreement on climate change or other comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal and available financing arrangements for coal-related projects. Other efforts to reduce greenhouse gas emissions and initiatives in various countries to use cleaner alternatives to coal such as natural gas may also affect the use of coal as an energy source.

In addition, technological developments may increase the competitiveness of alternative energy sources, such as renewable energy, which may decrease demand for coal-generated power. Other efforts to reduce emissions of greenhouse gases and initiatives in various countries to encourage the use of natural gas or renewable energy may also discourage the use of coal as an energy source. The physical effects of climate change, such as changes in rainfall, water shortages, rising sea levels, increased storm intensities and higher temperatures, may also disrupt SMC Global Power's operations. As a result of the above, SMC Global Power's business, financial condition, results of operations and prospects may be materially and adversely affected.

SMC Global Power continues to pursue a diversified power portfolio which includes renewable energy plants and is confident that it can leverage on its existing network of partners should the need arise to source energy from eligible renewable energy sources.

***ERC Regulation of electricity rates of distribution utilities could have a material adverse effect on SMC Global Power.***

The imposition of more stringent regulations and similar measures by the ERC could have a material adverse effect on the business, financial conditions and results of operations of SMC Global Power.

Sales to distribution utilities account for the majority of the consolidated sales volume of SMC Global Power for the year ended 2021 and for the six months ended June 30, 2022. While rates charged by SMC Global Power through its subsidiaries under their offtake agreements, including those with distribution utilities, are not regulated by the ERC, the rates that distribution utility customers charge to their customers are subject to review and approval by the ERC. Accordingly, the ability of distribution utility customers to pay the subsidiaries of SMC Global Power largely depends on their ability to pass on their power costs to their customers. There is also no assurance that the current laws, regulations, and issuances affecting the industry, particularly the EPIRA and the issuances of the ERC, will not change or be amended in the future.

There is no assurance that the ERC will permit the distribution utility customers of the subsidiaries of SMC Global Power to pass on or increase their rates or that subsequent reviews by the ERC will not result in the cancellation of any such increases or require such distribution utility customers to refund payments previously received from their customers. In addition, there is no assurance that any rate increases approved by the ERC will not be overturned by Philippine courts on appeal.

The ERC in the exercise of its regulatory powers may also impose fines, penalties, or sanctions on SMC Global Power in appropriate cases. Any such fines, penalties, sanctions or restriction on the ability of distribution utilities and/or generation companies to pass on such costs or any intervention in such rates could have a material adverse effect on the business, financial conditions and results of operations of SMC Global Power.

SMC Global Power continues to engage in comprehensive discussions and maintains good working relationship with the ERC to obtain proper resolution of its pending applications for tariff approval.

***Trading on the WESM is affected by market volatility.***

While the subsidiaries of SMC Global Power only sell a small amount of power through the WESM, volatile market conditions on the WESM may nevertheless pose risks to SMC Global Power regardless of whether there is a shortage or a surplus of energy available. When the WESM experiences a shortage, there is little risk to suppliers in terms of their value-position being destroyed. However, such a suppliers' market exposes these suppliers to the risk that regulatory agencies may intervene (directly or indirectly) to dictate prices and dispatch of power plants. Consumer outrage, triggered by high prices, could precipitate attempts to suspend the WESM and return to subsidized rates regimes. Regardless of whether such a suspension ultimately comes to pass, market anticipation of such an occurrence could lead to value-destructive market distortions. On the other hand, a surplus market tends to cause spot market prices to reflect the marginal cost of producing power. One of the main features of the WESM is a merit-order dispatch scheme wherein the cheapest sources of power, such as power produced from geothermal and hydroelectric energy, are dispatched first, before the more expensive power providers. While a supplier can mitigate its exposure to surplus risks by contracting the bulk of its capacity to offtakers to protect against low spot prices, as the subsidiaries of SMC Global Power have done, this also caps a supplier's ability to take advantage of price spikes caused by temporary market shortages.

As of June 30, 2022, the ERC has maintained a reduced primary bid cap of ₱32,000 per MWh. In addition, a permanent secondary price cap limits spot prices to ₱6,245 per MWh for as long as cumulative spot prices breach a certain threshold. Prices are automatically capped at ₱6,245 per MWh for hours where the average price for the last 72-hours exceeds ₱9,000 per MWh.

The occurrence of such events could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power.

Majority of the capacity of the subsidiaries of SMC Global Power is contracted through PSAs with various offtakers. In addition, SMC Global Power continues to engage in comprehensive discussions and maintains good working relationship with the PEMC to align its trading strategies with reasonable and acceptable standards and best practices.

***Dependence on the support of San Miguel Corporation.***

SMC Global Power relies upon San Miguel Corporation for certain shared services such as, but not limited to, human resources, corporate affairs, legal, finance and treasury functions. There is no guarantee that San Miguel Corporation will continue to provide these services or obtain its power requirements from SMC Global Power in the future. Should San Miguel Corporation cease to provide these services, and if SMC Global Power is unable to secure alternative sources of such services or enter into other PSAs, SMC Global Power's business, financial condition and results of operations could be adversely affected.

While SMC Global Power relies on certain shared services from San Miguel Corporation, these are all done at arm's length transaction basis. SMC Global Power likewise strives to strengthen the competencies of its employees and pursues strategic hiring for identified critical positions to minimize its dependence of support from San Miguel Corporation on certain services.

***Legal and other proceedings arising out of its operations.***

SMC Global Power and its subsidiaries, from time to time, may be involved in disputes with various parties involved in the generation, supply and sale of electric power, including contractual disputes with subcontractors, suppliers and government agencies. For example, SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result, the parties have arrived at different computations regarding the subject payments. Pending resolution of the dispute, there are no restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant while SPPC was the IPP Administrator for the Ilijan Power Plant. Nonetheless, the Ilijan Natural Gas-Fired Combined Cycle Power Plant with an installed capacity of 1,200MW was turned over by PSALM to SPPC, pursuant to the Deed of Sale dated June 3, 2022, between PSALM and SPPC. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and delays in the operations of SMC Global Power. SMC Global Power may also have disagreements with regulatory bodies in the ordinary course of its business, which may subject it to administrative proceedings and unfavorable decisions that will result in penalties and/or delay the development of its greenfield projects and its current operations. See "*Risk Factors—Risks Relating to SMC Global Power—ERC regulation of electricity rates of distribution utilities.*" In such cases, the business, financial condition, results of operations and cash flows of SMC Global Power could be materially and adversely affected.

SMC Global Power is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. SMC Global Power also continues to engage in comprehensive discussions and maintains good working relationship with its employees and other contractual counterparties. Further, SMC Global Power maintains a strong compliance culture and has processes in place in order to manage adherence to laws, regulations and contractual commitments.

**RISKS RELATING TO THE INFRASTRUCTURE BUSINESS**

***Completion of infrastructure projects***

SMC may not be able to fully realize the benefits of pursuing its diversification strategy through its infrastructure business as the completion of infrastructure projects is subject to various risks, uncertainties, and limitations including:

- the need to procure materials, equipment, and services at reasonable costs and in a timely manner;
- reliance on the performance of third-party providers and consultants which have an impact on the overall operating performance of the infrastructure business;
- the need to raise additional financing to fund infrastructure projects, which SMHC may be unable to obtain on satisfactory commercial terms or at all;
- deficiencies or delays in the design, engineering, construction, installation, inspection, commissioning, management or operation of projects, where applicable;
- penalties if concession requirements are not satisfied;
- the timely delivery by the Government of any rights of way for its projects;
- its ability to complete projects according to budgeted costs and schedules;
- market risks;
- non-implementation of toll or fare adjustments provided under its concession;
- regulatory risks; and
- delays or denials of required approvals, including required concessional and environmental approvals.

Occurrence of the aforementioned events could result in delays, cost overruns, unsatisfactory construction or development or the total or partial loss of the interest of SMHC in the relevant project and have a material adverse effect on the business, financial condition, results of operation, and future growth prospects of SMHC.

SMHC continuously undertakes prudent review and due diligence in the construction of its projects. SMHC also has well-equipped technical people who monitor daily construction activities and the overall progress of the projects. Backed by strong shareholder support from SMC, a sustainable stream of cashflows, experienced management team and good relationship with government agencies and contractors, SMHC believes that it can withstand such events to see through the completion of such projects.

***Enforceability of concession agreements***

The continuity of operations of the infrastructure business is highly dependent on the validity and enforceability of the applicable concession agreements which contain all the obligations and responsibility of the concessionaire and grantor over the relevant concession period.

There is no assurance that the Government will not push for the renegotiation of the terms of other concession agreements or similar agreements which it deems to be onerous, disadvantageous or inequitable. Any such compulsory renegotiation of signed agreements may create uncertainty or instability in the business environment in the Philippines which, in turn, could have a material impact on the Company's business, financial position, and results of operations.

The infrastructure business has been compliant with and continues to perform its obligation under the applicable concession agreements which include (but not limited to) constructing, designing, and financing its various infrastructure projects.

***Inability to secure tariff increases***

The commercial success of the infrastructure business depends in part on its ability to implement tariff increases. While tariff increases are permitted contractually pursuant to pricing formulas set forth in the applicable concession agreements, these may be subject to the approval of relevant government and regulatory agencies. Any constraint on the ability to increase tariffs could have a material adverse effect on business, financial condition, and results of operations of the infrastructure business.

SMC SLEX Inc. (formerly South Luzon Tollway Corporation) ("**SMCSI**") has filed four (4) petitions for periodic toll rate adjustment with the TRB, the first of which was filed on July 20, 2012 and subsequently amended on October 24, 2012 and November 28, 2012. The application submitted in 2012 was due for implementation beginning January 1, 2013 but has yet to be acted upon by the TRB.

The second petition for periodic toll rate adjustment was filed with and received by the TRB on September 30, 2014. However, a Motion for Leave to Amend the Petition was filed by SMCSI on November 19, 2014 for the purpose of clarifying and further supporting the basis for the computation of the adjusted toll rate. To date, SMCSI has not yet submitted a revised petition for periodic toll rate adjustment to the TRB.

The third petition for toll rate adjustment was filed with and received by the TRB on September 28, 2018. The application submitted in 2018 was due for implementation beginning January 1, 2019 but has yet to be acted upon by the TRB.

The fourth and latest petition was filed and received by the TRB on September 30, 2020. The application submitted in 2020 was due for implementation beginning January 1, 2021 but has yet to be acted upon by the TRB.

SMCSI continues to engage in comprehensive discussions and maintains a good working relationship with the TRB to obtain a proper resolution of the pending toll rate adjustments. In addition, the administration under President Duterte has given focus and aims to increase infrastructure spending to 5% of GDP and has provided great optimism to the infrastructure sector. This is a positive indication that long delayed Public Private Partnership ("**PPP**") Projects will be implemented, including the approvals of pending toll rate adjustments.

Star Infrastructure Development Corporation ("**SIDC**") also submitted a letter dated October 28, 2014 requesting the TRB to approve the implementation of the toll rate increase for the additional works for Stage 2 Phase 2. SIDC has already provided all the required certificates and requirements needed by TRB for the approval of implementation of adjusted toll rate. However, on November 2017, the TRB only approved an increase of ₱0.674/km, which is half of the originally approved increase of ₱1.361/km. On October 24, 2018, the TRB Board issued that the approved ₱0.674/km is permanent and final. SIDC submitted an Appeal Memorandum to the Office of the President last January 20, 2020 to reverse the TRB's resolution and grant SIDC the right to collect the full toll rate of ₱1.361/km at STAR without need of publication.

On June 29, 2020, TRB issued a Consolidated Resolution related to the Petition for Approval of the Periodic Toll Rate Adjustment filed by SIDC on September 26, 2011 and September 30, 2014, respectively, approving and allowing the new authorized toll rates for the STAR to be implemented at ₱2.477762/km. After complying with all the requirements, TRB issued the Notice to Start collection on July 3, 2021 which was implemented by SIDC on July 15, 2021.

SIDC has two (2) pending petitions for the Approval of Periodic Toll Rate Adjustment with a target implementation this 2022, submitted on October 2, 2017 for the period 2018 to 2020 and submitted on September 30, 2020 for the period 2021 to 2023.

The infrastructure business continues to engage in comprehensive discussions and has good working relationships with the relevant government and regulatory agencies to obtain proper resolutions to the pending tariff increases.

***Decrease in utilization***

The commercial success of the infrastructure business depends in part on the ability to maintain or increase utilization of its infrastructure facilities. External events such as rising oil prices, health crisis or pandemic, may decrease the number of vehicles, airplanes or passengers that utilize the infrastructure facilities which may result in fewer passenger vehicle journeys and increase in cost of airfares. Any decrease in utilization or any factor that would decrease patronage could have a material adverse effect on the financial condition and results of operations of the infrastructure business.

The infrastructure business continually adopts efficiency improvement programs (such as implementation of the Radio Frequency ID system for its toll road systems) and regular improvements and maintenance of the facilities that would improve utilization while providing convenience to motorists.

### *Obtaining new concessions or projects*

SMHC's plans in relation to the infrastructure business include the continued acquisition of new concessions and projects, successful participation in bids for projects as well as exploring opportunities in other sectors. SMHC's ability to expand its business and increase operating profits is dependent on many external factors and events that are outside its control, including changes in governmental laws and policies.

## RISKS RELATING TO THE PHILIPPINES

### *Concentration of operations and assets in the Philippines*

Historically, the financial condition and results of operations of SMC have been influenced to a significant degree by the general state of the Philippine economy and the overall levels of business activity in the Philippines, and the Company expects that this will continue to be the case in the future. The Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso, and the imposition of exchange controls. The Company cannot assure prospective investors that one or more of these factors will not negatively impact the purchasing power of Philippine consumers. Demand for many of the products of SMC is tied closely to domestic consumer purchasing power and disposable income levels. In addition, as the businesses expand their product and brand portfolios in higher-priced premium market segments in their respective industries, their businesses and prospects will be increasingly affected by any deterioration in consumer purchasing power. Any decrease in consumer purchasing power and disposable income levels could have a material adverse effect on the business, operations, and financial condition of SMC.

The Philippines is currently experiencing an economic downturn due to the COVID-19 pandemic and resultant community quarantine. The country's gross domestic product suffered a -9.5% contraction for the whole of 2020 with economists forecasting it to rise sharply in 2021 by 6.5% to 7.5%. The World Bank (as of December 2021 through their report, Philippines Economic Update) expects the Philippine economy to grow by 5.3% and an average of 5.8% in 2021 and 2022-23, respectively. For the year 2020, domestic inflation averaged 2.6%, reaching as high as 3.5% in December. However, the average inflation was still within the government's 2% to 4% target. For the fifth time in 2020, BSP cut the rate on its overnight reverse repurchase facility by 25 basis points to 2% from 2.25%, totalling a 200-basis point reduction for the entire 2020. In addition, the Monetary Board cut the rate on the overnight deposit facility and the overnight lending facility to 1.50% and 2.50%, respectively. A global recession also took place for the year 2020 as the economic effects of the COVID-19 pandemic were felt in other countries, which also adversely affected the Philippine economy. As of September 22, 2022, the Monetary Board decided to raise the interest rate on overnight reverse repurchase facility to 4.25% and the overnight lending and deposit facilities rates at 4.75% and 3.75%, respectively.

Any future deterioration in economic conditions in the Philippines could materially and adversely affect the Company's financial position and results of operations, including the Company's ability to grow its business portfolio, and its ability to implement the Company's business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition, or results of operations.

Factors that may adversely affect the Philippine economy include: decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally; scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally; exchange rate fluctuations and foreign exchange controls; rising inflation or increases in interest rates; levels of employment, consumer confidence and income; changes in the Government's fiscal and regulatory policies; Government budget deficits; adverse trends in the current accounts and balance of payments of the Philippine economy; public health epidemics or outbreaks of diseases, such as re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-Cov), Severe Acute Respiratory Syndrome (SARS), avian influenza (commonly known as bird flu) or H1N1, and the recent novel Coronavirus (COVID-19), or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia; natural disasters, including but not limited to tsunamis, typhoons, volcanic eruptions, earthquakes, fires, floods and similar events; political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and other regulatory, social, political or economic developments in or affecting the Philippines.

SMC is one of the largest and most diversified conglomerates in the Philippines by revenue and total assets, with sales equivalent to approximately 4.90% of Philippine GDP in 2021.[10] Nonetheless, any downturn in the Philippine economy may have a negative impact on consumer sentiment and general business conditions in the Philippines, which may materially reduce the revenues, profitability, and cash flows of the Company. Moreover, there is no assurance that current or future government policies would continue to be conducive to sustaining economic growth.

***Political instability or acts of terrorism in the Philippines***

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two (2) former presidents, two (2) chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. An unstable political or social environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of SMC.

In addition, national and local elections were recently conducted throughout the Philippines on May 9, 2022. There can be no assurance that the newly elected officials after the election will continue to implement social and economic policies implemented by the immediate past administration. A major deviation from the policies of the immediate past administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's businesses, prospects, financial condition, and results of operations.

***Acts of terrorism, clashes with separatist groups and violent crimes***

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria ("**ISIS**"). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. The martial law in Mindanao was lifted on January 1, 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

[10] Based on data from the SMC consolidated revenues in 2021 divided by Philippine's total revenue sourced from Philippine Statistics Authority.

***Territorial disputes***

Competing and overlapping territorial claims by the Philippines, China, and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("**UNCLOS**"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine Peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect SMC's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

***Natural catastrophes***

SMC's business and operations 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. The Philippines has experienced a number of major natural catastrophes over the past years, including typhoons such as super typhoon "Rolly" in late October 2020, volcanic eruptions such as the Taal Volcano eruption in January 2020, earthquakes such as the 7.0-magnitude earthquake in Tayum, Abra in July 2022, tsunamis, mudslides, fires, droughts and floods related to El Niño and La Niña weather events. Natural catastrophes may materially disrupt and adversely affect the business, operations, and financial condition of SMC. There is no assurance that the insurance coverage SMC maintains for these risks will adequately compensate it for all damages and economic losses resulting from natural catastrophes.

***Downgrade of Philippine credit rating***

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are residents in the Philippines, such as the Company. Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. As of December 31, 2019, the Philippines' long-term foreign-currency denominated debt was rated Baa2 by Moody's, BBB+ S&P Global Ratings, and BBB by Fitch. However, no assurance can be given that Fitch, Moody's, S&P Global Ratings or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Company. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Company, to raise additional financing, and will increase borrowing and other costs. As of July 16, 2020, Moody has affirmed the Philippines Baa2 rating with stable outlook. On January 10, 2021, Fitch affirmed the Philippines' long-term foreign-currency issuer default rating at BBB, noting that the outlook is stable. On July 12, 2021, however, Fitch revised the outlook of the Philippines to negative, although its long-term foreign-currency issuer default rating remained at BBB. The change in outlook was attributed to the potential scarring effects, and possible challenges associated with unwinding the exceptional policy response to the COVID-19 health crisis and restoring sound public finances as the pandemic recedes. As of May 28, 2021, S&P maintained its BBB+ long-term credit rating for the Philippines with a stable outlook, and also affirmed its A-2 short-term credit rating for the Philippines.

***Foreign exchange controls***

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, has the statutory authority to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings. The Philippine government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

SMC purchases certain critical key inputs from abroad and requires foreign currency to make these purchases. There is no assurance that the Philippine government will not impose economic restrictions or regulatory controls that may restrict free access to foreign currency. Any such restrictions could severely curtail the ability of SMC to pay for certain key inputs or to meet its foreign currency payment obligations, which could materially and adversely affect its financial condition and results of operations.

**RISKS RELATED TO THE BOND OFFERING**

***The Bonds may not be a suitable investment for all investors.***

Each potential investor of the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency; (iv) understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic conditions, interest rate, foreign exchange rate, Issuer's credit risk, and other factors that may affect its investment and its ability to bear the applicable risks.

Each investor should have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds.

***An active or liquid trading market for the Bonds may not develop.***

The Bonds are a new issue of securities for which there is currently no trading market. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets, and the overall market for debt securities among other factors, which may affect liquidity. Although the Bonds are intended to be listed on PDEx as soon as reasonably practicable, no assurance can be given that an active trading market for the Bonds will develop and, if such a market were to develop the Joint Lead Underwriters and Bookrunners are under no obligation to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company, and other factors that generally influence the market prices of securities.

The Company has no control over this risk as active trading of the Bonds is highly dependent on the Bondholders.

***The Issuer may be unable to redeem the Bonds***

Upon maturity, the Issuer will be required to redeem all of the Bonds. At such event, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The failure by the Issuer to repay, repurchase or redeem tendered Bonds would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer.

The Issuer has a very strong business franchise in the Philippines. It has a robust recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Issuer believes that it has sufficient resources which will allow it to service the principal and interest of the Bonds.

***Holders of the Bonds may not be able to reinvest at a similar return on investment.***

Prior to the relevant maturity dates of the Bonds, the Issuer shall have the option, but not the obligation, to redeem in whole (and not in part), any series of the outstanding Bonds on the relevant Optional Redemption Dates (see "*Description of the Bonds*" on page 43 of this Prospectus). Subject to the specific terms and conditions of the Bonds, in the event that the Company exercises this early redemption option, all Bonds will be redeemed and the Company would pay the amounts to which Bondholders would be entitled. Following such redemption and payment, there can be no assurance that investors in the redeemed Bonds will be able to re-invest such amounts in securities that would offer a comparative or better yield or terms, at such time.

***The Bondholder may face possible gain or loss if the Bonds are sold at the secondary market.***

As with all fixed income securities, the Bonds' market values move (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders may either make a gain or incur a loss when they decide to sell the Bonds.

***The Bonds may not be able to retain its credit rating.***

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

***The Bonds have no preference under Article 2244(14) of the Civil Code.***

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or Bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall, at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds as may be practicable.

***There can be no guarantee that the Bonds will be listed on the PDEx.***

Purchasers of the Bonds will be required to pay for such Bonds prior to the listing date of such shares. There can be no guarantee that listing will occur on the anticipated listing date. Delays in the admission and the commencement of trading of the Bonds in the PDEx may occur. If the PDEx does not admit the Bonds, the market for the Bonds will be illiquid and bondholders may not be able to trade the Bonds. This may materially and adversely affect the value of the Bonds.

**Risks Related to Statements Made in this Prospectus**

Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the business of the Company operates, including statistics relating to market size and market share, are derived from various government and private publications, including those produced by industry associations and research groups.

This information has not been independently verified and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines.

# USE OF PROCEEDS

SMC expects to raise ₱40,000,000,000.00 as gross proceeds from the Base Offer. The Company estimates that the net proceeds from the Base Offer, after deducting expenses payable by the Company, will be approximately ₱[**39,502,961,875.00**], estimated as follows:

| Particulars | Total (₱) |
|---|---|
| **Estimated proceeds from the Base Offer** | **40,000,000,000.00** |
| **Less: Estimated fees, commissions and expenses** | |
| *Gross Underwriting Fees* | 170,000,000.00 |
| *Documentary Stamp Taxes to be paid by the Company* | 300,000,000.00 |
| *SEC Registration Fee* | 10,562,500.00 |
| *SEC Legal Research and Publication Fee* | 105,625.00 |
| *PDEx Listing Application Fee* | 300,000.00 |
| *Listing and Maintenance Fee* | 450,000.00 |
| *Legal fees* | 5,500,000.00 |
| *Audit Fee* | 3,000,000.00 |
| *Rating Fee* | 5,500,000.00 |
| *Printing Cost* | 200,000.00 |
| *Trustee Fees.* | 120,000.00 |
| *Paying Agency and Registry Fees* | 1,000,000.00 |
| *Other expenses* | 300,000.00 |
| **Total estimated fees, commissions, and expenses** | **497,038,125.00** |
| **Estimated net proceeds** | **₱39,502,961,875.00** |

Assuming full exercise of the Oversubscription Option, the Company estimates that the net proceeds from the full exercise of the Oversubscription Option shall amount to approximately ₱[19,829,000,000.00], after deducting the following fees, commissions and expenses:

| Particulars | Total (₱) |
|---|---|
| **Estimated proceeds from the Oversubscription** | **20,000,000,000.00** |
| **Less: Estimated fees, commissions and expenses** | |
| *Gross Underwriting Fees* | 20,000,000.00 |
| *Documentary Stamp Taxes to be paid by the Company* | 150,000,000.00 |
| *Rating Fee* | 1,000,000.00 |
| **Total estimated fees, commissions and expenses** | 171,000,000.00 |
| **Estimated net proceeds** | **₱ 19,829,000,000.00** |

Aside from the foregoing one-time costs, the Issuer expects the following annual expenses related to the Bonds:

1. the Issuer will be charged by the PDEx for the first annual maintenance fee in advance upon approval of the listing and thereafter, the Issuer will pay PDEx an annual maintenance listing fee amounting to ₱450,000.00;

2. the Issuer will pay an annual retainer fee to the Trustee amounting to ₱120,000.00;

3. After the Issue Date, a Paying Agency fee amounting to approximately ₱100,000.00 will be paid by the Issuer every Interest Payment Date. The Issuer will pay a monthly maintenance fee charged by the Registrar based on the face value of the Bonds and number of Bondholders; and

4. the Issuer will pay an annual monitoring fee of ₱560,000.00 to PhilRatings.

**USE OF PROCEEDS**

The entire net proceeds for this Offer will be used for the optional redemption of the Series 2H Preferred Shares, final redemption and payment of the Series E Bonds, refinancing of certain U.S. Dollar-denominated obligations of the Company, and repayment, in whole or in part, of the Peso-denominated short-term facilities of the Company that were used to redeem the Series A and Series D Bonds.

**Optional Redemption of Series 2H Preferred Shares**

On September 22, 2022, the Board of Directors of the Company approved the redemption of its 164,000,000 issued and outstanding Series 2H Preferred Shares at a redemption price of ₱75.00 per share. The Company shall issue a Notice of Redemption by publication and by mail on December 1, 2022. Redemption date for the Series 2H Preferred Shares will be on December 21, 2022. Up to ₱12.30 Billion from the net proceeds of the Offer will be used by the Company for the redemption of the Series 2H Preferred Shares.

**Final Redemption and Payment of the Series E Bonds**

Up to ₱13.146 billion from the net proceeds of the Offer will be used for the final redemption and payment of the Company's Series E Bonds with a total outstanding amount of ₱13,145,600,000.00, with an annual interest rate of 6.25%, and a maturity date of March 19, 2023. The final redemption and payment of Series E Bonds will be made by the 1st quarter of 2023.

**Refinancing of Certain U.S. Dollar-Denominated Obligations**

A portion of the net proceeds or up to ₱17.10 Billion will be used to repay the Company's U.S.$300,000,000 facility agreement dated June 22, 2018 between the Company and MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), Labuan Branch as Facility Agent and MUFG Bank, Ltd. (formerly known as The Bank of Tokyo-Mitsubishi UFJ, Ltd.), Labuan Branch as the Original Lender. The loan was incurred on June 26, 2018 with a maturity date of June 22, 2023. The repayment of said obligation will be made by the 2nd quarter of 2023.

The Board of Directors of the Company authorized Management to cause the refinancing of certain U.S. Dollar-denominated obligations of the Company at any time and from time to time, subject to the determination by Management of, among others, favorable market conditions, agreements with creditors, and the demands of the business and operations of the Company.

**Refinancing of Peso-denominated Short-Term Loan Facilities that were used to redeem the Series A and Series D Bonds**

A portion of the net proceeds from the Offer will be used to refinance, in whole or in part, the following Peso-denominated short-term loan facilities of the Company:

| Lender | Amount | Date Incurred | Date Renewed | Maturity Date |
|---|---|---|---|---|
| **Series A Bonds** | | | | |
| BDO Unibank, Inc. | ₱2,900,000,000.00 | February 28, 2022 | September 5, 2022 | October 5, 2022 |
| Bangkok Bank Public Company Limited | 1,500,000,000.00 | February 24, 2022 | July 12, 2022 | October 10, 2022 |
| ING Bank N.V., Manila Branch | 2,283,010,000.00 | February 28, 2022 | August 30, 2022 | September 29, 2022 |
| **Total** | **₱6,683,010,000.00** | | | |

| | | | | |
|---|---|---|---|---|
| **Series D** | | | | |
| BDO Unibank, Inc. | ₱3,800,000,000.00 | April 6, 2022 | September 5, 2022 | October 5, 2022 |
| Land Bank of the Philippines | 2,200,000,000.00 | April 6, 2022 | July 8, 2022 | October 6, 2022 |
| Security Bank Corporation | 4,000,000,000.00 | April 6, 2022 | August 18, 2022 | September 29, 2022 |
| **Total** | **₱10,000,000,000.00** | | | |

The interest rates of the short-term loans are within the range of 2.70% p.a. to 4.15% p.a.

The proceeds of the aforementioned short-term loans were used to redeem SMC's Fixed Rate Bonds - Series A Bonds due 2022 (the "**Series A Bonds**") on March 1, 2022 and Fixed Rate Bonds - Series D due 2022 (the "**Series D Bonds**") on April 7, 2022.

BDO Unibank, Inc. and Security Bank Corporation are among the lenders in the short-term loans used to redeem SMC's Series A Bonds on March 1, 2022 and Series D Bonds on April 7, 2022. BDO Capital, one of the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners for the Offer is a subsidiary of BDO Unibank, Inc. SB Capital, one of the Joint Lead Underwriters and Bookrunners for the Offer is a subsidiary of Security Bank Corporation. Except for the foregoing, none of the proceeds of the Offer will be used to repay any loan with the any of the Joint Issue Managers or the Joint Lead Underwriters and Bookrunners.

In summary, the net proceeds of the Offer shall be used as follows:

| Purpose | Base Offer | Base Offer and Oversubscription Option* | Estimated Timing of Disbursement |
|---|---|---|---|
| Optional Redemption of Series 2H Preferred Shares | ₱12.30 billion | ₱12.30 billion | December 21, 2022 |
| Final Redemption and Payment of Series E Bonds | ₱13.146 billion | ₱13.146 billion | March 20, 2023 |
| Refinancing of Certain U.S. Dollar-Denominated Obligations | ₱14.056 billion | ₱17.4 billion | On or before 2nd Quarter of 2023 |
| Refinancing of Certain Peso-denominated Short-Term Loan Facilities | - | ₱16.486 billion | On or before 2nd Quarter of 2023 |
| **TOTAL** | **₱39.502 billion** | **₱59.332 billion** | |

**Assuming full exercise of the Oversubscription Option* — Any shortfall from the net proceeds of the Offer allotted to any of the foregoing will be financed from the Company's internally generated funds.

The Company shall file the appropriate SEC Form 17-C with the SEC and the PSE upon making any disbursement of the proceeds of the Offer, for the aforementioned purposes.

**UNDERTAKING ON THE USE OF PROCEEDS**

Pending the above use of proceeds, the Company intends to invest the net proceeds from the Offer in short-term liquid investments including, but not limited to, short-term government securities, bank deposits and money market placements which are expected to earn at prevailing market rates. In the event such investments should incur losses, any shortfall will be financed from the Company's internally generated funds.

No amount of the proceeds is to be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

Except for the underwriting fees and expenses related to the Bonds, no amount of the proceeds will be utilized to pay any other outstanding financial obligations to any of the Joint Lead Underwriters and Bookrunners. Please see section on *"Plan of Distribution"* on page 123 of this Prospectus.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's development plan, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC and the stockholders in writing at least 30 days before such deviation, adjustment or reallocation is implemented.

## DETERMINATION OF OFFER PRICE

Each series of the Bonds shall be issued on a fully paid basis and at an issue price that is at face value.

# PLAN OF DISTRIBUTION

The Bonds shall be issued in the aggregate principal amount of up to ₱60,000,000,000.00 fixed rate bonds, consisting of the Base Offer of ₱40,000,000,000.00 with an Oversubscription Option of up to ₱20,000,000,000.00. The Company shall issue the Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Issue Managers and the Joint Lead Underwriters and Bookrunners. The Offer does not include an international offering. The Joint Issue Managers and Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, may increase the Base Offer size of ₱40,000,000,000.00 by up to an additional ₱20,000,000,000.00 under the Oversubscription Option.

**Joint Lead Underwriters and Bookrunners**

The Joint Lead Underwriters and Bookrunners have agreed to distribute and sell the Bonds at the Purchase Price, pursuant to an Underwriting Agreement with SMC dated [●] (the "**Underwriting Agreement**"). Subject to the fulfillment of the conditions provided in the Underwriting Agreement, the Joint Lead Underwriters and Bookrunners have committed to underwrite the following amounts on a firm basis:

| **Joint Lead Underwriters and Bookrunners** | **Underwriting Commitment** |
|---|---|
| Asia United Bank Corporation | **₱ 1,600,000,000.00** |
| Bank of Commerce | **₱ 3,300,000,000.00** |
| BDO Capital & Investment Corporation | **₱ 9,000,000,000.00** |
| BPI Capital Corporation | **₱ 2,600,000,000.00** |
| China Bank Capital Corporation | **₱ 9,000,000,000.00** |
| Philippine Commercial Capital, Inc. | **₱ 1,000,000,000.00** |
| PNB Capital and Investment Corporation | **₱ 9,000,000,000.00** |
| RCBC Capital Corporation | **₱ 2,100,000,000.00** |
| SB Capital Investment Corporation | **₱ 2,400,000,000.00** |
| **Total** | **₱ 40,000,000,000.00** |

The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to SMC of the net proceeds of the Bonds.

The allocation of the Oversubscription Option among the Joint Lead Underwriters and Bookrunners and the distribution of the Bonds among Series L Bonds, Series M Bonds, and Series N Bonds will be determined and finalized by the end of the Offer Period in the event the Oversubscription Option is exercised.

The underwriting fees and any selling fees to be paid by the Company in relation to the Offer shall be equivalent to 0.425% of the gross proceeds of the Offer. This shall be inclusive of fees to be paid to the Joint Issue Managers, Joint Lead Underwriters and Bookrunners and any commissions to be paid to the Selling Agents.

The Joint Lead Underwriters and Bookrunners, except for Bank of Commerce, have no direct relations with SMC in terms of ownership by either of their respective major shareholder/s and have no right to designate or nominate any member of the Board of Directors of SMC. Bank of Commerce is an affiliate of the Company.

The Joint Lead Underwriters and Bookrunners have no contract or other arrangement with SMC by which it may return to SMC any unsold Bonds.

For the purpose of complying with their respective commitments under the Underwriting Agreement, each Joint Lead Underwriter and Bookrunner may, under such terms and conditions not inconsistent with the provisions of the Underwriting Agreement, particularly the underwriting commitment of the Joint Lead Underwriters and Bookrunners, enter into agreements with co-lead underwriters and co-underwriters, and appoint Selling Agents for the sale and distribution to the public of the Bonds; provided, that the Joint Lead Underwriters and Bookrunners shall remain solely responsible to the Issuer in respect of their obligations under the Underwriting Agreement entered into by them with the Issuer, and except as otherwise provided in the Underwriting Agreement, the Issuer shall not be bound by any of the terms and conditions of any agreements entered into by the Joint Lead Underwriters and Bookrunners with the co-lead managers, co-managers, and Selling Agents.

The Joint Lead Underwriters and Bookrunners are duly licensed by the SEC to engage in the underwriting or distribution of the Bonds. The Joint Issue Managers, Joint Lead Underwriters and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business, for SMC or any of its subsidiaries.

***AUB***

Asia United Bank Corporation was granted the authority to operate as a commercial bank under the Monetary Board Resolution No. 1149 dated September 3, 1997 and commenced operations on October 31, 1997. In 2012, it obtained approval from the BSP to upgrade its license into expanded commercial banking status. In 2013, AUB was granted an authority to operate as a universal bank under MB Resolution No. 356 dated February 28, 2013. The universal banking license authorizes, AUB, in addition to its general powers as a commercial bank, to exercise, among others, powers of an investment house, including securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity securities, project finance and direct equity investment.

***BankCom***

Bank of Commerce has been operating since 1963. In 2008, the San Miguel Corporation (through its wholly-owned subsidiary San Miguel Properties, Inc.) and San Miguel Corporation Retirement Plan (the registered retirement plan of SMC Group employees) became the controlling shareholders of BankCom. Its Investment Banking Group was established in the first quarter of 2022 following the approval by the BSP in December 2021 of the upgrade of BankCom's banking license from commercial bank to universal bank, thus allowing it to engage in investment banking activities. In August 2022, BankCom received its SEC license to underwrite securities. The Investment Banking Group underwrites, issue manages, and arranges publicly listed and privately placed securities/instruments.

***BDO Capital***

BDO Capital & Investment Corporation was incorporated in the Philippines in December 1998. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. It is duly licensed by the SEC to operate as an investment house and was licensed by the SEC to engage in underwriting or distribution of securities to the public. As of December 31, 2021, it had ₱4.50 billion and ₱4.17 billion in assets and capital, respectively. It has an authorized capital stock of ₱1.10 billion, of which approximately ₱1.00 billion represents its paid-up capital.

***BPI Capital***

BPI Capital Corporation is a Philippine corporation organized in the Philippines as a wholly owned subsidiary of the Bank of the Philippine Islands. It obtained its license to operate as an investment house in 1994 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of September 30, 2021, its total assets amounted to ₱3.41 billion and its capital base amounted to ₱3.22 billion. It has an authorized capital stock of ₱1 billion of which approximately ₱506.4 million represents its paid-up capital.

***China Bank Capital***

China Bank Capital Corporation is the wholly-owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house in 2015 as a result of the spin-off of China Bank's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. The company's services include arranging, managing, and underwriting debt and equity transactions, such as bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. China Bank Capital also provides financial advisory services, such as deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of December 31, 2021, it has total assets of ₱2.80 billion and a capital base of ₱2.69 billion.

***PCCI***

PCCI was incorporated on July 25, 1980 and is considered as one of the oldest investment banks in the country. PCCI has established a solid track record and expertise in the Philippine capital markets and consequently obtained a license to operate as a trust entity, investment house and securities dealer.

***PNB Capital***

PNB Capital, a wholly-owned subsidiary of the Philippine National Bank, offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the Philippine SEC to operate as an investment house with a non-quasi-banking license. It was incorporated on July 30, 1997 and commenced operations on October 8, 1997. As of December 31, 2021, it had an authorized capital of ₱2.0 billion and paid-up capital of ₱1.5 billion. PNB Capital is authorized to buy and sell, for its own account, securities issued by private corporations and the Philippine Government. As of December 31, 2021, total assets of PNB Capital were at ₱2.7 billion while total capital was at ₱2.4 billion.

***RCBC Capital***

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 48 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates. As of 31 March 2022, RCBC Capital's total assets were ₱3.7 billion while total capital was ₱3.1 billion.

***SB Capital***

SB Capital Investment Corporation is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major equity and debt issues, both locally and internationally.

**Sale and Distribution**

The distribution and sale of the Bonds shall be undertaken by the Joint Issue Managers, and Joint Lead Underwriters and Bookrunners who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the underwriters from purchasing the Bonds for their own respective accounts.

There are no Persons to whom the Bonds are specifically allocated or designated prior to the public offering thereof. The Bonds shall be offered to the public at large and without preference.

The obligations of each of the Joint Issue Managers and Joint Lead Underwriters and Bookrunners will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Issue Managers and Joint Lead Underwriters and Bookrunners. Unless otherwise expressly provided in the Underwriting Agreement, the failure by a Joint Issue Manager and Joint Lead Underwriter and Bookrunner to carry out its obligations thereunder shall neither relieve the other Joint Issue Manager or Joint Lead Underwriters and Bookrunners of their obligations under the same Underwriting Agreement, nor shall any Joint Issue Manager or Joint Lead Underwriter and Bookrunner be responsible for the obligation of another Joint Issue Manager or Joint Lead Underwriter and Bookrunner.

**Offer Period**

The Period shall commence at 9:00 a.m., Manila time, on [November 8, 2022], and end at 5:00 p.m., Manila time, on [November 14, 2022], or such other dates and time as may be mutually agreed by the Company and the Joint Issue Managers and Joint Lead Underwriters and Bookrunners.

**Application to Purchase**

The procedure set out in this section and the succeeding sections should be read together with the more detailed procedure and other conditions set out in the Application to Purchase.

Applicants may purchase the Bonds during the Offer Period by submitting to the Joint Lead Underwriters and Bookrunners properly completed Applications to Purchase, together with all applicable supporting documentation in the prescribed form and submitted in the prescribed manner, and the full payment of the Purchase Price of the Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional Applicants must also submit, in addition to the foregoing:

(a) an original notarized certificate of the corporate secretary or an equivalent officer of the Applicant setting forth resolutions of the board of directors, partners or equivalent body: (i) authorizing the purchase of the Bonds indicated in the Application to Purchase and (ii) designating the signatories, with their specimen signatures, for the said purposes;

(b) copies of its Articles of Incorporation and By-Laws and latest amendments thereof, together with the Certificate of Incorporation issued by the SEC or other organizational documents issued by an equivalent government institution, stamped and signed as certified true copies by the SEC or the equivalent government institution, or by the corporate secretary, or by an equivalent officer(s) of the Applicant who is/are authorized signatory(ies);

(c) two (2) duly accomplished signature cards containing the specimen signatures of the authorized signatories of the Applicant, validated by its corporate secretary or by an equivalent officer(s) who is/are authorized signatory(ies);

(d) BIR Certificate of Registration showing the Applicant's Tax Identification Number ("**TIN**");

(e) identification document(s) ("**ID**") of the authorized signatories of the Applicant, as specified in item (a) of the immediately succeeding paragraph below; and

(f) such other documents as may be reasonably required by any of the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, Selling Agents and the Registrar and Paying Agent in the implementation of their respective internal policies regarding "know your customer" and anti-money laundering and combating the financing of terrorism.

Individual Applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments:

(a) ID of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Philippine Identification Card (PhilID), TIN ID, Passport, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Integrated Bar of the Philippines ID, ID issued by government office and government-owned and controlled corporation (*e.g*., Armed Forces of the Philippines, Home Development Mutual Fund, Philippine Health Insurance Corporation, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Maritime Industry Authority (MARINA)), company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);

(b) two (2) duly accomplished signature cards containing the specimen signature of the Applicant;

(c) valid TIN issued by the BIR; and

(d) such other documents as may be reasonably required by the Joint Issue Managers, Joint Lead Underwriters and Bookrunners, Selling Agents (if any) or the Registrar and Paying Agent in the implementation of their respective internal policies regarding "know your customer" and anti-money laundering.

An Applicant who is claiming exemption from any applicable tax or entitlement to preferential tax rates shall, in addition to the requirements set forth above, be required to submit the following requirements to the relevant Joint Issue Managers, Joint Lead Underwriter and Bookrunner or Selling Agent (if any) (together with their respective Applications to Purchase), subject to acceptance by the Issuer as being sufficient in form and substance:

(a) BIR-certified true copy of a valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR and addressed to the relevant Applicant or Bondholder, confirming its exemption or its entitlement to the preferential rate, as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto;

(b) with respect to tax treaty relief:

    (i) a non-resident Bondholder may signify its intention to claim preferential tax rate under the relevant tax treaty by submitting to the Issuer the Application Form for Treaty Purposes (BIR Form 0901) and Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty, and such other documentary requirements enumerated in BIR Revenue Memorandum Order No. 14-2021 in relation to BIR Revenue Memorandum Circular No. 77-2021. For the avoidance of doubt, the Issuer shall retain sole discretion in determining whether the non-resident Bondholder is entitled to the preferential tax treaty rate based on the documents submitted by the non-resident Bondholder, provided that all the conditions for the availment thereof, other than residency, have been satisfied;

    (ii) in the event that the Issuer determines that the non-resident Bondholder is not entitled to the preferential tax treaty rate based on the documents submitted in item (i) above and determines that all conditions for the availment have not been satisfied, the Issuer shall apply the regular tax rates;

(iii) the non-resident Bondholder may apply for preferential tax treaty rate with the BIR in accordance with BIR Revenue Memorandum Order No. 14-2021;

(iv) the Issuer shall not apply for any confirmatory application of preferential tax rates with the BIR;

(v) should the BIR grant the application for tax treaty relief, it is the obligation of the non-resident Bondholder to apply for refund with the BIR. The Issuer shall not refund the non-resident Bondholder any amount as a result of the application of the higher tax rate;

(vi) the non-resident Bondholder must update its BIR Certificate annually, if applicable, as described in BIR Revenue Memorandum Order No. 14-2021. Expired BIR Certificates will not be accepted by the Issuer; and

(vii) the non-resident Bondholder shall submit its Tax Residency Certificate annually to the Issuer as continuing proof of its entitlement to the preferential tax treaty rate. Absent such updated Tax Residency Certificate, the Issuer shall apply the regular tax rate.

(c) a duly notarized undertaking executed by (i) the corporate secretary or any authorized representative of such Applicant or Bondholder, who has personal knowledge of the exemption or preferential rate treatment based on his official functions, if the Applicant purchases, or the Bondholder holds, the Bonds for its account, or (ii) the trust officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (*i.e.* Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar and the Paying Agent (1) of any suspension, revocation, amendment or invalidation (in whole or in part) of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form under the Registry and Paying Agency Agreement; (2) if there are any material changes in the factual circumstances of the Bondholder including but not limited to its character, nature, and method of operation, which are inconsistent with the basis for its income tax exemption; or (3) if there are any change of circumstance, relevant treaty, law or regulation or any supervening event that may or would result in the interest income of the Bonds being ineligible for exemption or preferential rate, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax, provided, that in case of corporate, partnership or trust account investors, such Bondholder shall also submit an original certification from the corporate secretary or an equivalent officer of the investor, setting forth the resolutions of its board of directors or equivalent body authorizing the execution of the undertaking and designating the signatories, with their specimen signatures, for the said purpose; and

(d) such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that, the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholders on the Interest payments to such Bondholders.

Unless otherwise indicated above, the foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, upon submission of the Application to Purchase to the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or the Selling Agents (if any) who shall then forward the same to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar upon submission of the account opening documents.

Failure on the part of the Bondholder to submit the aforementioned document(s) within the time prescribed shall result in the application of the regular tax rates.

The Purchase Price for each Bond is payable in full upon submission of the duly executed Application to Purchase. Payments of the Purchase Price shall be made in the form of either:

(a) a Metro Manila clearing cashier's/manager's or corporate check or personal check drawn against a bank account with a BSP-authorized agent bank located in Metro Manila and dated as of the date of submission of the Application to Purchase covering the entire number of the Bonds covered by the same Application;

(b) through the RTGS facility of the BSP to the Joint Lead Underwriter and Bookrunner or Selling Agent to whom such Application was submitted; or

(c) via direct debit from their deposit account maintained with the Joint Lead Underwriter and Bookrunner or Selling Agent to whom such Application was submitted.

All payments must be made or delivered to the Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) to whom the Application to Purchase is submitted.

Completed Applications to Purchase and corresponding payments must reach the Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Issue Managers, Joint Lead Underwriters and Bookrunners. Acceptance by the Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by SMC. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

**Minimum Purchase**

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

**Allotment of the Bonds**

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice and subject to the Joint Issue Managers, Joint Lead Underwriters' and Bookrunners' exercise of the right of rejection on behalf of the Issuer.

**Acceptance of Applications**

The Company and the Joint Issue Managers, Joint Lead Underwriters and Bookrunners reserve the right to accept or reject applications to purchase the Bonds and allocate the Bonds available to the Applicants in a manner they deem appropriate.

**Rejection of Applications**

The Joint Issue Managers, Joint Lead Underwriters and Bookrunners shall accept, reduce or reject Applications to Purchase on behalf of the Issuer in accordance with the following provisions and the allocation plan. Reasons for rejection may include the following:

(a) Applications may be rejected if: (i) the Purchase Price is unpaid; (ii) payments are insufficient or where checks, as applicable, are dishonoured upon first presentation; (iii) the Application to Purchase is not received by the Joint Issue Managers, Joint Lead Underwriters and Bookrunners or the Selling Agents (if any) on or before the end of the Offer Period; (iv) the number of Bonds subscribed is less than the minimum amount of subscription; (v) the applications do not comply with the terms of the Offer; or (vi) the applications do not have sufficient information or are not supported by the required documents.

(b) Applications may be reduced if the Offer is oversubscribed, in which case the number of Bonds covered by the applications shall be reduced *pro rata*.

In the event an Application to Purchase is rejected or the amount of Bonds applied for is scaled down for a particular Applicant, the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent (if any) shall notify the Applicant concerned that his/her application has been rejected or that the amount of Bonds applied for is scaled down.

**Refunds**

If any application is rejected or accepted in part only, payments made by the Applicant or the appropriate portion thereof shall be returned without interest thereon to such Applicant by the relevant Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent to whom such Application to Purchase was submitted.

Refunds shall be made, at the option of each Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent, either (i) through the issuance of check(s) payable to the order of the relevant Applicant and crossed "Payees' Account Only," which shall be made available for pick up by the Applicants concerned at the office of the Joint Issue Manager, Joint Lead Underwriter and Bookrunner or the Selling Agent to whom the rejected or scaled down Application to Purchase was submitted no later than three (3) Business Days after the Issue Date, and where any checks that remain unclaimed after the three (3) Business Day period shall be mailed or delivered, at the risk of the Applicant, to the address specified in the Application to Purchase; or (ii) through the issuance of instructions for automatic credit payments to the accounts of the relevant Applicants, as indicated in their respective Applications to Purchase.

**Payments**

The Registrar and Paying Agent shall open and maintain a Payment Account for each series of the Bonds, which shall be operated solely and exclusively by the said Registrar and Paying Agent in accordance with the Registry and Paying Agency Agreement, provided that beneficial ownership of the Payment Accounts shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the principal, interest and other payments due on the Bonds on the relevant Payment Date.

The Registrar and Paying Agent shall maintain the relevant Payment Account while the relevant series of the Bonds are outstanding, and until six (6) months past the relevant Maturity Date or date of early redemption, as applicable. Upon closure of the Payment Accounts, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments and such other payments that due on the relevant series of the Bonds.

**Unclaimed Payments**

Any payment of interest on, the principal of, or all other amounts in respect of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Registrar and Paying Agent for the Bondholders at the latter's risk and shall be dealt with in accordance with the relevant provisions of the Registry and Paying Agency Agreement.

**Purchase and Cancellation**

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract, in accordance with PDEx Rules, as may be amended from time to time, without any obligation to make *pro rata* purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

**Secondary Market**

The Company intends to list the Bonds on the PDEx.

For a more detailed discussion, please refer to the section "*Description of the Bonds – Secondary Trading of the Bonds*" on page 45 of this Prospectus.

**Registry of Bondholders**

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Series L Bonds, Series M Bonds, and Series N Bonds sold in the Offer shall be issued in the name of the Trustee for the benefit of the Bondholders.

Legal title to the Bonds shall be shown in the Registry of Bondholders to be maintained by the Registrar and Paying Agent. The names and addresses of the Bondholders and the particulars of the Bonds held by them and all transfers of the Bonds shall be entered into the Registry of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Registry of Bondholders.

For a more detailed discussion, please refer to the section "*Description of the Bonds – Transfer of the Bonds*"

# THE COMPANY

**OVERVIEW**

SMC, together with the SMC Group, is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales equivalent to approximately 4.90% of the Philippine GDP in 2021.[11]

Originally founded in 1890 as a single product brewery in the Philippines, SMC today owns market-leading businesses and has investments in various sectors, including beverages, food, packaging, energy, fuel and oil, infrastructure, property development and leasing, cement, car distributorship, and banking services. SMC has a portfolio of companies that is interwoven into the economic fabric of the Philippines, benefiting from, as well as contributing to the development and economic progress of the nation. The common shares of SMC were listed on PSE on November 5, 1948 and as of June 30, 2022, SMC had a market capitalization of ₱257,222 million, with a common share price of ₱107.90.

SMC, through its subsidiaries and affiliates, has become a market leader in its businesses in the Philippines with an extensive portfolio of products that include beer, spirits, non-alcoholic beverages, 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.

Since adopting its business diversification program in 2007, SMC has channelled 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 SMC to access capital, present different growth opportunities and mitigate the impact of downturns and business cycles.

For the year ended December 31, 2021, consolidated sales were ₱941,193 million, gross profit was ₱195,143 million, and EBITDA was ₱160,942 million.

For the six-month period ended June 30, 2022, the consolidated sales, gross profit and EBITDA of SMC were ₱711,416 million, ₱123,989 million and ₱91,205 million, respectively.

SMC's six (6) key business groups, most of which are market leaders in their respective industries, include the following (1) food and beverage; (2) packaging; (3) fuel and oil; (4) energy; (5) infrastructure; and (6) cement. In addition, SMC has investments in other businesses such as property development and leasing, car distributorship, and banking services.

The following table sets forth the contribution of each of the businesses of SMC to its revenues for the periods indicated:

| | **For the year ended December 31,** | | | | | | **For the six months ended June 30** | |
|---|---|---|---|---|---|---|---|---|
| | **Sales (in ₱ millions)** | **%** | **Sales (in ₱ millions)** | **%** | **Sales (in ₱ millions)** | **%** | **Sales (in ₱ millions)** | **%** |
| Food and Beverage ............ | 310,785 | 30.5 | 279,290 | 38.5 | 309,778 | 32.9 | 172,122 | 34.1 |
| Packaging ........................... | 37,874 | 3.7 | 31,504 | 4.3 | 33,702 | 3.6 | 16,080 | 3.5 |
| Fuel and Oil ......................... | 514,362 | 50.4 | 286,033 | 39.4 | 438,057 | 46.5 | 398,517 | 44.8 |
| Energy................................. | 135,060 | 13.2 | 115,029 | 15.8 | 133,710 | 14.2 | 102,580 | 14.4 |
| Infrastructure .................... | 23,406 | 2.3 | 14,565 | 2.0 | 19,690 | 2.1 | 13,425 | 2.0 |
| Others................................. | 40,887 | 4.0 | 37,799 | 5.2 | 54,834 | 5.8 | 41,613 | 6.4 |

[11] Based on data from the SMC consolidated revenues in 2021 divided by Philippine's total revenue sourced from Philippine Statistics Authority.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Eliminations | (41,872) | (4.1) | (38,423) | (5.3) | (48,578) | (5.2) | (34,010) | (5.2) |
| **Total** | **1,020,502** | **100.00** | **725,797** | **100.00** | **941,193** | **100.00** | **711,416** | **100.0** |

Each of these key business groups and the primary entities through which such businesses are conducted are summarized below.

**Food and Beverage**

On June 29, 2018, SMC completed the consolidation of its beer and NAB, spirits, and food businesses through its subsidiary, SMFB.

SMFB is a leading food and beverage company in the Philippines. The brands under which SMFB produces, markets, and sells 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, and *Vino Kulafu* for Chinese wine, *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, *Veega* for plant-based food, *Star* and *Dari Crème* for margarine, and *B-Meg* for animal feeds.

SMFB has three (3) primary operating divisions—(i) Beer and NAB, (ii) Spirits, and (iii) Food. SMFB operates its beverage business through SMB and its subsidiaries and GSMI and its subsidiaries. The food business under SMF is operated through several key subsidiaries, including San Miguel Foods, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., and San Miguel Mills, Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 70 markets worldwide.

SMFB is listed on the PSE under stock code "FB" and as of June 30, 2022 had a market capitalization of ₱265,915 million, with a common share price of ₱45.00. As of June 30, 2022, SMC's ownership interest in SMFB was 88.76%.

Selected operating data for SMFB is provided below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | (in millions, except percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Sales | 310,785 | 279,290 | 309,778 | 172,122 |
| Gross profit | 98,755 | 79,051 | 90,472 | 49,323 |
| Gross profit margin(1) | 31.8% | 28.3% | 29.2% | 28.7% |
| EBITDA(2) | 58,667 | 46,776 | 56,198 | 32,443 |
| EBITDA margin(3) | 18.9% | 16.7% | 18.1% | 18.8% |
| Net income before tax | 46,107 | 31,788 | 40,802 | 24,846 |
| Net income before tax margin(4) | 14.8% | 11.4% | 13.2% | 14.4% |

*Notes:*

*(1) Calculated as gross profit divided by revenues.*

*(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.*

*(3) Calculated as EBITDA divided by revenues.*

*(4) Calculated as net income before income tax divided by revenues.*

**Packaging**

The packaging business is a total packaging solutions business servicing many of the leading food, pharmaceutical, chemical, beverages, spirits, and personal care manufacturers in the region. The packaging business is comprised of SMYPC and its subsidiaries, SMYPIL and its subsidiaries, SYFMC, CAI, Mincorr and Wine

Brothers Philippines Corporation (collectively, the "**Packaging Group**"). The Packaging Group has one of the largest packaging operations in the Philippines, producing glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging, and other packaging products and services such as beverage toll filling for aluminum cans, PET and glass bottles as well as logistics services. As of June 30, 2022, the Packaging Group has 36 packaging facilities located across the Asia-Pacific Region. These facilities are located in the Philippines (glass, molds for glass and plastics, metal, plastics, composite, paper, toll filling, and logistics services), China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags and radiant/thermal liners), Australia (trading of packaging products, plastic manufacturing, wine closures, wine filling facilities, retail/online packaging, cargo protection, and materials handling) and New Zealand (trading and plastic manufacturing). As of June 30, 2022, SMC's ownership interest in SMYPC was 65%.

Selected operating data for the Packaging business is provided below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Sales ......... | 37,874 | 31,504 | 33,703 | 16,080 |
| Gross profit............................................................. | 10,760 | 7,942 | 8,194 | 4,301 |
| Gross profit margin[(1)] ............................................. | 28% | 25% | 24% | 27% |
| EBITDA[(2)]................................................................. | 5,824 | 3,488 | 3,867 | 2,305 |
| EBITDA margin[(3)]...................................................... | 15% | 11% | 11% | 14% |
| Net income (loss) before tax.................................. | 1,480 | (1,371) | (70) | 527 |
| Net income (loss) before tax margin[(4)] ................... | 4.0% | (4%) | 0% | 3% |

*Notes:*

*(1) Calculated as gross profit divided by revenues.*

*(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.*

*(3) Calculated as EBITDA divided by revenues.*

*(4) Calculated as net income before income tax divided by revenues.*

**Fuel and Oil**

SMC operates its fuel and oil business through Petron, which is the largest integrated oil refining and marketing company in the Philippines and is a strong third player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day and refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. In the Philippines, Petron operates a refinery in Bataan (the "**Limay Refinery**"), one of the most modernized in the region and the only one in the country. The Limay Refinery has a crude oil distillation capacity of 180,000 barrels per day, processing crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha and petrochemical feedstock such as benzene, toluene, mixed xylene, and propylene.

The common shares of Petron are listed on the PSE under stock code "PCOR". The market capitalization of Petron was ₱28,407 million, with a common share price of ₱3.03, as of June 30, 2022. As of June 30, 2022, SMC's direct and indirect ownership in Petron was 68.26%.

Selected financial data for the business of Petron are set forth in the table below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Sales.................................................. | 514,362 | 286,033 | 438,057 | 398,517 |
| Gross profit....................................... | 30,507 | 8,713 | 30,499 | 22,935 |
| Gross profit margin(1) ........................ | 5.9% | 3.0% | 7.0% | 5.8% |
| EBITDA(2) ........................................... | 29,902 | 4,308 | 27,198 | 20,149 |
| EBITDA margin(3)................................ | 5.8% | 1.5% | 6.2% | 5.1% |
| Net income before tax ..................... | 3,737 | (16,211) | 7,297 | 10,022 |
| Net income before tax margin(4) ....... | 0.7% | (5.7%) | 1.7% | 2.5% |

*Notes:*

*(1) Calculated as gross profit divided by revenues.*

*(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.*

*(3) Calculated as EBITDA divided by revenues.*

*(4) Calculated as net income before income tax divided by revenues.*

**Energy**

SMC Global Power, together with its subsidiaries, associates, and joint ventures, is one of the largest power companies in the Philippines, controlling 4,734 MW of combined capacity as of June 30, 2022. SMC Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and BESS. Based on the total installed generating capacities reported in ERC Resolution on Grid Market Share Limitation, SMC Global Power's combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case, as of June 30, 2022. Market share is computed by dividing the installed generating capacity of SMC Global Power with the installed generating capacity of Luzon Grid, Mindanao Grid or National Grid (17,077,537 kW, 4,201,042 kW and 24,651,219 kW, respectively based on data provided under ERC Resolution on Grid Market Share Limitation). In addition, SMC Global Power is engaged in distribution and retail electricity services and has various power projects in the pipeline.

The table below sets forth the gross profit margin, EBITDA margin and net income before tax and unrealized foreign exchange gain (loss) – net margin of SMC Global Power for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Revenues | 135,060 | 115,029 | 133,710 | 102,581 |
| Gross profit | 43,302 | 43,133 | 36,802 | 15,238 |
| Gross profit margin(1) | 32.1% | 37.5% | 27.5% | 14.9% |
| EBITDA(2) | 34,995 | 41,451 | 33,542 | 14,058 |
| EBITDA margin(3) | 25.9% | 36.0% | 25.1% | 13.7% |
| Net income before tax and unrealized foreign exchange gain (loss) – net | 17,418 | 22,988 | 19,521 | 6,425 |
| Margin(4) | 12.9% | 20.0% | 14.6% | 6.3% |

*Notes:*

*(1) Calculated as gross profit divided by revenues.*

(2) EBITDA is calculated as (a) net income (excluding items between any or all of SMC Global Power and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss) and gain on sale of investments, in each case, excluding amounts attributable to Ring-Fenced Subsidiaries. EBITDA should not be viewed in isolation or as an alternative to financial measures calculated in accordance with PFRS.
(3) Calculated as EBITDA divided by revenues.
(4) Calculated as net income before income tax and unrealized foreign exchange gain (loss) – net divided by revenues.

**Infrastructure**

The infrastructure business, conducted through SMHC, consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. Currently operating toll roads include the SLEX, Skyway Stages 1, 2 and 3, STAR, TPLEX, and the NAIAx. The Skyway Stage 3 was opened to motorists and received a Notice to Collect Toll from the TRB last July 12, 2021. Ongoing projects include Skyway 4, SLEX-TR4, SLEX-TR5, PAREX, MRT-7, NALEX, SALEX, and MIA. SMHC also operates and is currently expanding the Boracay Airport and has investments in MNHPI, the concessionaire of the domestic terminal North Port of the Manila North Harbour and LCWDC for the Bulacan Bulk Water Supply Project. As of June 30, 2022, SMC's ownership interest in SMHC was 100%.

Selected financial highlights for the infrastructure business are provided below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30 |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except in percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Sales | 23,406 | 14,565 | 19,690 | 13,425 |
| Gross profit | 14,730 | 5,989 | 10,120 | 7,974 |
| Gross profit margin(1) | 63.0% | 41% | 51% | 59% |
| EBITDA(2) | 17,177 | 8,599 | 13,804 | 10,580 |
| EBITDA margin(3) | 73.0% | 59% | 70% | 79% |
| Net income before tax | 8,597 | (1,003) | 2,743 | 4,976 |
| Net income before tax margin(4) | 37.0% | -7.0% | 14% | 37% |

*Notes:*
(1) *Gross Profit Margin is calculated by sales less cost of sales divided by sales.*
(2) *EBITDA is calculated as net income before income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.*
(3) *EBITDA margin is calculated by EBITDA divided by sales.*
(4) *Net income before tax margin is calculated by net income before income tax divided by sales.*

The decrease in traffic volume in 2020 was caused by the quarantine restrictions due to the COVID-19. As the Philippine economy continues to bounce back with easing of the quarantine restrictions, SMHC believes that there will be an upward trend on traffic volume and will soon hit pre-pandemic numbers. As of June 30, 2022, traffic volume has already increased by 37% compared to same period last year.

| | For the years ended December 31, | | | For the six months ended June 30 |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | Annual Average Daily Traffic ("AADT")(1) | | | |
| SLEX TR 1, 2 & 3 | 366,189 | 274,931 | 335,901 | 368,683 |
| Skyway Stages 1 & 2 | 257,052 | 167,686 | 199,466 | 233,422 |
| Skyway Stage 3(3) | | | 78,479 | 105,997 |
| STAR | 62,453 | 50,441 | 61,609 | 68,116 |
| TPLEX(2) | 24,370 | 14,757 | 17,484 | 25,648 |
| NAIAx | 112,708 | 44,184 | 52,883 | 80,526 |

*Notes:*
(1) *AADT refers to the average number of vehicles per day counted per exit in a toll road. Data is sourced through the Accounts Management System of each of the toll roads and are monitored by the Toll Monitoring Department of SMHC.*

(2) *These reflects AADT for partial operations of Section 1 in 2016, Sections 1 and 2 in 2017 and Sections 1, 2 and 3A for 2018 until July 14, 2020. The remaining section 3B (with two exits – Sison and Rosario) was opened on July 15, 2020.*

(3) *These reflects AADT for Skyway Stage 3's start of operations on July 12, 2021.*

**Cement Business**

The cement business is conducted under SMEII, which owns 100% of the common stock of NCC. SMEII also owns 100% of the following companies, namely: Artholand Property Development, Inc. (formerly, Arthocem Concrete Industries Inc.), East Star Cement Phils., Inc., First Stronghold Cement Industries, Inc., Integrated Concrete Consolidated Industries Inc. (and its subsidiary, Dorilag Cement Corporation), Ionic Cementworks Industries Inc., E-Novate Holdings, Inc., Primero Cemento Industries Corporation, Southstrong Cement Industries Corp., and Southern Concrete Industries Inc. (formerly, Oro Cemento Industries Corporation) . As of June 30, 2022, SMC owns 100% of SMEII.

**Others**

Other investments of SMC include car distributorship through SMC Asia Car Distributors Corp., banking services through BankCom, and property development and leasing, through San Miguel Properties, Inc.

**RECENT DEVELOPMENTS**

**The COVID-19 Pandemic**

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 it was declared as a pandemic by the World Health Organization. As of January 26, 2022, there have been over 356 million confirmed cases worldwide, with over 3.47 million confirmed cases in the Philippines as of the same date. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

The Government issued a series of directives and social distancing measures as part of its efforts to contain the outbreak in the Philippines. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and an ECQ was imposed on the island of Luzon, including Metro Manila. Under the ECQ guidelines, restrictions on movement outside of the residence were set in place (ranging from stay-at-home orders to total lockdowns), mass transport facilities were suspended, schools were closed and alternative work arrangements were implemented. The COVID-19 pandemic affected most daily activities and forced many businesses to suspend operations or shut down for the duration of the ECQ. Only essential businesses such as companies involved in manufacturing and processing of basic food products, medicine, medical devices/equipment and essential products such as hygiene products, and delivery services transporting food, medicine, and essential goods, as well as other essential sectors such as hospitals, power, and water utilities were allowed to operate, subject to certain conditions and limitations on operating capacity.

Initially, the ECQ period was set to end by April 12, 2020 but was subsequently extended for two-week periods until May 15, 2020, when the ECQ was lifted in certain areas and either a MECQ, General Community Quarantine ("**GCQ**"), or Modified GCQ ("**MGCQ**") was implemented instead. The graduated lockdown schemes from ECQ, MECQ, GCQ, and MGCQ impose varying degrees of restrictions on travel and business operations in the Philippines. The Government continues to calibrate the imposition of lockdown or community quarantine measures across the country depending on the situation in specific localities. To address the spread of infection, the Government placed Metro Manila and certain neighboring provinces under ECQ from March 29, 2021 until April 11, 2021 and on August 6 to 20, 2021. On August 26, 2021, the Department of Interior and Local Government announced that the Government will phase out the large-scale community quarantine measures and replace the same with granular lockdowns. While the Government had initially intended to implement pilot testing of granular lockdowns in Metro Manila commencing on September 8, 2021 to September 30, 2021, the Government announced on September 7, 2021 that Metro Manila will remain under MECQ until September 15, 2021 or until the pilot GCQ with alert level system is implemented, whichever comes first. Following the issuance of the new guidelines on alert level system on September 13, 2021, the Government announced on September

14, 2021 that Metro Manila will be placed under GCQ with Alert Level 4 from September 16, 2021 to September 30, 2021. The pilot implementation of the alert system was extended from October 1 to 15, 2021 and Metro Manila remained under Alert Level 4. On October 16, 2021, Metro Manila was downgraded to Alert Level 3 and beginning November 5, 2021, it was placed on Alert Level 2. While most of the Luzon island and other provinces have been placed on various levels of community quarantine, the government has commenced vaccination for those considered as high-risk individuals including healthcare workers, senior citizens, and individuals with comorbidities. The vaccination drive in the country started on February 15, 2021 and as of January 26, 2022, the Philippines has administered 125.09 million doses of the vaccine, with 58.15 million people fully vaccinated representing 46.5% of the total population of the country.

From March 1, 2022 to August 31, 2022, the NCR, several provinces and independent cities have been under Alert Level 1, which has allowed for greater mobility of persons and for businesses to fully reopen.

***Impact on the Company***

Despite a strong start in the first two (2) months of 2020, the Company reported an expected drop in its first half performance due to adverse conditions and the impact of the COVID-19 pandemic, which grounded most economic activities. The Company, however, saw its businesses rebound by the end of the second quarter of 2020 as it continues to respond nimbly to the new normal, through an agile operating model built around consumers along with the reinforcement of its culture of *malasakit*. As a result, consolidated revenues for the first half declined by 31% compared to the same period last year. The Company believes, however, that it was able to quickly adapt to the challenges and successfully harness the synergies derived from its various businesses to promptly respond to, and address the needs of, the nation. The Company's business continuity plan was immediately implemented when the ECQ came into effect, with the end-goal of ensuring that essential operations could continue. In spite of initial difficulties during the early days of the ECQ, the Company continued to provide essential services and products such as water, power, fuel products, and food to the public. The Company also kept its expressways open during the lockdown as transportation remained vital to keep healthcare and support systems running.

Moreover, the Company innovated in its approach to conducting its business operations and executed new programs to fulfill its obligations and serve consumers. The Company believes that these new strategies, which have proven to be effective, will enable the Company to better adapt to the "new normal." In particular, the Company continued to leverage and improve on electronic systems to support organizational and consumer needs and further the utilization of digital technology to facilitate work from home arrangements, among others. Through these new programs and strategies, the Company believes it achieved effective and efficient alternatives to serving customers while protecting the well-being of all stakeholders.

The varying restrictions and liquor bans implemented in various periods of 2021 may have affected the Company's projected 2021 budget as the Beer, Spirits and Infrastructure businesses saw volumes decline during the third quarter of the year. However, the continuing initiatives and programs in place of the different businesses are expected to mitigate the continued uncertainties that COVID-19 will have on the SMC Group. The Company also believes the cost savings measures it has adopted, resilient consumer demand and adjusted trade and retail has cushioned the impact of the COVID-19 pandemic.

Amid the surge in COVID-19 cases in the beginning of 2022, SMC has been ramping up efforts to administer booster shots to its employees and their families. Starting the second week of January 2022, the Company has been holding booster vaccinations in Cebu, Batangas, Laguna, Pangasinan, Iloilo, Bacolod, Isabela, and Davao with other locations to follow. Vaccinating and providing boosters to its employees is one of the Company's top priorities during this time. Even as 97% of SMC's workforce are already fully-vaccinated, the Company is still taking all the precautions to help reduce the spread of infection. SMC ensures that essential workers stay safe while on the job of keeping vital services running. As of August 31, 2022, the Company has transitioned to 100% on-site work, conducting regular and surveillance antigen tests for its employees, including RT-PCR tests, as necessary. The Company believes that it now has a lot more tools at its disposal compared to when the pandemic emerged in 2020.

***Food and Beverage***

SMFB's consolidated revenues for the period ended June 30, 2022 grew 17%, higher than the same period in 2021, mainly driven by volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions brought about by the positive impact of relaxed mobility and rapid re-opening of the economy.

Prior to the implementation of the ECQ, SMFB proactively took steps to secure its inventory and supply chain. At each of its critical facilities, lean work teams ramped up the production of poultry, fresh and processed meats, canned goods, flour, biscuits, coffee, and dairy products. Despite some initial challenges, capacity in SMFB's food production facilities hovered around 95% on average for the duration of the ECQ (*i.e.*, the period from March 16 to May 15, 2020), allowing SMFB to quickly replenish stocks and demonstrating its ability to provide sufficient food supply.

To ensure that operations continued unhampered, the Company put in place measures for its employees' health and safety. Some offices and conference rooms were converted into living quarters for workers forced to stay in for safety reasons. Shuttle services were provided for the Company's merchandisers, and bicycles were given to employees who live close by. San Miguel Foods also became the hub for much of the Company's relief efforts.

To address the challenge of accessibility to food, the Company, through SMFB, Petron Corporation and San Miguel Integrated Logistics Services, Inc. ("**SMILSI**"), set up alternative, non-traditional selling channels that provided consumers easier and safer access to its products. For example, SMFB expanded its *Manukang Bayan* rolling micro-stores program, providing direct access to *Magnolia* poultry products to consumers. Through SMILSI, the Company deployed more than thirty (30) 10-ton reefer van trucks to bring larger quantities of poultry and other frozen products to different Petron service stations across Metro Manila.

In addition to working closely with community-based outlets, SMFB launched a new online ordering platform, https://thehub.sanmiguel.com.ph, the online shopping platform of SMC that offers a wide selection of its most trusted food, beverage, and other essential consumer brands. SMFB also leveraged on other e-commerce sites such as Lazada, Zalora, Grab Mart, Shopee, and Panda Mart, for the sale of its products, resulting in the average sales volume of SMFB's food products in these channels increasing by more than 400%, compared to pre-COVID-19 levels. The increased use of e-commerce platforms improved product availability while providing convenience and ensuring the safety of consumers.

On the beverages side of the business, SMB continues to focus on initiatives that boost demand and consumption of its beer brands with relevant campaigns such as *Gintong Dagat* campaign for Pale Pilsen, *Bright Side* for San Mig Light, *Make Life Sweet* for San Miguel Flavored Beer while further strengthening its e-commerce presence and availability in tertiary outlets. This was supported by channel-specific consumer and trade promotions, on-ground activations, and various nationwide activities.

Similarly, for the period as of June 30, 2022, GSMI continued to strengthen its marketing campaigns through various initiatives such as the launch of GSM Blue's latest thematic campaign, '*Choose What's True*' and the re-airing of Ginebra San Miguel's '*Bagong Tapang*' television and radio advertisements. Likewise, complementing these major campaigns was the implementation of a per area raffle promo that helped spur consumption and intensified on-ground merchandising activities that further increased brand visibility.

***Packaging***

The Packaging Group registered ₱16.1 billion in revenues as of June 30, 2022, up by 10% from the previous year mainly driven by better performances from its Metal Crowns, Cans, Plastics, Logistics Services and Beverage Filling operations on the back of sustained volumes from food and beverage companies, coupled with high packaging requirements from its Malaysia, Australia and New Zealand markets.

Operating income for the six (6)-month period ending June 30, 2022 grew 56% from the same period last year at ₱959 million.

***Fuel and Oil***

Petron's consolidated revenues for the six-month period ending June 30, 2022 ended 130% higher compared to the same period in 2021 mainly brought about by higher volumes across all trades, given strong recovery in demand and fading pandemic concerns.

The ECQ, graduated quarantine measures, and Malaysia's Movement Control Order ("**MCO**") restrictions significantly affected volumes of both Philippine and Malaysian operations as these reduced economic activity and restricted travel. The operations of the Petron Bataan Refinery were suspended from May to August 2020. In 2021, it was shutdown from February to May to conduct opportunity maintenance activities on key process units, while demand was low. The Petron Bataan Refinery resumed operations in May 2021, albeit at reduced throughput as fuel demand continues to be affected by the pandemic.

The Port Dickson Refinery, on the other hand, continued operations during the MCO although production was reduced to minimum turn-down rate in line with reduced domestic demand. In addition, there is a scheduled annual regular shutdown usually in the third quarter for catalyst regeneration. Petron saw a gradual recovery in sales volumes starting the third quarter of 2020 with fuel consumption increasing, partly as a result of relaxing quarantine measures. Given the volatility in oil prices, however, particularly when global oil prices plunged in March 2020, coupled with modest gains after the easing of certain restrictions, Petron's consolidated sales for the year ended December 31, 2020 were substantially lower than for the year 2019 and resulted in a net loss.

The extent of the COVID-19 pandemic impact in the short-term will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and internationally by governments, central banks, healthcare providers, healthcare system participants, other businesses and individuals, which are highly uncertain and cannot be predicted.

Petron's consolidated revenues for the period ended June 30, 2022, rose by 130% to ₱398,517 billion versus the same period in 2021. This was driven by increasing demand and sales volume coupled with significant improvement in crude and finished petroleum product prices in the first half of 2022.

***Energy***

SMC Global Power's facilities continued to run efficiently, even as measures to save on fuel were implemented to ensure continuity of power supply, particularly during the COVID-19 challenges in 2020. SMC Global Power's consolidated revenues for the year ended December 31, 2021 were 16% higher compared to the same period in 2020. For the six months ended June 30, 2022, SMC Global Power's consolidated revenues was 70% higher than same period in 2021 mainly due to (i) higher average realization price attributable to higher fuel cost passed on to customers as a result of rising coal prices and the increase in overall spot sales price in Luzon; (ii) improvement in nominations from Meralco, other distribution utilities and industrial customers arising from relatively lighter COVID-19 quarantine restrictions compared to 2021, thereby increasing offtake volumes; and (iii) commencement of commercial operations of SMC Global Power's 20 MW Kabankalan 1 BESS on January 26, 2022.

***Infrastructure***

During the ECQ and GCQ, SMHC kept more than 80% of its toll roads open despite the massive drop in vehicular traffic, primarily to ensure the efficient flow of essential goods, and to serve the Government and frontliners. As a result, toll roads registered a 33% volume decline and SMHC's consolidated revenues decreased by 38% for the year ended December 31, 2020 compared to the same period in 2019.

SMHC's revenues for the first six months of 2022, was 58% higher compared to the same period in 2021 propelled by the 37% increase in average daily traffic volume across its operating toll roads as travel and mobility were almost at a normalcy, with the public likewise increasing its outdoor activities.

***Corporate Social Responsibility and Community Engagement***

One hundred thirty-two years since it was founded, SMC has today evolved into one of the country's largest conglomerates, with interests in food and beverage, power, fuel and oil, infrastructure, banking, among others. In the last 20 years, its approach to corporate social responsibility has also greatly evolved.

In more recent years, the Company has increasingly shifted its focus away from mere corporate giving to working to make a deeper and more lasting impact on vulnerable sectors affected by critical social issues, such as hunger, inequality, and lack of opportunity. Thus, San Miguel Foundation, Inc. ("**SMF**") was established to implement the Company's corporate social responsibility projects.

Since SMF's establishment in 1972, it has addressed social challenges and championed environmental stewardship, community and enterprise development and disaster relief, and continues to move beyond philanthropy by developing community programs designed to create value in ways that are systemic, sustainable and innovative. SMF's flagship projects, the Better World communities in Tondo, Diliman and Cubao, encourage member-beneficiaries to reach their highest aspirations of citizenship through an approach that addresses community resilience, thereby promoting places where participation and shared responsibility are emphasized. SMF aims to continue collaborating with the public, private and non-profit sectors to build a world without hunger and malnutrition, free from inequality and barriers to opportunities.

*Better World communities*

In September 2019, the Company, through San Miguel Foundation, Inc. launched its flagship corporate social responsibility program: the Better World Communities initiative. The program leverages on the Company's partnerships with non-profit organizations and the reuse of idle properties to establish centers that address issues affecting disadvantaged sectors of society.

The first center, Better World Tondo, is a project launched with AHA Learning Center and Rise Against Hunger Philippines. The center, which opened its doors in September 2019, aims to contribute to the improvement of food security for urban poor families, and access to quality education for the children of Tondo.

With the help of Rural Rising Philippines, Better World Diliman was opened in February 2021. The center serves as a ready market for excess agricultural products, bought from farmers at better-than-farmgate prices and sold to resellers, consumers, or donors, at lower prices. It directly benefits some 4,500 farmers from Nueva Ecija, Benguet, and Quezon province.

In March 2022, Better World Cubao was opened, which is a health, empowerment, and recovery (HER) center that aims to help underprivileged women, especially mothers, who have gone through difficult times and abuse. Through BWC, hundreds of mothers from nearby communities will gain access to health services, receive support from other women, and learn more about their rights. BWC's partners include the *Likhaan* Center for Women's Health and AHA Learning Center.

Apart from the Better World Communities, San Miguel Foundation Inc. also launched its "Backyard Bukid" urban farming initiative, in partnership with the School for Experiential and Entrepreneurial Development, to help the Company's support staff. Backyard Bukid teaches participants how to be more resilient and self-sufficient, especially in uncertain times, by teaching them how to grow their own vegetables to either augment their own food supply or earn extra income.

*An unprecedented response to the pandemic*

To date, SMC's ₱14.8 billion COVID-19 response package remains unprecedented and is a testament to its enduring value of *malasakit* during these tough times.

A significant portion of its response went to boosting government's capability to respond to the crisis, in the form of ₱8.77 billion in advance payments of taxes, contractual, and concession fees. Despite the economic shutdown and its impact to SMC's businesses, it ensured that the estimated 70,000 in its nationwide workforce and network, continued to receive full salaries throughout the lockdown, paying out some ₱3.09 billion.

*Medical-related efforts*

The SMC Group's over ₱2 billion medical-related donations and initiatives include the first donations to government hospitals of RT-PCR testing machines, automated RNA extraction machines, and PCR test kits in the critical early months of the pandemic.

SMC, through San Miguel Foundation Inc., also put up its own RT-PCR testing laboratory that took responsibility for testing its nationwide network of 70,000 employees and extended workforce for free. The facility contributed significantly to the government's target testing capacity and made testing more accessible to the public.

The SMC Group also donated high-flow nasal cannula, swabbing booths, and personal protective equipment to hospitals nationwide. It also reconfigured its liquor facilities to produce and donate some 1.3 million liters of disinfectant alcohol to healthcare facilities, LGUs, and other vital installations.

The Company also spent over ₱29.4 million to put up quarantine facilities nationwide. It also held blood and convalescent plasma donation drives among employees to help boost the Philippine National Red Cross' reserves and help COVID-19 patients.

As soon as vaccines were made available, SMC Group allotted ₱1 billion to purchase vaccines and provide these for free to employees and extended workforce nationwide. The Company, through San Miguel Foundation Inc., also engaged over 100 doctors and nurses for deployment to understaffed LGU vaccination sites, and to help implement its own vaccination program.

*Food donations for disadvantaged communities*

To address widespread hunger following the loss of jobs and livelihood, SMC mounted the largest and most extensive food donation drive in the Company's history, amounting to ₱526.7 million. The Company worked with local government units, non-profit organizations, and charitable organizations to ensure that the food donations could reach the most vulnerable communities nationwide.

*Assistance to medical front liners*

SMC provided ₱245.5 million worth of free toll for medical front liners at all its operating tollways—STAR, SLEX, Skyway, NAIAX, and TPLEX. The Company also extended ₱9.5 million worth of fuel to government's free shuttle service program for health workers.

SMC also provided life insurance to some 5,000 medical front liners from 18 hospitals in Cebu, with up to ₱2 million coverage each.

*Agriculture-related efforts*

SMC partnered with the Department of Agriculture ("**DA**") to buy a total of 524 million kilograms of corn from farmers across Central Luzon, Pangasinan, and Camarines Sur. It also supported the DA by setting up "*Kadiwa ni Ani at Kita*" stores at Petron stations to bring farmers' produce closer to consumers.

Through the DA, DOH, and Department of Interior and Local Government, SMC supported carabao raisers and farmers by buying 5,000 liters of excess milk and donated these to LGUs and poor communities. The Company also completed development of a packaging format to extend the shelf life of carabao milk. This is now used by cooperatives supplying milk to government's feeding program for school children.

*Employee safety and well-being*

During and despite the economic shutdown, SMC retained the employment of its over 70,000 employees and engagement of third-party providers translating to over ₱3 billion in salaries and third-party fees.

SMC also adopted measures to ensure employees' safety and well-being, which include installing hand washing stations at entrances of offices and facilities; implementing body temperature checks, maintaining adequate supply of alcohol and hand sanitizers for use at all installations; requiring employees to follow public health protocols such as wearing of masks and other protective clothing as appropriate; minimizing in-person meetings, and implementing additional cleaning and sanitization routines.

The Company also rolled out an emergency loan facility for employees as well as programs to provide alternative modes of transportation for essential workers, including bicycles.

*Rehabilitation of waterways*

The Company recently completed its ₱1 billion Tullahan River cleanup project, removing a total of 1.12 million tons of waste—equivalent to the average daily waste of 1.6 million Metro Manila residents. This massive initiative, which SMC started in 2020 with the DENR, has greatly improved the Tullahan River's flow and depth, bringing immediate relief to flood-prone communities along the river.

SMC also recently marked the first year of its ₱2 billion cleanup initiative for the Pasig River. As of September 2022, the Company has removed over 500,000 metric tons of silt and waste from the polluted river, which continues to be a dumping site for untreated wastewater and solid wastes coming from multiple cities in Metro Manila. Soon, SMC will also begin cleaning up river systems in Bulacan province.

These efforts are meant to help mitigate flooding in Metro Manila and even neighboring provinces, which disrupts people's lives, business operations, transportation, and economic growth.

*Sustainable housing communities*

In 2019, SMC established the San Miguel-Christian Gayeta Homes and completed the construction of 450 housing units meant for fisherfolk-relocatees in Sariaya, Quezon. Included in the development are the Sariaya Fishermen's Dock and Fishermen's Hall, as well as the San Miguel Market where fishermen and their families can sell their catch and market their other products.

Through a partnership with TESDA, beneficiaries were provided training for skills needed to manage their small businesses or gain employment.

SMC also extended housing assistance and livelihood programs for beneficiaries in the Bulacan province.

*Aid for victims of calamities*

When typhoon Ondoy struck in 2009, SMC responded with a donation of over ₱20 million in relief for typhoon victims. In 2011, the Company also donated ₱550 million to build 5,000 homes for thousands of families left homeless by Typhoon Sendong, in Cagayan De Oro, Iligan, and Negros Oriental.

In 2013, in the aftermath of Typhoon Yolanda, the strongest typhoon to ever hit the Philippines, the Company pledged another ₱220 million, which also went to housing projects.

Following the Marawi siege in 2017, SMC provided ₱2 million worth of start-up business assistance for each of the families of 165 fallen soldiers and policemen.

When Taal volcano erupted in early 2020, SMC donated ₱23 million worth of relief goods to victims while Better World Tondo and operated daily soup kitchens that provided hot meals in six (6) evacuation centers in Batangas.

SMC also donated ₱24 million worth of goods to 24 provinces and cities affected by super typhoons Qunita, Rolly, and Ulysses in late 2020.

In the aftermath of Typhoon Odette in December 2021, SMC's relief efforts reached ₱83.4 million, which went to providing some ₱43.4 million in cash assistance to over 2,200 of its own workers affected by the typhoon and ₱35 million in food aid and drinking water distributed to various provinces in Visayas and Mindanao.

**Other Recent Developments**

On July 26, 2022, SMC Global Power issued and listed with the PDEx a total of ₱40,000 million fixed rate Peso-denominated bonds, the first tranche of a ₱60,000 million shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

The bonds comprised of ₱5,000 million Series K Bonds due 2025, ₱25,000 million Series L Bonds due 2028 and ₱10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

**The proceeds from the issuance of the bonds will be used: (i) to partially finance SMC Global Power's investments in power-related assets, particularly Liquefied Natural Gas projects and related assets, coal power plant projects, Battery Energy Storage System, and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.**

**STRENGTHS AND STRATEGIES**

**Strengths**

SMC believes that its principal strengths include the following:

***Diversified platform with broad exposure to the growth of the Philippine economy***

The Philippines is one of the fastest growing economies in the Southeast Asia. From 2011 to 2021, the nominal GDP in the Philippines grew from approximately U.S.$234.22 billion to U.S.$395.09 billion, according to World Bank database. While the Philippine GDP contracted by 9.6% in 2020 mainly due to the COVID-19 pandemic, the World Bank (as of December 2021 through their report, Philippines Economic Update) expects the Philippine economy to grow by an average of 5.8% in 2022-23. According to the Philippine Statistics Authority, Philippine GDP posted a growth of 7.7% in the fourth quarter of 2021, resulting in 5.6% full year growth in 2021. Wholesale and retail trade, repair of motor vehicles and motorcycles, manufacturing, and construction were identified as the main contributors to fourth quarter 2021 growth. The Philippines has one of the youngest populations in Southeast Asia with a median age of 25 years in 2019, according to Euromonitor, and urbanization is expected to remain consistent at around 44% until 2022 according to GlobalData.

SMC 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 GDP in 2021.[12] SMC is broadly exposed to the Philippine economy through its market-leading businesses in various sectors, including beverages, food, packaging, fuel and oil, energy, infrastructure, property development, cement and investments in car distributorship and banking services. This diversified portfolio aligns SMC to key sectors that it believes will benefit from the forecast growth of the Philippine economy.

***Synergies across businesses***

SMC believes there are significant opportunities to develop and increase synergies across many of its businesses, including:

**Ancillary business opportunities**: SMC believes there are opportunities within its food and beverage and packaging businesses to promote growth in its energy, infrastructure, and fuel and oil businesses, by using the relevant areas to conduct the Company's activities. Initiatives would include building of service stations and retail outlets along toll roads which also serves as a growth opportunity for its other products from various businesses. Currently, SMC is pursuing several initiatives that will create possible savings and help promote its different brands. The Company and its businesses are evaluating the potential establishment of a unified rewards program for customers of various San Miguel products and services that Petron Service Stations,

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[12] Based on data from the SMC consolidated revenues in 2021 divided by Philippine's total revenue sourced from Philippine Statistics Authority.

*Monterey Meat Shops*, *Treats* and BankCom can offer in a retail level/end-consumer level. Recently, the Company established "*thehub.sanmiguel.com.ph*," an online e-commerce platform which made available the different products of SMFB and Petron. Another opportunity is maximizing the use of its radio-frequency identification technology (RFIDs) used for toll fee payment in tollroads, by expanding its access to the different Petron Service Stations and SMFB outlets.

**Immediate distribution channel**: The extensive retail distribution network of SMC provides an effective platform for roll-out of new products and services. For example, Magnolia Poultry expanded its "*Manukang Bayan*" rolling micro-stores program. In collaboration with SMC's logistics arm—SMILSI, SMC deployed more than 30 10-ton reefer van trucks to bring larger quantities of poultry and other frozen products to different Petron service stations all over Metro Manila. Petron's *Treats* stores in its service stations have also been used as outlets for SMC's different products.

**Economies of scale**: SMC believes that the size and scale of its distribution network operations provide significant economies of scale and synergies in production, research and development, distribution, management and marketing.

**Integration**: SMC plans to continue pursuing vertical integration across the established and strategic businesses. SMC's integration strategies range from supplying the fuel, oil and power requirements of its various businesses, to providing a total packaging solution to said businesses. Sales bundling through existing and new channels has also been expanded. Physical *Monterey* stores are now connected to San Miguel Foods' online ordering system and *Treats* stores in Petron service stations are also carrying a wider portfolio of SMC products.

**Use of Technology**: In light of the recent COVID-19 situation, SMC quickly innovated and executed new programs such as a new online ordering system, https://thehub.sanmiguel.com.ph — an online one-stop shop which promotes a safer and more convenient way for consumers to order SMC products. The increased use of e-commerce platforms also greatly improved product availability, providing more consumers not only convenience, but also added safety.

***Strong brand equity in the Philippines with over 100-year legacy***

Many of the businesses of SMC are leaders in their respective markets.

**Food and Beverage**: SMFB holds market-leading positions across food and beverage categories with large addressable markets and attractive growth prospects. SMFB is a unique platform that offers an extensive complementary product portfolio across its beer and NAB, spirits and food businesses, with 32 brands in six (6) categories, serving the full spectrum of a growing domestic population. As of December 31, 2019, the Beer business had a market share by volume of 95.10%, according to Global Data, and has consistently held at least 90% market share by volume since 2000.

As of June 30, 2022, the Spirits business had a leading market share in the gin category by volume of 97.10%, according to The Nielsen Company (Copyright © 2022, The Nielsen Company).

SMFB has been an integral part of the Filipino lifestyle for more than a century and is present in its consumers' lives at every meal and occasion. Guided by the company slogan of "*Celebrating Life*," SMFB believes that its products are part of the daily lives of its consumers, providing sustenance and enjoyment to families through trusted food brands and celebrating friendships and camaraderie with a world-class portfolio of beer and NAB, spirits and food products. The product portfolio of SMFB is suitable for any occasion throughout the year, whether it be for everyday consumption or for the most significant life events. It continuously evolves to cater to consumer tastes and preferences.

**Packaging**: The Packaging Group has one of the largest packaging operations in the Philippines, producing glass containers, metal crowns and caps, plastic crates, pallets and other plastic packaging, aluminum cans, paper cartons, flexibles packaging and other packaging products and services, such as beverage toll filling for aluminum cans, PET and glass bottles as well as logistics services. The packaging business 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.

As of June 30, 2022, the Packaging Group has 36 packaging facilities located in the Philippines (glass, molds for glass and plastics, metal, PET, composite, paper, toll filling and logistics services), in China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags and radiant/thermal liners), Australia (trading of packaging products, plastic manufacturing, wine closures, wine filling facilities, retail/online packaging, cargo protection and materials handling) and New Zealand (trading and plastics manufacturing).

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.

**Fuel and Oil**: Petron is a leading integrated oil refining and marketing company in the Philippines, with an overall market share of 21%[13] of the Philippine oil market as of December 31, 2021, in terms of sales volume based on Petron estimates using its internal assumptions and calculations and industry data from the DOE. In the Philippines, Petron owns and operates the only petroleum refinery complex, with a total crude oil distillation capacity of 180,000 barrels per day. Through its network of approximately 2,000 retail service stations in the Philippines as of June 30, 2022, Petron sells gasoline, diesel, and kerosene to private motorists and to the public transport sector. Approximately 42% of service stations are company-owned-dealer-operated service stations ("**CODOs**") and 58% are dealer-owned-dealer-operated service stations ("**DODOs**").

As of June 30, 2022, Petron's LPG distribution network includes more than 1,300 branch stores where Petron sell its LPG brands *Petron Gasul* and *Fiesta Gas* to households and other consumers. Meanwhile, Petron's Lubes distribution network includes more than 35 car care centres and more than 800 service stations selling lubes.

**Energy**: SMC Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,734 MW of combined capacity as of June 30, 2022. SMC Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and BESS. Based on the total installed generating capacities reported in the ERC Resolution on Grid Market Share Limitation, SMC Global Power's combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, as of June 30, 2022. Market share is computed by dividing the installed generating capacity of SMC Global Power with the installed generating capacity of Luzon Grid, Mindanao Grid or National Grid (17,077,537 kW, 4,201,042 kW and 24,651,219 kW, respectively based on data provided under ERC Resolution on Grid Market Share Limitation). In addition, SMC Global Power is engaged in distribution and retail electricity services and has various power projects in the pipeline.

**Infrastructure**: SMHC has become one of the major infrastructure companies in the country, with concessions in toll roads, airports, mass rail transit, and bulk water supply. SMHC has concession rights to approximately 964.19 kilometers of total road length serving Metro Manila and other fast-growing regions of Luzon.

***Well-positioned to benefit from strong macroeconomic fundamentals in the Philippines***

SMC is well-positioned for significant future growth. The food and beverage and packaging businesses continue to provide stable cash flow, while its fuel and oil, energy and infrastructure businesses have grown significantly and have enabled SMC to expand its ability to generate higher returns.

**Food and Beverage**: SMFB is well-positioned to benefit from the growing demand for food and beverage products driven by the country's sustained economic growth, expanding urbanization, favourable demographic patterns, and rapidly changing consumer tastes and preferences. In addition, the international beer business is experiencing increased sales and brand recognition in selected overseas markets such as Indonesia, Thailand, Singapore, Hong Kong, the Middle East, United States, and the Asia-Pacific region. GSMI is expanding its liquor business throughout the Philippines. Additionally, the Food Division is also streamlining its operations to

[13] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended 2021. Company estimates exclude all direct imports of end users.

improve the profitability of its established business segments, such as poultry, feeds, meat and flour, maximizing synergies across operations, and improving margins by shifting to stable-priced and value-added products. The food and beverage business continue to introduce new products and new package formats to increase consumer interest and overall market size, as well as address the needs of an increasingly fragmenting market, especially in high growth segments.

**Packaging**: The Packaging Group aims to provide a total packaging solution to be able to serve a wide spectrum of customers thereby increasing its potential for higher growth. It also aims to benefit from trade liberalization and globalization in the ASEAN region as it further expands its exports market. Increasing environmental awareness also provides opportunities to produce more environmentally friendly products such as the use of heavy metal free paint for the design of glass containers, use of cullets for glass manufacturing as well as plastic regrinds for plastics manufacturing. The Packaging Group plans to improve margins by developing alternative sources of raw materials and optimizing recycling efforts to lower its material costs.

**Fuel and Oil**: Petron operates as an integrated oil refining and marketing company in the Philippines and Malaysia, which it believes have favourable oil industry dynamics. The Philippines operates under a free market scheme with movements in regional prices reflected in the pump prices on a weekly basis. Malaysia, on the other hand, operates under a regulated environment and implements an APM that provides stable returns to fuel retailers. Petron owns refineries, in both the Philippines and Malaysia, capable of producing finished petroleum products.

Petron believes that the downstream oil market in the Philippines and Malaysia are still underserved and have strong potential for growth. To capture this growth and further strengthen its market position, Petron will embark on: (i) offering competitive prices to boost volumes amidst a highly competitive market; (ii) increasing its retail outlets for fuels and LPG to improve market penetration and arrest the growth of other industry players; (iii) improving productivity of existing service station network; (iv) introducing new products with differentiated and superior qualities; (v) expanding lubes distribution network by putting up more sales channels such as new lubes outlets, sales centers and car care centers, and penetrating non-traditional outlets such as auto parts and repair shops; (vi) continuing to expand its non-fuel businesses by capitalizing on the reacquired *Treats* convenience store business, leasing additional service station spaces to food chains, coffee shops and other consumer services or franchising those establishments to provide "value conscious" customers with a one-stop full-service experience; and (vii) intensifying its dealer and sales personnel training to further improve customer service experience. These initiatives will support Petron's growing retail business and continuing service station network expansion.

As of June 30, 2022, Petron had 10 product terminals, a network of more than 740 retail service stations and more than 300 convenience stores in Malaysia under the *Treats* brand. Petron also participates in the aviation segment with a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport ("**KLIA**"). The joint venture through which Petron owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal. Petron believes it has a competitive advantage against other oil players that only import finished petroleum products. Petron plans to continue its service station network expansion and seek growth in complementary non-fuel businesses.

**Energy**: Demand for electricity in the Philippines is expected to continue to grow. According to the Philippine Energy Plan 2020-2040 published by the DOE, to meet the projected electricity demand including reserve requirements by 2040, the power system capacity addition that the Philippines will need is 69,420 MW under the reference scenario and an additional 92,320 MW under the clean energy scenario with the expected entry of more renewable energy power projects, which is broken down as follows: 2,641 MW for coal, 20,810 MW for natural gas, 381 MW for oil-based and 45,588 MW for renewable technology under the reference scenario and 2,641 MW for coal, 15,430 MW for natural gas, 381 MW for oil-based and 73,868 MW for renewable technology under the clean energy scenario. Moreover, based on SMC Global Power's estimates, despite the continuing build-up of installed capacity, net reliable capacity remains insufficient to meet peak demand. This considers the entry of variable capacities, composed primarily of intermittent renewable energies such as solar and wind, as well as the introduction of flexible technologies, such as BESS, which compensate for the intermittency of the variable capacities.

For the period 2018 to 2022, there is approximately 6,000 MW of private sector-initiated power projects that are either committed or indicative, according to the DOE. On average, construction of new power plants takes a minimum of three (3) years. In addition, the depletion of the supply of natural gas from Malampaya, supplying 25% to 30% of net reliable capacity, may result in a reduction of energy generated by natural gas power plants beginning 2022. Given the gap between projected electricity demand and committed power projects, SMC Global Power expects that there will be a power supply shortage in the medium term until new capacity is built to meet the growing consumption.

SMC Global Power believes it is well-positioned to take advantage of opportunities from continued growth in the Philippine electricity market, as well as from the expected power supply shortage. The latter is exacerbated by an existing base of aging power plants, which will be over 20 years old by 2022 (currently representing 60% of net reliable capacity) and are thus prone to unscheduled shutdowns as well as a large base of seasonal power supply, such as hydropower plants in Mindanao. To meet this need, SMC Global Power has a defined roadmap to increase capacity by developing greenfield power plants and pursuing opportunities to invest in renewable energy projects, particularly in hydroelectric power and solar power projects and complementary technologies such as BESS.

**Infrastructure**: SMHC believes there are significant opportunities in building or acquiring infrastructure assets in a growing economy that has a significant gap in infrastructure. Since assuming the Philippine presidency in 2016, President Rodrigo R. Duterte and his administration have implemented the "*Build, Build, Build Program*," which aims to increase infrastructure spending and build new railways, roads, airports and other key infrastructure projects at an expected cost of over ₱8 trillion spread over six (6) years. Over the past ten (10) years, SMHC has built the TPLEX, SLEX, Skyway Stages 1, 2 and 3, STAR and NAIAx. It is also operating and expanding the Boracay Airport and is progressing the development of the following projects: Manila North Harbor, Skyway Stage 4, SLEX-TR4, PAREX, NALEX, SALEX, MRT-7, and MIA. SMHC believes that its operating licenses will provide strong and stable long-term income streams.

***Operating businesses provide sustainable stream of income and cash flows***

SMC's food and beverage and packaging businesses have historically provided the Company with a sustainable stream of income and have demonstrated resilience during the global financial crisis and provided SMC with a strong financial base from which to pursue its diversification strategy. For the year ended December 31, 2021 and June 30, 2022, the food and beverage and packaging businesses provided 36.7% and 26.5% of consolidated sales and 40.2% and 39.2% of total EBITDA of SMC, respectively. For the year ended December 31, 2021 and June 30, 2022, the fuel and oil and energy businesses contributed 63.30% and 73.50% of consolidated sales and total EBITDA, respectively. On the other hand, the infrastructure and cement businesses contributed 59.80% and 60.80% of consolidated sales and total EBITDA, respectively.

***Highly visionary, cohesive and experienced management team***

SMC has a highly experienced and loyal senior management team that has been with their respective businesses for an average of over 20 years. The management team has a deep knowledge and understanding of the Philippine operating environment and has been able to effectively manage the group of SMC companies through periods of crisis and instability in the Philippines. The management team has successfully directed the diversification strategy of SMC into energy, infrastructure and other businesses. SMC has expanded its expertise in managing its various businesses by retaining key management personnel from acquired companies in order to maintain their expertise and leverage their industry experience.

***Strong commitment to social responsibility and sustainability***

Sustainability has always been an integral part of the Company's operations. It manifests *malasakit* by taking care of host communities, doing good and working to make life better for the people. The Company has gone beyond mitigating the problems of climate change or social inequality. The Company has established a framework for sustainability which includes responsive and responsible products, innovative and inclusive systems, and reliable and resilient infrastructure.

**Strategies of SMC**

The principal strategies of SMC include the following:

***Enhance value of established businesses***

SMC aims to enhance the value of its established businesses by pursuing operational excellence, brand enhancement, improving product visibility, targeting regions where SMC has lower market share, implementing pricing strategies and pursuing efficiencies.

***Prudently diversify into industries that underpin the development and growth of the Philippine economy***

In addition to organic growth, SMC intends to continue to seek strategic acquisition opportunities or project proposals to position itself for the economic growth and industrial development of the Philippines. For example, on September 18, 2019, San Miguel Aerocity Inc. ("**SMAI**") signed a concession agreement with DOTr to construct and operate the MIA that is envisioned to be an aerotropolis that will fill the gap and set the standard for a modern, world-class international airport that will address current and future capacity requirements for air travel in the Philippines.

***Identify and pursue synergies across businesses through vertical integration, platform matching and channel management***

SMC intends to create an even broader distribution network for its products and expand its customer base by identifying synergies across its various businesses. In addition, SMC continues to pursue plans to further integrate its production and distribution facilities for its food and beverage, packaging, energy, fuel and oil, and infrastructure businesses to enable additional cost savings and efficiencies.

To address the then challenge of making food more accessible during the COVID-19 crisis, Petron, San Miguel Foods and SMILSI have set up alternative, non-traditional sales channels that provide consumers easier, safer access to SMC's products.

***Invest in and develop businesses with leading market positions***

SMC intends to further enhance its market position in the Philippines by leveraging its financial resources and experience to continue introducing innovative products and services. Potential investments to develop existing businesses include building additional service and micro-filling stations and food and beverage facilities, constructing new power plants and infrastructure projects and the continued expansion of its various businesses. SMC believes its strong domestic market position and brand recognition provide an effective platform to develop markets for its expanding product portfolio. SMC plans to continue to invest in and develop businesses that it believes have the potential to gain leading positions in their respective markets.

In 2020, the Company achieved important milestones on its ongoing capacity expansion program, which is also aimed at creating jobs and dispersing growth further across the country. The Company's new facilities include a brewery in Tagaloan, Misamis Oriental, eight (8) feedmills in different locations in Luzon and Visayas, and an additional flour mill in Batangas. These new facilities are integral to the future of SMC, and will enable the Company to capitalize on important shifts in the food and beverage industry.

***Strengthen sustainable business strategies in all its operations***

SMC believes that sustainability is a key factor to its success and has pioneered in and developed a culture of sustainability throughout the organization. It has implemented numerous initiatives in various aspects of its operations, including the returnable glass bottle ("**RGB**") system for its beer business, the discontinuation of its plastic bottle water business and the use of recyclable products in its Packaging business, among others. Within the organization, the Company promotes the conservation of water and aims to cut utility and domestic use of water by 50% by 2025 (the "Water for All" initiative) and actively participates and sponsors environmental conservation activities, such as the "**747 Program**" which aims to achieve planting seven (7) million trees over seven (7) years through a combination of reforestation initiatives, protected forest reserves, biochar production and mangrove rehabilitation.

Furthermore, in line with the Company's goal to reduce coal dependency, through its subsidiary, SMC Global Power, SMC made a momentous decision to cancel its power projects earlier this year namely, the Pagbilao, Quezon, Looc, Cebu and Sariaya, Quezon power projects. SMC Global Power is also transitioning its power portfolio to a more renewable power source via the construction of its BESS and LNG facilities while also exploring solar power sources.

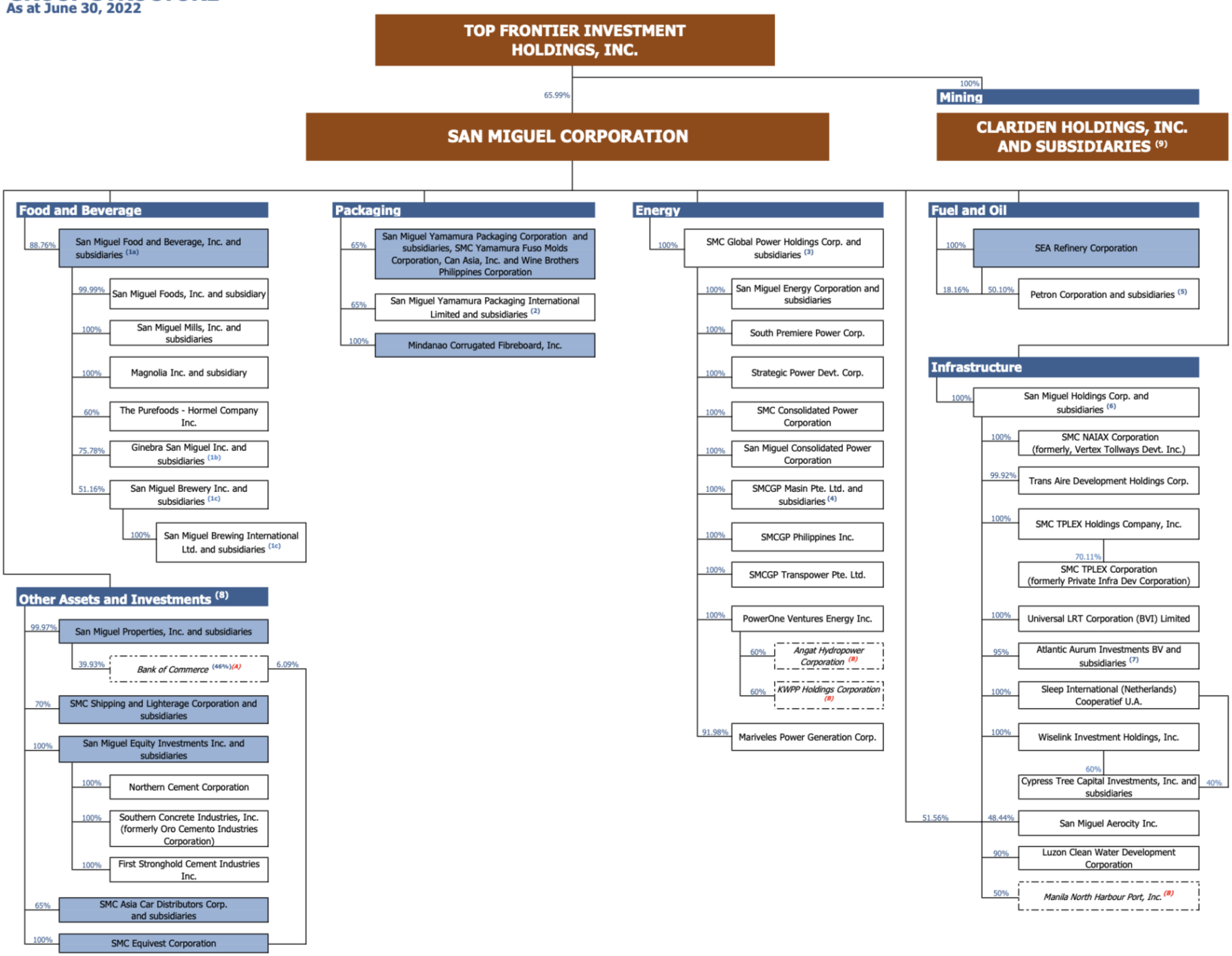
The COVID-19 crisis has resulted in severe shortage of disinfecting alcohol. Anticipating the importance of alcohol for personal hygiene and, more importantly, medical use, GSMI became the first Filipino spirits company to temporarily suspend production of liquor products and switch to the production of 70% ethyl alcohol. Since April 2020, all other GSMI facilities nationwide have been producing disinfecting alcohol, bringing total capacity to 100,000 litres per day.

***Adopt world-leading practices and joint development of businesses***

SMC continues to develop strategic partnerships with global industry leaders. SMC's current partners include Kirin for beer, Hormel Netherlands B.V. for processed meats, K-Water for power and NYG and Fuso for packaging products. These partnerships provide access to the latest technologies and expertise in these technologies, marketing and expansion opportunities and sharing of best practices, thereby enhancing its status as a world-class organization.

# SAN MIGUEL CORPORATION GROUP STRUCTURE *

As at June 30, 2022




* The group structure includes the Parent Company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries, associates and joint ventures.

Note:
(A) Associate
(B) Joint Venture

## I. Subsidiaries

1. San Miguel Food and Beverage Inc. subsidiaries also include: (a) 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, San Miguel Pure Foods (VN) Co., Ltd.; (b) Ginebra San Miguel Inc. 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 (c) San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and 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 Company Limited, San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at June 30, 2022.

2. San Miguel Yamamura Packaging International Limited subsidiaries include 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, 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., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYB Pty Ltd, SMYP Pty Ltd, Cospak Ltd (New Zealand), SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Limited.

3. SMC Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc., SMC Power Generation Corp., Albay Power and Energy Corp., Lumiere Energy Technologies Inc., Universal Power Solutions, Inc., SMCGP Philippines Energy Storage Co. Ltd. and Prime Electric Generation Corporation and subsidiary, Alpha Water and Realty Services, Corp.

4. SMCGP Masin Pte. Ltd. subsidiaries include SMCGP Masinloc Partners Company Limited, SMCGP Masinloc Power Company Limited and Masinloc Power Partners Co. Ltd. SMCGP Masin Pte. Ltd. is in the process of liquidation as at June 30, 2022.

5. Petron Corporation subsidiaries include 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.

6. San Miguel Holdings Corp. subsidiaries include Optimal Infrastructure Development, Inc., ULCOM Company Inc., Terramino Holdings, Inc. and subsidiary, Alloy Manila Toll Expressways Inc., SMC Infraventures, Inc. and subsidiary, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways Inc.) and SMC Mass Rail Transit 7 Inc.

7. Atlantic Aurum Investments B.V. subsidiaries include SMC Tollways Corporation ("**SMCTC**") (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.), and SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corp., 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).

8. Other Assets and Investments also include San Miguel International Limited and subsidiaries, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services, Inc., Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries and Petrogen Insurance Corporation.

**II. Co-Subsidiary**

9. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp., Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the "**Philnico Group**").

**EMPLOYEES**

As of June 30, 2022, SMC had a total of approximately 47,230 regular employees. Substantially all of the employees are based in the Philippines and other areas in the Asia-Pacific region. The approximate number of employees in each of the businesses is set forth below:

*Number of Employees*

| Business | No. |
|---|---:|
| Food and Beverage | 10,374 |
| Packaging | 4,248 |
| Fuel and Oil | 2,804 |
| Energy | 2,175 |
| Infrastructure | 5,003 |
| Other Operations and Investments | 22,626 |
| **Total** | 47,230 |

As of August 31, 2022 approximately 12% of the regular employees of the SMC Group were parties to various collective bargaining agreements and there are 33 labor unions within the businesses of the SMC Group. The SMC Group maintains good labor relationships and a constant line of communication with its employees. SMC also engages its employees through employee relations programs to maintain a high level of employee satisfaction.

In addition to the statutory benefits, SMC initiates benefits to provide for the increased security of its employees in the following areas: health care, leaves, miscellaneous benefits, loans and financial assistance applicable to a variety of uses, retirement benefits, and survivor security and death benefits.

Within the ensuing 12 months, SMC may require additional hiring of employees to support its business expansion, the number of which cannot be determined.

The Company employs experienced, skilled, and qualified personnel for the management and operation of its business and prioritizes programs that will ensure the retention and continuous engagement of its talent. The Company's attrition rate is still lower than the industry average. The Company ensures that manpower for critical positions is adequately maintained. The Company has an established succession planning program supported by a structured mentoring program for identified replacements of retiring employees to ensure leadership strength and technical knowledge preservation necessary for continued business operation. High-potential employees are given the opportunity to accelerate their development through a structured training program to prepare them for greater roles and responsibilities. The Company also provides the continuing education or learning of employees through an education reimbursement program for post-graduate studies and employees' participation in functional technical courses, conferences, and seminars. SMC believes it has a competitive compensation and benefits package and regularly reviews its employee relations programs to continuously attract, retain and engage talent.

**DESCRIPTION OF PERMITS AND LICENSES**

We believe that the Company has all the applicable and material permits and licenses necessary to operate its business as currently conducted and such permits and licenses are valid, subsisting, or pending renewal.

Particularly, as a holding company, SMC has the following material permits and licenses:

- Amended Articles of Incorporation and Certificate of Filing of Amended Articles of Incorporation issued by the SEC on July 14, 2015.
- Certificate of Registration issued by the BIR.
- Business Permit issued by the City of Mandaluyong for the year 2022.

SMC's Material Subsidiaries likewise hold all the applicable and material permits and licenses necessary to operate their respective businesses as currently conducted, and such permits and licenses are valid and subsisting. For said list of material permits and licenses, please refer to Appendix "D" of this Prospectus.

**COMPLIANCE WITH ENVIRONMENTAL LAWS**

SMC is in compliance with environmental laws, except where such non-compliance will not have a material adverse effect on the business of SMC. On an annual basis, operating expenses incurred by SMC to comply with environmental laws are not significant or material relative to the total costs and revenues of the Company.

**ENVIRONMENTAL SOCIAL GOVERNANCE AND SUSTAINABILITY INITIATIVES**

SMC works to advance sustainability and profitability hand-in-hand. With inequality, insufficient access to resources, and lack of social cohesion remaining as challenges that the Philippines is working to address in this era of climate change and global conflict — it is the responsible and right thing to do.

The shared challenges the nation faces require the concerted action of government, the private sector, and the public. A significant part of SMC's sustainability philosophy revolves around tackling pressing problems in society and how its businesses can contribute to solving these issues. At the same time, SMC recognizes that sustainability initiatives can improve business performance and enhance shareholder value.

The United Nations Sustainable Development Goals ("**UNSDGs**") serve as an important guide to the Company as it pursues its sustainability journey and vision for nation building.

SMC has aligned its sustainability journey with the UNSDGs. To sharpen the focus of SMC's efforts, it has reorganized the UNSDGs into three (3) main principles which have always been part of the Company's identity: (1) to do business and create growth in a responsible manner, adhering to good governance and setting the standards for best practices; (2) to be a good neighbour to the Company's communities, stakeholders, customers and to the whole nation, and (3) to take steps to act as better stewards of the environment for future generations.

As one of the Philippines' largest corporations, SMC recognizes that it has a big responsibility to help ensure that future generations will have access to the same, if not better, resources and opportunities than the present generation. As such, the Company executed on two (2) major decisions in 2017 that would significantly reduce its environmental impact, and demonstrate its seriousness in pursuing impactful sustainability initiatives.

The first was to cut utility and domestic water use across the entire San Miguel Group by 50% by 2025. Since its launch in 2017,SMC has managed to save approximately 31 billion litres of water, representing a 24.37% reduction in its overall use as of August 2022. The SMC Group believes that it is well ahead of its goal to reduce consumption by 50% in 2025, and is confident that its targets will be achieved.

The second decision was to discontinue its plastic bottled water business, effectively preventing some 32 million plastic bottles a year from ending up in landfills or bodies of water, had this business continued.

For SMC then, the key to sustainability and addressing climate change is looking after its own water resources and reducing its carbon footprint. Both are relevant to its business operations and have the potential to drive competitive advantage and innovation for the Company. In addition to these initiatives, SMC actively participates and sponsors environmental conservation activities, such as the 747 Program which aims to achieve planting seven (7) million trees over seven (7) years through a combination of reforestation initiatives, protected forest reserves, biochar production and mangrove rehabilitation.

In terms of supply chains, SMC has been partnering with farmers and backyard livestock operators to transfer technology and help raise rural incomes. The Company's work in this area continues to evolve, and the Food

Division has deployed supplier engagement teams to provide training and further develop skills around building sustainable, and resilient supply chains.

Like many other companies, SMC's previous efforts in corporate social responsibility have included promoting employee volunteerism, providing donations in kind, and providing grants to, or partnering with charitable organizations. Today, the Company's social development and corporate giving arm, the San Miguel Foundation, functions as an "ideas incubator" for the kind of social innovation SMC can adopt to tackle problems like income disparity, hunger, and poverty.

SMC invests in its communities not only because it makes good business sense, but also because the Company believes that the private sector needs to do its part in solving the most pressing economic, social, and environmental challenges.

SMC's Better World Communities will be vehicles for community engagement, providing the social scaffolding to enhance the civic life of ordinary Filipinos.

**BUSINESSES OF THE COMPANY**

**FOOD AND BEVERAGE BUSINESS**

On June 29, 2018, SMC completed the consolidation of SMC's food and beverage businesses into SMFB. The brands under which SMFB produces, markets and sells 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 and *Vino Kulafu* for Chinese wine, *Magnolia* for chicken, *Veega* for plant-based food, 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 (3) primary operating divisions — (i) Beer and NAB Division, (ii) Spirits Division, and (iii) Food Division. The Beer and NAB Division and the Spirits Division comprise the beverage business, which are operated through subsidiaries SMB and GSMI, respectively. The Food Division under San Miguel Foods, is operated through several key subsidiaries such as San Miguel Foods, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc. and San Miguel Mills, Inc.

For each of the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022, the food and beverage businesses had sales of ₱310,785 million, ₱279,290 million, ₱309,778 million, and ₱172,122 million; gross profit of ₱98,755 million, ₱79,051 million, ₱90,472 million, and ₱49,323 million; and net income of ₱32,279 million, ₱22,401 million, ₱31,417 million, and ₱18,758 million, respectively.

The following table sets forth the contribution of the three (3) divisions to total sales for the periods indicated:

| | For the years ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| | ₱ | % | ₱ | % | ₱ | % | ₱ | % |
| **Sales** [(1)] | | | | | | | (in millions, except for percentages) | |
| Beverage Business | (in millions, except for percentages) | | | | | | | |
| Beer and NAB Division ...... | 142,267 | 46% | 107,923 | 39% | 116,280 | 38% | 64,984 | 38% |
| Spirits Division.... | 29,063 | 9% | 36,198 | 13% | 42,529 | 14% | 23,145 | 13% |
| Food Division. | 139,455 | 45% | 135,169 | 48% | 150,969 | 49% | 83,993 | 49% |
| **Total ............** | 310,785 | 100% | 279,290 | 100% | 309,778 | 100% | 172,122 | 100% |

*Notes: (1) Represents the external sales of each division and excludes inter-division sales.*

Selected operating data for the SMFB is provided below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Sales .................................................... | 310,785 | 279,290 | 309,778 | 172,122 |
| Gross profit .......................................... | 98,755 | 79,051 | 90,472 | 49,323 |
| Gross profit margin(1) .......................... | 31.8% | 28.3% | 29.2% | 28.7% |
| EBITDA(2) .............................................. | 58,667 | 46,776 | 56,198 | 32,443 |
| EBITDA margin(3) ................................. | 18.9% | 16.7% | 18.1% | 18.8% |
| Net income before tax ........................ | 46,107 | 31,788 | 40,802 | 24,846 |
| Net income before tax margin(4) .......... | 14.8% | 11.4% | 13.2% | 14.4% |

*Notes:*

*(1) Calculated as gross profit divided by revenues.*

*(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.*

*(3) Calculated as EBITDA divided by revenues.*

*(4) Calculated as net income before income tax divided by revenues.*

**Strengths and Strategies**

**Strengths**

***One of the largest consumer companies in the Philippines with a rich heritage of 132 years***

SMFB is one of the largest consumer companies by revenue and net income among the publicly listed peers in the Philippines with consolidated sales of ₱172,122 million and consolidated net income of ₱18,758 million for the six months ended June 30, 2022. The Beer Division was founded as *La Fabrica de Cerveza de San Miguel* in 1890, a single brewery with a single product and over the years, the *San Miguel* brand has transformed into a household name that is interwoven with the economic and cultural fabric of the Philippines, supporting Philippine development and economic progress. SMFB's heritage has allowed it to develop a deep and unparalleled understanding of its consumers, an extensive and efficient nationwide distribution network and deeply entrenched brands that provide it with significant competitive advantage. SMFB believes that it has continuously demonstrated its ability to adapt throughout its history by leveraging extensive operational know-how, market experience and consumer insight to remain at the forefront of new trends and innovations, thereby allowing it to successfully enter new categories and capture incremental market share over the years.

***Powerful portfolio of iconic and trusted brands that resonate deeply with SMFB's local consumers***

SMFB's key brands have a rich history and long track record, catering to consumers for over a century. For example, *Ginebra San Miguel* was launched in 1834, *San Miguel* beer was established in 1890, *Magnolia* in 1925, B-Meg in 1953 and *Purefoods* in 1956. SMFB's strength is demonstrated by leading brand rankings in several segments and product categories. SMFB produces the top beer brands in the country with a market share by volume of 95.1% as of December 31, 2019, according to GlobalData. Despite the entry of local beer competition in 1981 and the introduction of locally-brewed versions of foreign brands, craft beers and imported beers, SMFB believes that its brands are top-of-mind and continue to maintain their leading positions across market segments. *Super Dry* is the market leader in the premium segment. *Red Horse, San Miguel Pale Pilsen* and *San Mig Light* are the leading brands in the mainstream segment, and *Gold Eagle* leads in the economy segment. According to The Nielsen Company (Copyright © 2022, The Nielsen Company), the Spirits Division's core spirits brands, *Ginebra San Miguel* and *Vino Kulafu* are also market leaders in the gin and Chinese wine categories at 97.1% and 69.5% volume share, respectively, as of June 30, 2022.

The Beer Division's beer brands have significant international brand equity with a global presence in over 70 countries. *San Mig Light* is one of the major players in the premium beer segment in Thailand. *Anker Bir*, its local brand in Indonesia, is the second biggest brand in the market. In Hong Kong, where SMFB's Beer Division is the only major beer player having a local brewery, the brand has been embraced by Hong Kong locals and is a favourite among foreign expats and tourists. SMFB also has a strong presence in major tourist spots all over Asia. The food products of the Food Division also have a growing international presence in North America, South East Asia, Australia, and the Middle East.

SMFB believes that its well-recognized brands locally and abroad, ability to customize products to cater to specific needs, and the sale of a number of products through clean and convenient branded distribution outlets enable SMFB to command favourable pricing. The diversity of its product offering reduces dependence on any single product segment and makes SMFB more resilient to changes in competitive dynamics or raw material price fluctuations that may impact one product segment more than another.

***Leading market positions in the most attractive consumer categories***

The businesses of SMFB hold market-leading positions across the food and beverage categories with large addressable markets and attractive growth prospects. SMFB is a unique platform offering an extensive complementary product portfolio across its beer and NAB, spirits and food businesses, with 32 brands in six (6) categories and serving the full spectrum of the growing domestic population. As of December 31, 2019, the beer business had a market share by volume of 95.1%, according to GlobalData, and has consistently held at least 90% market share by volume since 2000. As of June 30, 2022, the spirits business, had a leading market share in the gin category by volume of 97.1%, according to The Nielsen Company (Copyright © 2022, The Nielsen Company).

SMFB is intimately involved in consumers' lives at every meal and occasion, guided by the company slogan of "*Celebrating Life*," SMFB believes that its products are part of the daily lives of its consumers, providing sustenance and enjoyment to families through trusted food brands and celebrating friendships and camaraderie with its world-class portfolio of beer and NAB and spirit products. The product portfolio of SMFB is suitable for any occasion, whether it be for everyday consumption or the most significant life events, and continuously evolves to cater to consumer tastes and preferences. Based on a survey conducted by KantarWorld panel, during June 2015 to June 2018, the products of SMFB were present in 92% of Filipino homes.

SMB is also the 13$^{th}$ largest beer producer globally by volume and one of the top four (4) Asian beer players in 2017 by revenue. The significant competitive advantage of SMFB is demonstrated by consumers' strong preferences for San Miguel products over competition.

Market leadership in the spirits business is demonstrated by GSMI's strong market share in the gin category and a growing demand for its Chinese wine product, *Vino Kulafu*. GSMI produces *Ginebra San Miguel*, which is the world's number one selling gin by volume according to GlobalData as of 2017. SMFB believes that its core spirits brands in gin and Chinese wine are gaining popularity domestically and earning market share from other spirits brands in the Philippines.

SMF holds market-leading positions in various food categories, contributing over 80% of the total Food Division's revenue. Categories include branded and processed meat, butter and spreadable fats, cheese, ice cream, animal nutrition and health, and protein.

***Strategically located production facilities providing strong competitive advantages***

SMFB believes that its production facilities are strategically located throughout the Philippines, providing wide coverage of the population while optimizing distribution costs.

With seven (7) beer production facilities strategically located across the Philippines and in close proximity to consumer markets, SMFB is able to serve all regions and transport beer products to market within five (5) to seven (7) days of production, thus ensuring product availability and freshness. Spirits, on the other hand, are produced from fine alcohol obtained from a centralized distillery in Negros Occidental, which is the Philippines' largest molasses producing region, and bottled at five (5) domestic facilities located across the country. SMFB also operates a nationwide manufacturing network for its food products, which include 80 manufacturing facilities, and more than a thousand breeding and growing farms located across Luzon, Visayas and Mindanao. As a result of such food production facilities' proximity to markets and efficient cold chain, SMFB is able to ensure optimal shelf life and reduce perishability of fresh products. SMFB believes that its facilities are among the most efficient in the country given the use of modern technology. Such production facilities are equipped with automated machines which can manufacture and package products in a variety of formats, while maintaining low production costs. Most of the poultry farms are equipped with tunnel ventilation to produce healthier, higher quality and more cost-efficient meats.

Additionally, the facilities are compliant with the strict international requirements of International Organization for Standardization ("**ISO**"), Good Manufacturing Practices ("**GMP**") and Hazard Analysis of Critical Control Points ("**HACCP**") certifications. The Food Division strictly complies with relevant regulations which mandate recall of food products which may pose a major food safety issue. These stringent safety and quality standards are reflected in the historical track record of SMFB, where it has had no major food and beverage safety incident in the last five (5) years.

***Extensive distribution network across the Philippines covering diverse channels***

The Philippine archipelago consists of 7,641 islands divided into three (3) main regions of Luzon (including Greater Manila), Visayas, and Mindanao that have distinct macro and industry dynamics. This creates a unique market and competitive landscape that allows SMFB to significantly benefit from the scale of its extensive nationwide distribution network.

As the leading player in the Philippines, SMFB products occupy prime shelf spaces in groceries, convenience stores, and mom-and-pop stores across the country.

SMFB believes that it has the largest and most extensive distribution network in the Philippines. The Beer and NAB Division operates over 50 sales offices, having partnerships with approximately 500 dealers with its products present in over 500,000 outlets. The Spirits Division operates 15 sales offices situated strategically across the Philippines and coordinates with a network of 92 dealer sites covering approximately 156,000 outlets. The food products of the Food Division are offered through approximately 160,000 points of sale, having partnerships with over 1,300 dealers, distributors, and food service clients.

To service its distribution network, SMFB has established dedicated teams and customized products to target different distribution channels. SMFB believes that its multi-channel distribution platform has allowed it to maximize customer reach and has been one of the key factors to its success in building and developing market-leading positions. SMFB supplies products to mom-and-pop stores, wet markets and other traditional retail outlets; modern trade outlets, including supermarkets, hypermarkets, convenience stores and grocery stores; on-premise channels such as hotels, restaurants, cafes and bars; exclusive retail outlets; and franchised stores. In particular, SMFB has a key accounts group within each division, which focuses on maximizing distribution across all channels.

SMFB has been able to reach a wide number of consumers through its extensive distribution network. For the Beer and NAB Division, the strong dealership network ensures the availability of products throughout the Philippines. Dealers are provided systems and trainings related to dealer operations. The RGB system allows distributors to interact with customers on a regular basis, upon collection and return of the RGBs, further fortifying the consumer relationship. A strong aspect of SMFB's distribution network is the perennial presence of its products in mom-and-pop stores. These mom-and-pop stores are difficult for competitors to penetrate as they tend to have limited capital and shelf space, and only carry brands that are fast-moving. SMFB distribution networks also organize dealers by assigned geographic areas ensuring the widest coverage of its products. For the Food Division specifically, efficiency is enhanced by having fewer but larger exclusive dealers for the Prepared and Packaged Food segment.

SMFB has also pioneered the development of innovative formats to sell its food products, which has the benefit of growing the market by driving consumer preferences. The Food Division manages *Monterey Meatshops* and *Magnolia Chicken Stations* as well as other distribution outlets to distribute the Food Division's products. It established Great Food Solutions to handle sales to key foodservice customers, such as hotels, restaurants, bakeshops, fast-food, and pizza chains.

***Powerful consumer insights drive growth, innovation, and new product development***

SMFB's ability to successfully introduce new products by leveraging on its extensive knowledge of consumer preferences, demographic, and market trends, as well as broad distribution channels, has allowed it to attain market leadership positions. Through its comprehensive reach and investment in market research and collaboration and feedback from strong relationships with customers, dealers and distributors, SMFB is able to gain meaningful consumer insights, thereby allowing it to anticipate changes in consumer demand and preferences.

SMFB constantly engages in extensive research for updates on market trends and changes in consumer tastes and identifies market gaps towards developing an optimum yet manageable new product pipeline. This promotes effective resource management and optimizes NPD.

SMFB continuously creates market opportunities and pioneer new product variants to excite the market and address its ever-changing needs and preferences. For example, in 2020, SMFB, through its Food Division, introduced a line of meat-free and plant-based products under the brand *Veega*, and in 2022, through its Beer and NAB Division, launched *San Mig Hard Seltzer*, a natural fruit-flavored sparkling drink with alcohol content of 5%.

***Cost efficiency initiatives and unique elements of business model driving strong profitability***

SMFB engages in a variety of initiatives to minimize raw material and other input costs. For example, the Beer and NAB Division employs the RGB system which, with over 90% retrieval in the past five (5) years, provides a significant competitive advantage by allowing us to manage costs. The Spirits Division manages cost by purchasing raw materials such as sugarcane molasses and alcohol from a variety of third-party suppliers pursuant to supply contracts in the domestic and foreign open market. SMFB has engaged in successful initiatives such as aggressively promoting bottle recycling for the Spirits Division, with approximately 86% of total glass bottles used were retrieved by and purchased from bottle suppliers as of June 30, 2022. The climate-controlled facilities used by the Food Division have improved yields and created conducive environment for healthy animal growth. The Food Division continuously explores alternative raw materials from grains and by-products used in the Animal Nutrition and Health segment as well as alternative protein sources and flavours for the Prepared and Packaged Food segment.

Furthermore, SMFB's efficient and modern production facilities drive efficiency. Its best-in-class technologies and processes applied to facilities across the Beer and NAB, Spirits and Food Divisions also help reduce wastage and maximize production yields. Most production facilities are fully automated, thereby ensuring consistent quality of products with minimal spoilage. The brewing production processes are regularly reviewed to optimize output and generate cost savings. Additionally, each of the Beer and NAB, Spirits and Food Divisions have their own research and development ("**R&D**") teams which regularly monitor and conduct tests to ensure that production processes are up-to-date with the relevant industry standards and that high-quality products will be sold at the least cost.

SMFB believes that its vertically integrated facilities enable it to better manage raw material costs and extract margins along the entire food chain while ensuring superior food safety, traceability, and supply chain reliability and integrity. The Food Division's unique "farm-to-plate" business model allows it to derive synergies and extract margins along the entire food production and distribution process as it drives economies of scale from combined raw material sourcing, integrated production functions and shared sales, distribution, marketing and support functions. It also enhances operational flexibility to quickly adapt and augment products to respond to market demand. Finally, cost efficiencies are also realized in unique aspects of the distribution chain. The Golden Bay Grain Terminal Corporation, an affiliate company of SMFB owns and which serves both the feeds and flour operations, has facilitated the shipment of products through larger vessels thus minimizing intermediate handling and leakage, and resulting in lower freight and handling costs.

**Strategies**

The principal long-term goal of SMFB is to further strengthen and solidify its position as the leading food and beverage company in the Philippines, and consistently expand its business to meet rapidly growing consumer demand. SMFB aims to achieve this goal by implementing the following strategies:

***Continued execution of regionally tailored strategies, leveraging on its unique understanding of consumers***

SMFB continues to leverage its extensive knowledge of consumers in executing regionally tailored strategies. The Philippine archipelago has three (3) main regions of Luzon (including Greater Manila), Visayas and Mindanao, each with distinct macro and industry dynamics. SMFB believes that its market-leading positions enable it to leverage differentiated consumer insights specific to each region and execute tailored strategies, thus enhancing nationwide presence. SMFB is well-positioned to benefit from the growing demand for food and beverage products as driven by expanding urbanization, favourable demographic patterns, and rapidly changing consumer tastes and preferences.

SMFB will continue to respond and address emerging market trends and changes in consumer preferences in key cities and fast-growing areas to answer the market's demand for authentic experiences, "*premiumization*" and indulgence, convenience and value, among others.

***Maintain market leadership positions in core categories while growing the total addressable market through marketing initiatives and new product development***

SMFB plans to invest in tailored brand building and marketing campaigns as well as pursue targeted NPD strategies in each product category. Through this, SMFB expects to further reinforce its leadership positions and grow the total addressable market.

SMFB continues to pursue innovative consumer promotions and relevant, consistent and fresh campaigns, on-ground activations as well as occasion-creation programs to strengthen demand for each of its brands and to guard against competition.

SMFB utilizes multiple marketing media such as print, television, digital, and radio advertisements, billboards, consumer, and trade activations such as promotions targeting specific consumer segments or trade channels, sponsorship in major "*fiestas*" or local festivals and food fairs, and basketball team sponsorships. For example, the Beer and NAB Division holds nationwide and local trademark, signature events such as *San Miguel Oktoberfest, Red Horse Pambansang Muziklaban, San Mig Light Party All Night, Sarap Mag Babad (Taste of Summer)* summer program and the National Beer Drinking contest, which SMFB believes have all been successful in reinforcing brand awareness in key customer segments.

SMFB taps digital platforms actively to promote awareness, trial and consumption of its brands and engage customers through various social media platforms including Facebook, Instagram, YouTube, Twitter and Viber. Specific campaigns and relevant activations of brands are promoted online through online contests and mom-and-pop store promotions. SMFB likewise lead conversations on social progressiveness through *San Mig Light* digital campaigns. SMFB also closely monitors its digital programs to determine their effectiveness through evaluating various metrics.

SMFB places strong focus on new product rollouts that cater to changing consumer preferences and specific industry trends. Utilizing extensive proprietary consumer data, SMFB identifies market opportunities in existing and adjacent categories and continuously evaluates the need to introduce new products and packaging innovations to capitalize on emerging market trends such as convenience, growth of new consumer segments, and health mindfulness. For example, SMFB expects to increase the contribution of the increasingly popular "ready-to-eat" and "heat-and-serve" products to total food sales.

***Continue to broaden its distribution footprint and enhance penetration across channels throughout the Philippines***

SMFB intends to sustain its strong growth momentum by broadening outlet coverage through promotions and increased market penetration across all channels. SMFB's sales force, together with dealers and distributors, plans to put greater focus on serving diverse channels as the number of outlets grows across the Philippines.

SMFB plans to improve sales and distribution capabilities and increase nationwide penetration through product offerings tailored for each channel and implementing innovative growth strategies. SMFB aims to ensure and increase its presence in growing modern trade channels, such as supermarkets and convenience stores in urban areas, by expanding its key accounts group, while simultaneously focusing on increasing visibility in selected on-premise outlets.

SMFB continues to develop or tap emerging channels, increase market penetration, and capture growth through digital platforms across the Beer and NAB, Spirits, and Food Divisions. To support distribution programs, SMFB will continue to further improve its logistics capabilities and infrastructure through warehouse expansions, additional sales offices, and truck and logistics center enhancement initiatives.

***Capacity expansions to support growing consumer demand***

Capacity expansion in key regional markets is a critical element of the growth strategy of SMFB to support increasing market demand nationwide, particularly in the provinces. In Luzon, SMFB is expanding production capacities in the beer and food businesses to keep pace with the growing market, as well as launching new product categories to address consumers' growing demand and preference for convenience. For example, SMB converted its beer production facility located in Sta. Rosa, Laguna to a full-fledged brewery facility to serve growing requirements in South Luzon. Commercial operations at the Sta. Rosa Brewery started in November 2020.

The Food Division has built new feedmills, located in Bataan, Bulacan, Davao, Cagayan de Oro, Cebu and Isabela. The Food Division has, likewise, expanded its poultry breeder farm in Bataan and is also constructing new poultry processing plants in Quezon and Davao.

In Visayas and Mindanao, SMFB plans to boost production capabilities as economic development in these regions accelerates demand for food and beverage products. There are also plans to construct a new grain terminal in Southern Mindanao to improve the shipping access of both raw materials for food manufacturing facilities and finished goods such as flour. A new beer production facility in Tagoloan, Misamis Oriental was completed in 2019 and started its commercial operations in January 2020. The facility serves Northern Mindanao and adjacent areas. There are also plans to construct a new grain terminal in Northern Mindanao to improve the shipping access of both raw materials for food manufacturing facilities and finished goods such as flour.

SMFB is expanding capacity through company-owned manufacturing facilities across all its businesses to better meet the growing demand and to maximize efficiencies through manufacturing technologies and innovation.

As of June 30, 2022, SMFB believes that the Spirits Division has sufficient capacity to meet the growing demand.

***Continued enhancement of profitability through cost-saving initiatives***

Through efficiency and process innovations, productivity enhancements, cost management measures and continuous product portfolio reviews, SMFB is able to rationalize unprofitable products and enhance price stability of its revenue streams. The Beer and NAB Division will continue to broaden its base of suppliers and materials through second supplier program, multi-continent sourcing, evaluation of alternative materials, and undertaking process optimization initiatives. In the Spirits Division, growth in profit margins can come from better operational efficiencies, improvement in second-hand bottle retrieval, higher alcohol yield and strategic sourcing of alternative raw material to complement or replace sugarcane molasses, which is the main input in gin production. The Food Division will continue to conduct initiatives that allow the use of alternative, lower-cost raw materials, such as the use of cassava as a substitute for corn, a key ingredient in the production of animal feeds. The Food Division also utilizes climate-controlled housing system for hogs and broilers which improves cost efficiency by increasing production cycles per farm per year, improving feeds consumed to weight ratio and deriving better harvest recovery. These, together with selective breeding innovations, have resulted in larger chicken size, thereby further enhancing cost efficiency. Part of the cost improvement program is reducing freight and handling costs by strengthening logistics capabilities and infrastructure and optimizing the use of grains terminals, silos and warehouses. Through continued cost-efficiency initiatives, SMFB believes that it will be able to sustain high profitability margins across divisions.

***Leverage existing platform and brand equity in international markets for further growth***

SMFB's products are exported to over 70 countries and territories across the globe. SMFB operates five (5) international production facilities across China, Hong Kong, Indonesia, Thailand, and Vietnam. SMFB plans to leverage this international network to export products across divisions to access fast-growing markets in Asia and the rest of the world. As one of the largest integrated food and beverage platforms in the Philippines, SMFB believes that it is well-positioned to expand internationally and build global brand equity to achieve incremental growth, while carefully planning and implementing such international expansion strategies.

The Beer and NAB Division's strategy is to further strengthen performance in countries where it has operations supported by key growth areas, such as Vietnam and Thailand, as well as selected export markets. In SMFB's international markets, the company plans to capitalize on potential growth in new cities and maximize opportunities in the modern trade and wholesale channels to support volume growth. Meanwhile, new products or SKUs will be introduced in selected markets to further strengthen its product portfolio and create excitement in these markets. The company will also sustain expansion efforts in Asia, the Middle East, United States, Australia and new markets in Europe and Africa to further build its global footprint.

***Exploit synergies across its combined and diversified consumer platform***

Through the consolidation of the Beer and NAB, Spirits and Food Divisions, SMFB intends to establish a powerful consumer platform with the potential to capture both cost and revenue synergies.

*Cost synergies*

SMFB believes that the consolidation of its food and beverage businesses will result in greater economies of scale and scope while allowing for increased opportunities to share resources and take advantage of established relationships across the Beer and NAB, Spirits and Food Divisions. Sourcing synergies from centralized planning and procurement across business units will reduce purchasing costs. In addition, SMFB plans to capitalize on extensive and long-standing supplier relationships under each of the divisions to strengthen cooperation and coordination among the divisions. By utilizing strategically located production and distribution centers across the entire footprint, SMFB will have the scope to reduce overall costs and better optimize logistics across the food and beverage businesses. SMFB can likewise explore the integration and coordination of market research, management and marketing initiatives, and other support systems to reduce corporate overhead costs. As an integrated platform, SMFB will constantly strive to improve management and production efficiency, while implementing international best practices.

*Revenue synergies*

With the combined food and beverage business having access to approximately 700,000 outlets as of June 30, 2022, covering all channels throughout the Philippines, there is increased scope for further coordination across the various product lines. Leveraging its extensive distribution network, SMFB expects that new products will quickly reach the market while improving trade efficiencies and customer loyalty through enhanced trade and promotion activities for the existing product portfolio. The various divisions may likewise benefit from enhanced market data sharing where SMFB can consolidate market and consumer insights for each of the businesses to identify consumer trends and preferences. This would ideally minimize execution risk in the introduction and penetration of regional specific products and initiatives. Utilizing market insight data, SMFB can also identify cross-selling opportunities among the Beer and NAB, Spirits, and Food Divisions.

**Beverage Business**

The beverage business consists of brewing, distilling, selling, marketing and distributing beer, NAB and spirits. The beverage business is conducted through SMFB's majority-owned subsidiaries, SMB and its subsidiaries, which comprise the Beer and NAB Division, and GSMI and its subsidiaries, which comprise the Spirits Division. As of June 30, 2022, SMFB held 51.16% and 75.78% of the outstanding common capital stock of SMB and GSMI, respectively.

SMB is the largest producer of beer in the Philippines and is the largest contributor to the beverage business, accounting for 73.7%% of total beverage business sales for the period ended June 30, 2022. GSMI is a leading spirits producer in the Philippines and largest gin producer globally by volume for the year 2018, according to GlobalData, accounting for 26.3% of total beverage business sales for the period ended June 30, 2022.

The beverage business had combined sales of ₱171,330 million, ₱144,121 million, ₱158,809 million, for the years ended December 31, 2019, 2020, and 2021, respectively. As of the period ended June 30, 2022, the beverage business had combined sales of ₱88,129 million.

***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, with a total domestic market share of approximately 95.1% as of December 31, 2019, according to GlobalData. Top beer brands in the Philippines include *San Miguel Pale Pilsen, Red Horse, San Mig Light*, *Gold Eagle,* and *San Miguel Flavored Beer*. The Beer and NAB Division also produces non-alcoholic beverages such as ready-to-drink tea, ready-to-drink juice, and carbonates. Its flagship brand, *San Miguel Pale Pilsen*, has a history of over 132 years and was first produced by *La Fabrica de Cerveza de San Miguel*, which started as a single brewery producing a single product in 1890 and has evolved through the years to become the diversified conglomerate that is SMC.

In 2009, Kirin acquired a 48.39% shareholding in SMB, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC retained majority ownership of SMB with shareholding of 51.16%. In connection with Kirin's investment in SMB, Kirin and SMC entered into a shareholders' agreement providing for, among others, corporate governance and approvals, cooperation in the conduct of the business, restrictions on the transfer of SMB shares and other customary arrangements. SMFB adhered to the shareholders' agreement with Kirin and agreed to be bound by the same terms and conditions as a party to the said shareholders' agreement. As of the date of this Prospectus, SMFB owns 51.16% of SMB, while the remaining 48.54% is held by Kirin.

In 2015, SMB acquired the NAB business from GSMI, which acquisition includes property, plant and equipment, finished goods, and inventories comprising containers on hand, packaging materials, goods-in-process and raw materials used in the NAB business. The acquisition is in line with the multi-beverage strategy of SMB that seeks to expand its product portfolio in the NAB market, among others. This transfer will also benefit from SMB's RGB system, strong distribution network, and competitive positioning.

The Beer and NAB Division operates seven (7) production facilities that are strategically located across the Philippines with an aggregate production capacity of 21.4 million HL/year. International operations are conducted through SMB's wholly-owned subsidiary, San Miguel Brewing International Limited ("**SMBIL**"), which in turn has production facilities located in five (5) sites outside the Philippines (one production facility each in China, Hong Kong, Indonesia, Thailand and Vietnam) with an aggregate production capacity of 4.6 million HL/year. In total, the Beer and NAB Division's beer production capacity is 25.5 million HL/year. In addition to producing the core San Miguel beer brands marketed internationally, the international operations also produce *Anker* and *Dragon*, which are its local brands in Indonesia and China, respectively. Beer products are exported to more than 70 countries and territories across the globe. International operations accounted for 10% of the total sales of the Beer and NAB Division for the period ended June 30, 2022.

For the years ended December 31, 2019, 2020, and 2021, sales of the Beer and NAB Division were ₱142,267 million, ₱107,923 million, and ₱116,280 million, respectively, and net income was ₱27,292 million, ₱17,457 million, and ₱20,449 million, respectively. For the period ended June 30, 2022, sales of the Beer and NAB Division amounted to ₱64,984 million and net income was ₱10,656 million.

*Production Facilities*

Production Facilities — Domestic Operations

The Beer and NAB Division maintains a network of production facilities rather than one central consolidated brewing and production facility. Currently, the Beer and NAB Division owns and operates seven (7) production facilities in the Philippines located in each of the three (3) main island groups of Luzon, Visayas and Mindanao, namely: (1) the Polo facility located in the National Capital Region and established in 1947; (2) the Sta. Rosa facility located in Laguna Province and established in 2011, initially as a bottling facility, then converted into a full-fledged brewery with its first commercial run in November 2020; (3) the San Fernando facility located in Pampanga Province and established in 1981; (4) the Mandaue facility located in Cebu Province and established in 1968; (5) the Bacolod facility located in Negros Province and established in 1990; (6) the Davao facility located in Davao Province and established in 1995; and (7) the Tagoloan facility in Misamis Oriental, which also had its first production run in December 2019. The domestic production facilities have a total production capacity of 21.4 million HL/year as of December 31, 2021. While production at each facility is typically targeted to serve the surrounding geographical area, the Beer and NAB Division can shift the manufacture of its products from one production facility to another if operational issues or demand changes require it.

The Beer and NAB Division employs brewing equipment and technology sourced from leading manufacturers in Germany, the United States, Japan and Italy. These include modern beer fermentation and maturation tanks, filtering systems, pasteurizers with energy saving systems and camera-type electronic bottle inspectors, among others. Each of the production facilities is equipped with automated machines and equipment capable of manufacturing products in a variety of packages to meet market preferences, including bottles, cans and kegs.

All the production facilities are compliant with certain ISO requirements such as the ISO 9001:2015 and ISO 14001:2015, as assessed by its pool of technical assessors and are also certified by the Food Development Center, an office under the Philippine National Food Authority, as compliant to food safety requirements of current GMP–HACCP.

Production Facilities — International Operations

The Beer and NAB Division owns and operates five (5) production facilities outside of the Philippines – one each in China, Hong Kong, Indonesia, Thailand and Vietnam, with an aggregate production capacity of 4.6 million HL/year, as of December 31, 2021.

The facility in China is located in Longjiang Town, Shunde District in Guangdong Province and started operations in 1996. While SMBIL's first brewery in Hong Kong was established in 1948, the company transferred to its current facility located in Yuen Long, Hong Kong in 1996. The Indonesian facility is located in Bekasi Timur and was established in 1993. The Vietnamese facility is located in Khanh Hoa Province and was established in 1995. The Thailand facility is located in Pathum Thani and was acquired in 2004.

*Raw Materials*

The main raw materials for brewing beer include malted barley, hops, water and yeast. Adjuncts can also be used in conjunction with malted barley. For NAB, the main ingredients include water, sugar, sweeteners, fruit juice concentrates, tea extract, flavours, colorants and vitamins. All of these commodities have experienced, and may experience, price fluctuations. The Beer and NAB Division sources its key raw materials for its beer using a set of standardized procurement procedures. Beer production requires malted barley and hops, which are sourced generally from North America, Australia, Europe and China; and adjuncts such as corn and sugar, which are sourced domestically, and imported tapioca. For NAB, SMB primarily sources its ingredients from Singapore, China and Europe.

Terms with key raw material suppliers provide for a supply period of approximately one (1) year to five (5) years with a pre-determined fixed and formula-based price for the duration of the supply relationship. In addition, depending on considerations, such as price trends and the quality of raw materials, spot purchases are made in the open market. To ensure the quality of its products, the Beer and NAB Division closely monitors the quality of its raw materials.

Packaging materials are sourced primarily from the Packaging Group of the Company. Packaging costs are a significant factor in the manufacture of beer. The Beer and NAB Division sells most of its beer products in RGBs of varying sizes and shapes, as well as aluminum cans and kegs. As of December 31, 2021, around 90% of the RGBs used for beer were retrieved, which the Beer and NAB Division believes is the most important and popular packaging for beer in the Philippines. SMB's efficient RGB system decreases its exposure to rising packaging costs driven by increases in fuel and therefore helps in management of cost. The durable nature of the RGBs and plastic crates results in an average usage of approximately 40 to 60 cycles over a span of approximately five (5) to ten (10) years. Retail outlets selling SMB's products collect deposits on these bottles when customers buy the beer. For bottles returned, the corresponding deposit is refunded to the customer. New glass bottles and plastic crates are also purchased to support increasing sales and to replace broken and scuffed bottles.

Beer in aluminum cans is less popular mainly because they are more expensive, although the volume of this package has been increasing in recent years with greater availability and the expansion of modern trade. Kegs for draft beer, which come in 15, 30, and 50 liter sizes are very limited.

Deep wells provide the water supply needed for production in domestic production facilities, except for water used at the Polo Brewery, which is supplied by water utility service providers, and at the Mandaue Brewery, which is sourced both from deep wells and a water utility service provider. For international operations, water is sourced through deep wells, water utility service providers or government-owned water facilities.

*Sales and Distribution*

<u>Domestic Market</u>

The Beer and NAB Division markets, sells and distributes its products principally in the Philippines and maintains an extensive distribution system, which encompasses the seven (7) strategically located production facilities across the country, a broad network of sales offices and warehouses supported by dealerships and third-party service providers.

The strategic locations of the production facilities reduce overall risks by having alternative product sources to avert possible shortages and meet surges in demand in any part of the country, and help ensure that the products are freshly delivered to customers at an optimal cost. Products are delivered from any one of the six (6) production facilities by contract haulers and, in certain circumstances, by a fleet of boats, to retailers and consumers generally within five (5) to seven (7) days from production, ensuring quality and sufficient stocks wherever and whenever San Miguel beer products are needed. SMB's products are distributed and sold at approximately 500,000 outlets, including off-premise outlets such as supermarkets, grocery stores, sari-sari stores (mom-and-pop stores), and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels through over 50 sales offices and approximately 500 dealers throughout the Philippines.

Given the COVID-19 pandemic and restrictions which brought about challenges in distribution and selling especially of alcoholic beverage products, the Beer and NAB Division implemented the necessary pivots including modified selling strategies and more direct-to-consumer options for volume recovery. These cover physical stores focusing more on off-premise channels, telesales and online selling supported by stronger own delivery operations (through 8632-beer and SMBDelivers) and strategic online partnerships to ensure availability in relevant channels.

The Beer Division also intensified creative consumption generating programs and promotion of at-home beer consumption through digital platforms and various engagements for consumers.

To adapt to the new normal, the Beer Division also introduced *San Mig Free*, the first zero-alcohol beer in the local market in December 2020 which allows drinkers to extend the quality time and fun drinking experience without the alcohol.

For distribution efficiency, the Beer and NAB Division works closely with dealers and provides them with assistance, such as systems and trainings related to dealer operations. The Beer and NAB Division enters into distribution agreements with its dealers that specify the territory in which each dealer is permitted to sell products, the brands that the dealer is permitted to sell, the performance standards as applicable, procedures to be followed and circumstances upon which distribution rights may be terminated. Distribution rights, performance standards and sales procedures are developed by the Beer and NAB Division and implemented in tandem with dealers to ensure high quality of services. The extensive dealer network and efficient distribution system also support the high return rate of the Beer and NAB's RGB system. See "*The Company—Food and Beverage Business—Beer and NAB Division—Production Facilities and Raw Materials—Raw Materials*."

The Beer and NAB Division has also formed a key accounts group to handle accounts management and business development of modern trade accounts such as supermarkets and convenience stores, and to increase visibility in selected on-premise outlets. As of June 30, 2022, the Beer and NAB Division, together with its dealers and account specialists, had a sales force of approximately 1,800 in the Philippines. The Beer and NAB Division continues to implement programs to strengthen its sales capabilities and systems.

<u>International Market</u>

International operations are conducted in Hong Kong, Indonesia, Thailand, China and Vietnam, through SMBIL, a subsidiary of SMB. Subsidiaries of SMBIL include San Miguel Brewery Hong Kong Limited, which is listed on The Stock Exchange of Hong Kong Limited under stock code 236 and PT Delta Djakarta Tbk, which is listed on the Indonesia Stock Exchange under DLTA.JK.

There is a production facility each in China, Hong Kong, Indonesia, Thailand, and Vietnam, with an aggregate capacity of approximately 4.6 million HL/year. Third-party service providers transport the products produced from these production facilities to customers, consisting of dealers, wholesalers, retail chains, or outlets, depending on the market. A total sales force of approximately 370 employees are maintained in these five (5) countries with ten (10) sales regions in China (China, Greater Foshan), six (6) in Indonesia, seven (7) in Thailand, and five (5) in Vietnam. In Thailand, all local sales are done through San Miguel Marketing (Thailand) Limited, a subsidiary of SMBIL.

In addition, SMBIL exports beer products to over 70 countries and territories globally in North America, South America, Europe, Africa, the Middle East, Australia and the rest of Asia. International operations accounted for 10% of the Beer and NAB Division's total sales for the period ended June 30, 2022.

Grupo Mahou San Miguel of Madrid, Spain has the rights to the San Miguel brand for beer in certain Western European and Mediterranean countries and is not affiliated with either SMB or SMC.

*Research and Development*

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 NPD is ensured through the research and development of beer and NAB products. R&D activities are conducted in a technical center and pilot plant located in one of its 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 product evaluation and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyser, and laboratory scale mashing/milling system for malt analysis. Analytical methods and validation procedures are constantly enhanced and standardized across all the laboratories of SMB. The central analytical laboratory 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, the Beer and NAB Division 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 40 brewmasters has extensive advanced coursework from both in-house and international institutions and over ten (10) years of on-the-job-training experience with SMB.

The Beer and NAB Division continues to pursue innovation to support growth and market leadership. New products and variants are explored and attuned to the evolving consumer profile and preferences. For example, in 2010, the NPD team formulated the first flavoured beer in the market which is the *San Miguel Flavored Beer* in apple and lemon flavours to appeal to younger drinkers. Owing to the success of the first two flavours, SMB introduced a lychee variant in 2019. *San Miguel Flavored Beer* is among the fastest growing beer brands in our portfolio since its launch. SMB also launched *San Mig Zero*, a low-calorie beer, in 2013 as well as *San Miguel Free 0.0* in 2020, the first zero-alcohol beer in the local market.

To generate excitement and address shifts in the market, SMB introduced the strongest locally-produced beer in the market, *Red Horse Super*, in 2021 (for test market). In 2022, SMB also introduced *San Mig Hard Seltzer* which is a sparkling water with alcohol in citrus flavor in 330 ml can format as well as *San Mig Flavored Water*, an unsweetened, non-carbonated apple-flavored water drink in returnable glass bottles.

*Marketing*

The Beer and NAB Division actively pursues marketing initiatives to promote new products, as well as to maintain and enhance brand awareness of existing products. These initiatives include media advertisements featuring well-known Philippine celebrities, sponsorship of special events, the conduct of various consumer and trade promotions and merchandising activities. Various channels such as television, radio, print and digital platforms are tapped to reach targeted segments. The Beer and NAB Division also utilizes outdoor billboards and posters in off-premise retail outlets, restaurants, bars and other on-premise outlets.

The Beer and NAB Division holds nationwide trademark, signature events and sponsors numerous other events. For example, *San Miguel Beer Oktoberfest* has been the brand’s flagship event for over three (3) decades. This beer festival takes place at numerous locations across the Philippines, offers beer and features popular bands, celebrities, games and raffle promos. The National Beer Drinking Contest is also organized by SMB, consisting of beer drinking competitions in various locations across the country and culminating in one grand national competition, to gather the best beer drinkers in the Philippines. SMB also holds *San Miguel Pale Pilsen*’s nationwide *Sarap Mag Babad* or *Taste of Summer* summer program, which is an annual get-together involving games, concerts and parties at the country’s popular summer destinations. In addition to *San Miguel Pale Pilsen*, *Red Horse* is also strongly associated with rock concerts and has its own *Pambansang Muziklaban*, the first and biggest amateur rock band competition in the Philippines. For *San Mig Light*, SMB conducts electronic dance music-related initiatives such as *Party All Night and DJ Spin-Off* events. Aimed at younger drinkers, *San Miguel Flavored Beer* has a school fair event known as *SMFBU Fun Fair ng Barkada* or *Fun Fair with Friends*. Finally, digital placements and targeted visibility programs are conducted in upscale outlets to promote specialty brands such as *San Miguel Premium All-Malt, San Miguel Super Dry* and *Cerveza Negra*.

In light of the COVID-19 pandemic, SMB continues to focus on initiatives to boost demand and consumption of its beer brands with relevant thematic campaigns such as *Gintong Dagat* for Pale Pilsen, *Bright Side* for San Mig Light, and *Make Life Sweet* for San Mig Flavored Beer, while further strengthening its e-commerce presence and availability in tertiary outlets. This was supported by channel-specific consumer and trade promotions, on-ground activations, and various regional and nationwide activities.

*Competition*

In the Philippine beer market, the major competitors for beer products are Asia Brewery Inc. ("ABI") and Heineken International B.V. ("Heineken"). Heineken previously had a joint venture with ABI which was dissolved in 2020 and replaced with a new partnership. Effective January 1, 2021 under the new structure, Heineken will establish a sales and marketing office in Metro Manila and ABI will brew and distribute Heineken beer brands *Heineken and Tiger* in the country, competing with SMB’s premium and mainstream brands, respectively.

Meanwhile, ABI 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. Following the joint venture in 2016, ABHP started marketing and selling imported Heineken beer and Tiger beer in the country, competing with SMB's premium and mainstream brands, respectively.

ABI also offers *Tanduay Ice*, which is a line of alcopop beverages positioned similar to beer. In 2021, ABI expanded its portfolio with the introduction of *Brew Kettle Radler* and *Spritz Hard Seltzer*. Competition from imported beers and local craft beers is minimal. These products comprise a small portion of the market and are primarily found in upscale hotels, bars, restaurants and supermarkets in Metro Manila and other key cities.

The Beer and NAB Division'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 usually include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMFB believes that the market leadership, size and scale of operations, and extensive distribution network in the Philippines provide the Beer and NAB Division with significant competitive advantages in the Philippines.

In the non-alcoholic beverage market, competition is from established players and brands in ready-to-drink juice and ready-to-drink tea. For example, *Zest-O* and *Minute Maid Fresh* compete with *Magnolia Fruit Drink*, *C2* and *Nestea* compete with *Magnolia Healthtea,* while *Cali* is positioned in the softdrinks category where *Coke*, *Pepsi* and *RC Cola* are the key players.

In its main international markets, the Beer and NAB Division's beer products contend 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), Skol (Hong Kong), Singha and Asahi (Thailand), and Saigon Beer (Vietnam).

*Taxation*

In the Philippines, excise tax represents a significant component of beer production costs of alcoholic beverages. The Tax Code provides for the excise taxes on alcohol products, including fermented liquor, such as beer, and the BIR requires establishments subject to such taxes to obtain a permit to manufacture such products in order to enforce the collection and payment thereof.

Under the Tax Code, excise tax on fermented liquor is determined per litre of volume capacity in relation to the net retail price (excluding the excise tax and value added tax thereon) and is payable by the producer. The tax rate varies depending on the type of alcoholic beverage being produced, with more expensive products being subject to higher rates. Excise tax accounts for a significant portion of SMB's production costs.

Effective January 1, 2017, Republic Act No. 10351 imposed a unitary tax rate of ₱23.50 per litre on all fermented liquors, except those affected by the "no downward classification clause," which was a change from the two-tier tax structure imposed in 2013. Several of SMB's products were affected by the "no downward reclassification" clause in the law and were thus subjected to higher excise tax rates. The unified tax rate in 2017 of ₱23.50 for all fermented liquor products will be increased by 4% annually until reviewed and amended by an act of Congress.

On January 22, 2020, President Duterte signed Republic Act No. 11467, which amended certain provisions of the Tax Code and sets additional excise tax on alcoholic beverages. Effective January 1, 2020, the new excise tax rates for beer and fermented liquor was ₱35.00 per litre. The excise tax was then increased to ₱37.00 per litre in 2021, and ₱39.00 per litre in 2022. It will then increase to ₱41.00 per litre in 2023, and ₱43.00 per litre in 2024. Effective January 1, 2025, the excise tax rate will be increased by 6% every year thereafter.

For distilled spirits, an additional *ad valorem* tax of 22% of the net retail price (excluding excise tax and value-added tax) shall be assessed and collected. In addition to the *ad valorem* tax, a specific tax at the following rates shall be collected: ₱42.00 per proof litre effective January 1, 2020, ₱47.00 per proof litre in 2021, ₱52.00 per proof litre in 2022, ₱59.00 per proof litre in 2023, and ₱66.00 per proof litre in 2024. The specific tax will be increased by 6% every year thereafter, effective January 1, 2025, through revenue regulations to be issued by the Secretary of Finance.

The sale of beer and NAB in the Philippines is also subject to value-added tax and withholding tax, when applicable.

The Beer and NAB Division's beer products are also subject to excise tax in the markets in which the international subsidiaries operate.

The Create Act, which seeks to reduce corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, took effect on April 11, 2021, 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Key provisions of the CREATE Act that have an impact on the Company are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e., 25% RCIT, 1% MCIT) for financial reporting purposes.

*Intellectual Property*

Brands, trademarks, patents and other related intellectual property rights used by the Beer and NAB Division in respect of its beer and malt-based beverage products (including *Cali*) are either registered or pending registration in the name of Iconic Beverages, Inc. ("**IBI**") in the Philippines. The brands, trademarks and patents used by the Beer and NAB Division in respect of its NAB products (other than Cali) are licensed from SMC. Most of the brands, trademarks and other intellectual property rights used in its international operations are registered or pending registration in the name of SMBIL, with certain local brands in the name of SMBIL's subsidiaries in Hong Kong and Thailand. IBI and SMBIL are wholly-owned subsidiaries of SMB.

*Quality Control, Health, Safety and Environmental Matters*

The domestic operations of the Beer and NAB Division are subject to various regulations concerning health, safety and protection of the environment.

The FDA, an agency under the DOH, administers and enforces the law, issues rules and circulars on safety and good quality supply of food, drug and cosmetic to consumers, and regulates the production, sale, and traffic of the same to protect the health of the people. The DOH also prescribes the Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers, which provide for the minimum operating standards, procedures and requirements in respect of the operations and facilities of establishments engaged in the manufacture, packing, repacking or holding of food products. Republic Act No. 7394 or the Consumer Act of the Philippines ("**Consumer Act**") seeks to protect consumers against hazards to health and safety and against deceptive, unfair and unconscionable sales acts and practices; and provide information and education to facilitate sound choice and the proper exercise of rights by the consumer, including means of redress in cases of violations of such rights. For alcoholic beverages, the alcohol content in terms of percentage volume or proof units shall be indicated on the label of alcoholic beverages.

The Beer and NAB Division is also subject to extensive environmental laws and regulations implemented by the DENR, including the Philippine Environmental Impact Statement System, which is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical; or (ii) is situated in an environmentally critical area. An entity that undertakes any environmentally critical project or operates in any environmentally critical area is required to submit an Environmental Impact Statement and secure an Environmental Compliance Certificate ("**ECC**"). This ECC requirement applies to all production facilities that are operated throughout the Philippines. Other environmental laws and regulations applicable to domestic operations of the Beer and NAB Division include the Philippine Clean Water Act of 2004, the Philippine Clean Air

Act, the Water Code, the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and the Biological Solid Management Act of 2000. See "*Regulatory Framework—Environmental Matters*."

International operations are also regulated by various applicable laws in their respective markets, including the regulations on food labelling in China and Hong Kong and environmental regulations, among others.

***Spirits Division***

Through GSMI, the Spirits Division is a leading spirits producer in the Philippines and the largest gin producer internationally by volume, according to GlobalData as of 2018. According to The Nielsen Company (Copyright © 2022, The Nielsen Company), the core spirits brands, Ginebra San Miguel and Vino Kulafu are also market leaders in the gin and Chinese wine categories at 97.1% and 69.5% volume share, respectively, as of June 30, 2022. Further, GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum and others and enjoys 36.8% over-all industry market share as of the June 30, 2022, according to The Nielsen Company (Copyright © 2022, The Nielsen Company).

GSMI 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, the company was renamed Ginebra San Miguel Inc. in honour of the pioneering gin brand. GSMI's flagship brand, Ginebra San Miguel, contributed over 88% to GSMI's total sales as of June 30, 2022.

The Spirits Division operates one distillery and five (5) bottling plants in the Philippines with a combined annual distillation capacity of 80 million litres and bottling capacity of 70 million cases. Each case generally contains either 24 units of 350mL each or 12 units of 700mL each. The distillery of Distileria Bago, Inc. ("**DBI**"), which is a wholly-owned subsidiary of GSMI, is strategically located in Negros Occidental Province, the largest molasses producing region in the Philippines. Its distribution network has nationwide coverage reaching approximately 156,000 outlets across the archipelago through 92 dealer sites and 15 sales offices as of June 30, 2022.

GSMI is a public company listed on the PSE under the stock symbol "GSMI". The market capitalization of GSMI was ₱27,496 million, with a common share price of ₱97.95, as of June 30, 2022.

For the years ended December 31, 2019, 2020, and 2021, GSMI's sales were ₱29,063 million, ₱36,202 million, and ₱42,534 million, and net income was ₱1,672 million and ₱2,757 million, and ₱4,179 million, respectively. For the period ended June 30, 2022, sales of the Spirits Division amounted to ₱23,148 million and net income was ₱2,483 million.

*Products and Brands*

The Spirits Division is one of the major players in the liquor market, given its diverse portfolio of products with core brands such as *Ginebra San Miguel* and *Vino Kulafu,* which continue to lead in the gin and Chinese wine categories, respectively, according to The Nielsen Company (Copyright © 2022, The Nielsen Company).

The Spirits Division believes that consumer preferences in the Philippine spirits market vary significantly by geographical region—consumers in Northern Philippines tend to prefer gin and brandy, while consumers in Southern Philippines tend to prefer rum and Chinese wine. In recent years, brandy has gained popularity in both the Northern and Southern parts of the Philippines. The Spirits Division capitalizes on the strength of its flagship brand *Ginebra San Miguel* and its wide range of products in expanding its business, particularly in the Southern part of the Philippines.

Spirits products are also exported primarily to markets with a high concentration of Filipino communities such as the United Arab Emirates, China, India, Taiwan, Canada, and the United States and certain brands are produced for export only, including *Tondeña Gold Rum and Tondeña Manila Rum*. In addition, distilled spirits are sold and distributed in Thailand through GSMI's joint venture with Thai Life Group of Companies via Thai Ginebra Trading Company Limited.

Over the years, the Spirits Division has received numerous international awards for product quality and excellence. Since 2005, a total of 99 gold, silver and bronze medals have been received for various distilled spirits products. The latest awards in 2021 included gold medals from Monde Selection for *Ginebra San Miguel, Vino Kulafu, GSM Blue Flavors Mojito, GSM Blue Flavors Pomelo, GSM Blue Light Gin, GSM Premium Gin, Anejo Gold Rum, Primera Light Brandy and Antonov Vodka,* and silver medal for *GSM Blue Flavors Margarita*.

*Production Facilities and Raw Materials*

<u>Production Facilities</u>

The Spirits Division operates one distillery and five (5) bottling plants. The distillery is strategically located in Negros Occidental Province, the largest molasses producing region in the Philippines, and has a distillation capacity of 80.0 million litres per annum while the bottling plants are located across the archipelago with a total annual bottling capacity of 70 million cases.

The five (5) bottling plants are located in Luzon and Visayas, namely: (1) the Cauayan plant located in Isabela Province and established in 2010; (2) the Sta. Barbara plant located in Pangasinan Province and established in 1992; (3) the Ligao plant located in Albay Province and established in 2010; (4) the Cabuyao plant located in Laguna Province and established in 1996; and (5) the Mandaue plant located in Cebu Province and established in 1964.

The production facilities located in Sta. Barbara, Pangasinan; Cabuyao, Laguna; Mandaue City, Cebu; Bago City, Negros Occidental; Cauayan City, Isabela; and Ligao City, Albay are compliant with the requirements of ISO 9001:2015.

Thai San Miguel Liquor Co. Ltd., a joint venture of GSMI and Thai Life Group of Companies, has a production facility located in Kanchanaburi, Thailand with a 75 kilo litres per day (KLPD) distillery column and a bottling line that has an annual production capacity of 22 million litres and six (6) million cases, respectively.

<u>Raw Materials</u>

Alcohol is the main raw material used for spirits, which is made by converting sugarcane molasses to alcohol at the DBI distillery. To mitigate the impact of the increasing price *vis-à-vis* the foreseen decreasing availability of sugarcane molasses for use in the production of spirits, since it is also used as the main material in the Philippine government's clean fuel program, the Spirits Division, among others, directly purchases crude and GSMI-spec alcohol from a variety of third-party suppliers pursuant to supply contracts in the domestic and foreign open markets. DBI also has a separate facility which can use cassava starch milk as an alternative raw material in the production of alcohol.

Products are packaged in glass bottles, the majority of which are sourced from the Packaging Group of the Company. In addition to using new glass bottles, the Spirits Division maintains a network of washed second-hand bottle suppliers in the Philippines. The suppliers retrieve, sort and wash *Ginebra San Miguel* glass bottles, which are bought back by GSMI to be recycled and reused. For the period ended June 30, 2022, approximately 86% of glass bottles used were second-hand bottles retrieved by and purchased from these bottle suppliers. A stringent quality control system is maintained to monitor procedures and address safety concerns in the use of recycled bottles. The Spirits Division believes that bottling costs for any particular product could be sustained over time with the continuous use of second-hand bottles. Thus, the Spirits Division has actively implemented programs to expand its network of second-hand bottle suppliers in the past three (3) years.

*Sales and Distribution*

The Spirits Division primarily markets, sells and distributes its products in the Philippines to consumers through territorial distributorship made up of a network of 92 dealer sites and 15 sales offices strategically situated across the country as of June 30, 2022. The Spirits Division's sales team and key accounts group directly serves off-premise outlets such as mom-and-pop stores, supermarkets, grocery stores, and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels. Approximately 156,000 retail outlets are covered and served by the dealers, including general trade outlets accounting for 95% of total outlets and modern trade outlets, accounting for 5% of total outlets.

At the center of the product distribution and movement is the Spirits Division's logistics group. It spearheads the planning, coordination and delivery of finished goods from the different plants to various sales offices, warehouses, dealers, wholesalers and select retailers.

Direct shipments to dealer sites are made through third-party haulers while company-owned routing trucks deliver to directly served outlets. To expand distribution coverage and supplement the Spirits Division's own logistical assets, it also engages third-party service providers to handle warehouse management and product delivery to various destination points. The turn-around time for the delivery of the products from the bottling plants to the dealer is four (4) to seven (7) days for in-land deliveries and 9 to 14 days for offshore deliveries.

While the Spirits Division has already established a good number of dealer sites throughout the country, one key distribution strategy is to continuously develop and acquire new dealers in areas with high volume potential, especially in the geographically segmented Southern Philippines. This strategy is anchored on the deployment of direct selling operations teams, who will focus on exploring and nurturing underserved areas until these become commercially feasible for an existing or new dealer to take-over. Initiatives have also been implemented, such as systems improvement, trainings, incentive programs, merchandising, postering and multiple localized below-the-line activities to sustain and ensure continuous growth in volume.

*Research and Development*

The Spirits Division continuously develops new products as it seeks to expand its existing product lines and maintains a well-equipped laboratory that provides capabilities to develop innovative product formulations as well as a dedicated technical group focused on NPD. In addition to the popular Mojito that is a variant of *GSM Blue Flavors*, which was launched in 2012, new variants Margarita and Gin Pomelo were introduced in 2017 to bring excitement and more options to younger consumers.

In May 2019, a new and improved *Añejo Gold Rum* was relaunched in select cities in Visayas and Mindanao. Aged in imported oak barrels for 12 years, this reformulated 65 proof version is superior in taste and aims to become the new standard of rum. It delivers a distinct vanilla flavour, as well as a smoky oak tone, it is aromatic, and aims to provide a smooth drinking experience. It is marketed as a product that exudes high quality yet positioned as an economically priced low-proof rum targeting hard liquor consumers of Southern Philippines.

In June 2020, GSMI launched GSM Blue Flavors Tamarind Punch, a limited-edition summer variant. It also launched Ginebra San Miguel Hari, a one-liter product format of its flagship product.

In June 2021, during the World Gin Day, GSMI introduced 1834 Premium Distilled Spirit. This uniquely crafted premium gin, infused with classic juniper berries, endemic Philippine botanicals, and Sampaguita flower, caters to the upscale market.

In May 2022, GSM Blue Cosmopolitan, the newest variant of GSM Blue was released to provide a wider variety of flavors for the emerging low-proof market. Also, Primera Light Brandy launched its 1-Liter SKU with the expected resumption of gatherings as COVID-19 restrictions are lifted.

The R&D team also develops product formulations for certain toll manufacturing customers, such as the *Don Papa Rum* and all of its limited-edition variants. These are sold predominantly in Europe, North America, Australia, New Zealand and select Asian countries.

*Marketing*

The Spirits Division is focused on growing its core gin products. Ginebra San Miguel's thematic campaign *Hanggang Huling Patak ng Bagong Tapang* further strengthened its brand equity in 2022. Also, with GSM Blue's *Choose What's True* and Primera Light's *Salamats, Pri* campaign, GSMI aims continuously broaden brand awareness through relatable campaigns. Complementing these major campaigns was the implementation

Ginebra San Miguel's *Tres Swertes* and Vino Kulafu's *Buenas Grasya* consumer promo that helped spur consumption and intensified on-ground merchandising activities that further increased brand visibility.

As the leading gin player, the *Ginebra San Miguel* brand spearheads the annual commemoration of World Gin Day, which is held in June. In 2022, as part of the broader effort to uplift the image of gin, the World Gin Day was used as a launch pad for the "Gin-Is-In" campaign. This was in combination with "Gin Bar Crawl" activations in key cities nationwide to promote the many ways of enjoying gin, with local mixologist showcasing GSMI products. There is also the widely anticipated GSMI calendar featuring a popular celebrity, Christmas mass display contests, and on-ground raffle promos for retail outlets during the end of the year.

The Spirits Division has a very popular professional basketball team, the *Barangay Ginebra San Miguel*, whose players are regularly used in its advertising campaigns. This nurtures a preference for the GSMI brands and products because of a strong affinity to the *Barangay Ginebra San Miguel* basketball team as basketball continues to be a well-loved and one of the most watched sport in the Philippines. Product advertisements are commonly streamed through television, radio, print and billboards. The Spirits Division has also explored new marketing channels, utilizing digital advertising, and sponsoring special events and consumer and trade promotions, to create a new generation of gin consumers.

*Competition*

In the Philippine spirits market, competition among the major players revolves around brand equity through above and below the line advertising activities, price leadership, NPD, raw material security, production efficiency and distribution. GSMI's major competitor for spirits products are Emperador Distillers, Inc. and Tanduay Distillers Inc. The former is largely known for its Emperador Light Brandy which is popular among the young working class in Greater Manila and most urban cities. Tanduay Distillers, Inc.'s Tanduay Rhum Dark Five Years is a staple hard liquor drink in the Visayas and Mindanao region. Aside from the two, emerging Montosco Inc. is quickly gaining share of the spirits market with its Alfonso Light Brandy, strategically distributed in Puregold outlets. *Ginebra San Miguel* is the preferred brand in northern and southern Luzon as of 2017 according to GlobalData. As the Chinese wine segment has also seen an increase in consumption in recent years, the Spirits Division's *Vino Kulafu* has emerged as the top choice in this category as of 2017 according to GlobalData. Patronage mostly comes from various islands in the Visayas and parts of Mindanao.

*Intellectual Property*

The Spirits Division registers its trademarks, industrial design and copyright used or intended to be used in its products and business with, among others, the Intellectual Property Office of the Philippines and equivalent authorities outside the Philippines. The Spirits Division also ensures that such registrations are maintained and promptly renewed, subject to relevant laws, rules and regulations.

All of Spirits Division's trademarks for its products sold in the Philippines and in the relevant foreign markets are either registered or have pending registration applications in its name or in the name of SMC. The Spirits Division's use of the SMC trademarks is duly authorized by SMC. The Spirits Division has also applied for registration or registered in its name, among others, the trademarks *Vino Kulafu, Primera Light Brandy, Ginebra San Miguel* and *San Miguel Ethyl* Alcohol, while the trademarks and label designs of *GSM Blue, Antonov Vodka,* and *Don Enrique Mixkila* are registered in the name of SMC. The Spirits Division has likewise registered, among others, "Bagong Tapang," "One Ginebra Nation," "Iba ang Primera Light Brandy," "Mag-Level Up, Pinasarap ng 12 Years," "Sa Bango at Lasa, Sarap Kasama," "Shot Mo Na!," "Celebrate with a Glass of World Class," and "Have a Glass of World Class" for its advertising and marketing initiatives.

The Spirits Division also has an industrial design registration for its bottle *Ginebra San Miguel* (round/"*bilog*") and has existing copyright certificates of registration over certain pictorial illustrations and radio materials which were used for advertising *Vino Kulafu*.

Trademarks used by the Spirits Division are likewise registered in various countries including Thailand, United States, China, Canada, Hong Kong, India, Italy, Kuwait, New Zealand and Taiwan.

*Quality Control, Health, Safety and Environmental Matters*

The Spirits Division is compliant with applicable statutes and regulations on health, safety and environment and possesses the required permit and licenses to operate its production facilities.

Health and safety programs of the Spirits Division focus on creating a suitable working environment to ensure that its processes result in quality products and services. This suitable working environment is a combination of favourable human and physical factors such as social (e.g., calm, non-discriminatory and non-confrontational), psychological (e.g., stress-reducing, burnout protection, emotionally protective), and physical (safe, ergonomic, temperature, heat, humidity, light, hygiene, noise and space) factors.

The Spirits Division, in compliance with the requirement of the Department of Labor and Employment, has established a safety committee headed by a safety officer for each of the Spirits Division production facilities, which is tasked to conduct job hazard analyses and near miss/incident/accident investigation, and regular site inspections. For each of the Spirits Division production facilities, there is also a crisis committee tasked to immediately attend to civil disturbances and natural calamities and fire brigades for fire safety concerns.

All employees undergo annual physical and medical examinations. There are assigned nurses in every production shift, as well as medical doctors where needed. The Spirits Division production facilities also have their pool of first aid providers.

The Spirits Division's manufacturing group also conducts safety audits of the Spirits Division production facilities and recognition and awards are given to outstanding safe plants during the Spirits Division's annual Supply Chain Conference.

As for environmental management, the Spirits Division's production facilities have wastewater treatment facilities, air pollution abatement devices with CCTV monitors on smoke stacks, material recovery facilities for recycling packaging materials, and control system for hazardous wastes. The Spirits Division has commenced efforts to implement Environmental Management System based on ISO 14001:2015 standard and its production facilities also have self-monitoring activities for their respective environmental programs, which are reported to the DENR on a quarterly basis.

***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 foodservice 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* and *Purefoods Tender Juicy* for refrigerated processed meats and canned meats, *Veega* for plant-based food, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, and *B-Meg* for animal feeds.

The breadth of the Food Division 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, flour mixes (*Prepared and Packaged Food*), and to integrated feeds (*Animal Nutrition and Health*) to poultry and fresh meats (*Protein*) as well as flour milling, grain terminal handling, foodservice, and international operations (*Others*).

For the years ended December 31, 2019, 2020, and 2021, sales of the Food Division amount to ₱139,455 million, ₱135,169 million, and ₱150,969 million, respectively. For the period ended June 30, 2022, sales of the Food Division amounted to ₱83,993 million.

For the years ended December 31, 2019, 2020, and 2021, operating results for the Food Division amounts to ₱6,176 million, ₱5,132 million, and ₱11,485 million respectively. For the period ended June 30, 2022, operating results of the Food Division amounted to ₱8,569 million.

***Food Division Segments and Products***

*Prepared and Packaged Food*

The Prepared and Packaged Food segment includes refrigerated meats, canned meats, plant-based food, dairy, ice cream, spreads, and coffee.

The major operating subsidiaries for the Prepared and Packaged Food segment are The Purefoods-Hormel Company, Inc. ("**PHC**"), Magnolia Inc. ("**Magnolia**") and San Miguel Super Coffeemix Co., Inc. ("**SMSCCI**"). PHC, a 60:40 joint venture with Hormel Netherlands, B.V., produces and markets value-added refrigerated processed meats and canned meat products. Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, and other ready-to-eat meal and meat-free products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, Veega, Star, Higante, Purefoods Beefies, Vida* and *Purefoods Nuggets*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads and ready-to-eat viands are sold under the *Purefoods, Star* and *Ulam King* brands.

The dairy and spreads business, primarily operated through Magnolia, manufactures and markets a variety of bread spreads, milk, ice cream, salad aids, and flour mixes. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia, Dari Crème, Star* and *Cheezee* brands. Dairy products include ready-to-drink milk, ice cream and all-purpose cream under the *Magnolia* brand, while flour mixes, salad aids like mayonnaise and dressings, are likewise under the *Magnolia* brand.

*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 San Miguel Foods, Inc. ("**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.

*Protein*

The Protein segment is in the business of poultry and fresh meats. SMFI is also the operating subsidiary for the Protein segment.

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 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 neighbourhood meat shops under the well-recognized *Monterey* brand name.

*Others*

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

The flour milling business operates under San Miguel Mills, Inc. ("**SMMI**"). San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. 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 (formerly PT Pure Foods Suba Indah) 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 business 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, and markets and distributes foodservice formats of the value-added meats, fresh meats, poultry, dairy, oil, flour, and coffee businesses.

***Production Facilities and Raw Materials***

The Food Division uses both company-owned and third-party owned facilities for production purposes. As of June 30, 2022, the facilities include 80 manufacturing facilities, and more than a thousand breeding and growing farms located across Luzon, Visayas, and Mindanao.

The Food Division is not dependent on one or a limited number of suppliers for its essential raw materials and supplies, except in respect of the coffee and dog food businesses, as coffee mixes are provided solely by Jacob Douwe Egberts RTL SFM MY SDN BHD (JDE Malaysia) while dog food is supplied by Pet Focus Company Limited (Betagro Thailand). Apart from these two (2) businesses, the Food Division believes that its operations will not be disrupted if any supplier refuses or cannot meet its delivery commitment.

*Prepared and Packaged Food*

Production Facilities

The production facilities for the Prepared and Packaged Food segment are in Luzon. Production facilities for processed meats are in Cavite, manufacturing hotdogs, nuggets, hams, bacon, sausages, meat toppings, sauces, and canned products. Another facility manufactures bread spread products through a process that includes pasteurization, blending, chilling, and packing for bread spreads, and cooking, filling, pre-packing, and end-packing for cheeses. Other facilities in Laguna manufacture ice cream and ready-to-eat products while flour mixes under the *Magnolia* brand are manufactured at company-owned facilities in Mabini, Batangas.

Fresh milk is imported while other milk products and all-purpose cream are manufactured in third party-owned plants under tolling arrangements, all of which meet quality standards. Other toll-manufacturing agreements with Halal-accredited facilities are also maintained to augment its production capacity, meet periodic volume increases, and enable exports of corned beef and hotdogs to the Middle East and predominantly Muslim countries.

Raw Materials

The primary raw materials used for refrigerated and canned meats, as well as ready-to-eat food, are chicken, beef, and pork, most of which are sourced through the Business Procurement Group (the "**BPG**") of the Food Division, which strives to secure prices lower than prevailing market or published rates. In addition to inter-company sales of chicken and pork, BPG maintains a pool of accredited suppliers for local and imported raw materials, all of which are evaluated by a quality assurance team prior to acceptance.

All the procurement, manufacturing and packing of raw materials for coffee products are handled by SMSCCI's partner in Malaysia. Coffee mixes are imported through JDE Malaysia while marketing, selling and distribution are done in the Philippines.

*Animal Nutrition and Health*

Production Facilities

For the Animal Nutrition and Health segment, compound feeds are manufactured at both company-owned feed mills, and third party-owned and operated feed plants located throughout the Philippines. All of these plants can produce pelleted and crumble format feeds while a few plants have extrusion capabilities to produce aquatic floating feeds. The business also uses several company and third party-owned rendering facilities that convert animal by-products into raw materials for feeds.

Raw Materials

The largest single cost component for feeds is the cost of ingredients used to prepare nutritionally balanced feed including corn, soybean meal, cassava, feed wheat, pollard, rice bran, copra, and meat meal. Corn is purchased locally direct from corn farmers and from traders, and occasionally from suppliers in the United States, South America, and Southeast Asia.

Prices of raw materials are subject to significant volatility due to extreme weather conditions, size of harvests, transportation and storage costs, government agricultural policies, currency exchange rate fluctuations and recently, geo-political conditions. See "*Risk Factors—Potential shortage of raw materials.*" To minimize the adverse effects of unexpected price increases, the Food Division enters hedging transactions and maintains strategic buying programs.

*Protein*

Production Facilities

For the Protein segment's poultry business, company-owned facilities include a few poultry processing plants, poultry hatchery and poultry breeder farm. These company-owned facilities are operated either by a specialized O&M company or by a third party.

The poultry business primarily utilizes third party-owned facilities operated under tolling arrangements. As of June 30, 2022, all the poultry growing output and more than 90% of processing output were from tolled facilities. Almost all of these poultry growing facilities employ climate-controlled systems, which improve biosecurity and provide more comfortable and stable temperatures in growing facilities, thus, increasing efficiency and reducing mortalities. Supporting the vertically integrated poultry operations are the company-owned processing plants, processing plants operated under tolling arrangements and an extensive network of both company-owned and third-party cold storage warehouses and distribution facilities throughout the Philippines.

The Food Division decided to downsize its fresh meats business due to losses related to the African Swine Fever and the restricted movement of live hogs and pork products in many areas across the Philippines. Nevertheless, the business maintained most of its Monterey Meat Shops in areas that continued to be viable. These meat shops are supplied by a combination of third party-owned hog farms operated under tolling arrangements and imported meats. Live hogs are slaughtered and processed at third party-owned and operated processing plants under tolling arrangements.

Raw Materials

Breeder flocks (grandparents of broiler chicken) are raised to maturity in grandparent growing and laying farms where fertile eggs are produced. The poultry business imports its breeder stocks primarily from Aviagen and Cobb Vantress Inc., both of which are leading international poultry breeding companies based in the U.S. Fertile eggs are hatched at the grandparent hatchery and produce day-old parent stock (parents of broiler chicken). Parent stocks are then sent to breeder houses, and the eggs produced are sent to the hatcheries. Once eggs are hatched, the day-old chicks are sent to the broiler farms where they are cared for and raised by contract growers according to the Food Division's standards until the chicks reach marketable weight. Fully-grown chickens are transported to processing plants, where they are processed into finished products, which are then sent to distribution centres and sold to customers.

*Others*

Production Facilities

The flour milling business owns flour mills in Mabini and Tabangao in Batangas, including flour blending facilities for customized flour products and a premix plant serving both the retail and the institutional markets.

Production capabilities are supported by its Flour Technology Centre located in Metro Manila, which develops customized flour blends and new flour-based products.

San Miguel Mills owns the Golden Bay Grain Terminal located in Mabini, Batangas, which can accommodate Panamax-sized vessels and has an estimated discharge rate of at least 10,000 metric tons per day. The terminal is adjacent to the flour mill also located in Mabini, Batangas and services the grain handling requirements of the Animal Nutrition and Health segment. Availability of this terminal minimizes intermediate handling, leakage, and related costs, and generates savings in freight costs from the use of bigger vessels.

Raw Materials

Historically, majority of the wheat requirements of the flour milling business are sourced from the U.S. with the remainder sourced from various countries. As of June 30, 2022, about 80% to 90% of raw materials, particularly wheat, were imported from the United States and Canada. World wheat prices are monitored daily by BPG to determine long-term and short-term buying strategies to manage costs.

***Sales and Distribution***

The Food Division sells its products through four (4) channels, namely, general trade, modern trade, institutional accounts, and e-commerce. General trade channel includes traditional markets in the Philippines, such as small grocery stores, wholesalers, dealers and bakeries, wet markets and mom and pop stores. Modern trade channel includes major supermarket chains, hypermarkets, large groceries, and convenience stores. Institutional accounts include quick service restaurants, hotels, bakeshop chains, food manufacturers, small foodservice operators, large commercial farms for feeds, and exports which cover the Middle East, North America, Europe, and Asia, mainly serving Filipino communities abroad. E-commerce includes San Miguel Corporation's own online selling platform, The SMC Hub, as well as Lazada, Shopee, Pandamart, Grabmart, Metromart and other online platforms.

*Prepared and Packaged Food*

San Miguel Integrated Sales ("**SMIS**") handles the sale and distribution of products under the Prepared and Packaged Food segment through the modern trade and general trade channels. The Prepared and Packaged Food segment's products are distributed directly by GFS to institutional accounts and to small foodservice operators through distributors. The e-commerce channel is also served by SMIS which taps distributors to handle inventory, receive orders and arrange deliveries to individual consumers using the different online platforms.

Domestic distribution is handled by the outbound logistics group, which manages planning, technical logistics services, warehousing, and transportation, while the international business handles exports serving Filipino communities in the Middle East, North America, Europe, and Asia.

*Animal Nutrition and Health*

The Animal Nutrition and Health segment produces for both the Food Division's internal requirements and for the commercial feeds market. As of June 30, 2022, roughly half of the production volume was used for the Food Division's internal requirements, while the balance was sold to the commercial feeds market. Feeds supplied to the Protein segment are not included in the revenue or volume sold by the Animal Nutrition and Health segment.

Most of the products are sold to feeds retail stores through authorized distributors within a defined territory, with less than half of the volume sold directly to hog, poultry, and aquatic farm operators. For the sale of commercial feeds products, there are sales offices across the Philippines with dedicated sales teams supported by technical experts focused on growing existing markets and developing new ones.

*Protein*

The Food Division sells its Protein segment products through a variety of channels. Modern trade channels include *Magnolia Chicken Stations* for poultry and *Monterey Meatshops* for fresh meats. These are in supermarkets, convenience stores and membership shopping outlets, and may also be in stand-alone neighbourhood stores. General trade channels include wet markets, commissaries, wholesalers, distributors, and buyers of live broilers and hogs. Institutional accounts include quick-service restaurant chains, hotels and *lechon manok* or roast chicken outlet operators. In addition, the Protein segment supplies a portion of the input requirements of the Prepared and Packaged Food segment.

The *Magnolia Chicken Station* was a concept developed by the poultry business to bring traditional wet market practices to the supermarket. These stations offer more choices of cuts and better customer service in a clean and hygienic environment. As of June 30, 2022, there are more than 1,300 Magnolia Chicken Stations nationwide, a small portion of which are franchisee-owned. The remainder of these outlets are in supermarkets and handled by a specialized O&M company through a modified consignment arrangement.

The Food Division pioneered in the branding of fresh meats by launching the Monty's supermarket meat shop in 1990, which eventually became a network of neighbourhood meat shops under the Monterey brand. This strategy was successful in differentiating its high-quality meat products from those of competitors. Pork, beef, and marinated meats products are sold in hygienic and air-conditioned Monterey Meatshops which are manned by well-trained staff.

As of June 30, 2022, there were more than 400 Monterey Meatshops throughout the Philippines, majority of which were franchised, with the remainder being company operated. To increase sales volumes and improve profitability, the Protein segment provides marketing support to franchisees.

Pricing of protein products may be characterized as either commodity in nature or stable. Generally, pricing in wet markets and to live animal buyers is commodity in nature as it is heavily influenced by the prevailing supply and demand situation. On the other hand, pricing in modern trade is less volatile and in foodservice, is determined by periodic negotiation, making it more stable.

Majority of the Protein segment's products are distributed directly from production facilities to supermarkets and foodservice operators. The distribution infrastructure includes a network of cold storage facilities located throughout the Philippines and a large fleet of company-owned and third-party contracted vehicles.

*Others*

The flour milling business of the Food Division focuses on offering the widest array of differentiated flour products in the Philippine market. The flour application specialists, in support of the sales team, determine the specific flour product requirements of its customers and conduct field baking tests of the products to demonstrate their application. For customized products, the R&D and sales teams work side by side with the customers to develop formulations specific to their requirements. The Food Division manages a nationwide distribution network that distributes flour and other bakery ingredients to major bakeries and other flour users.

GFS, distributes and markets foodservice formats for value-added meats, dairy, flour, and coffee. GFS receives a development fee from other Food Division subsidiaries for selling their products to foodservice institutional clients. The key strategies of the food service business include selling customized solutions, direct marketing to customers and focused relationship management.

***Research and Development***

To enhance productivity and efficiency, reduce costs and strengthen its competitiveness, the Food Division's R&D teams engage in continuous activities to identify cost and production process improvements. Among others, cost reductions have been achieved using an optimum level of alternative raw materials, from different grains and by-products used in feeds to alternative protein sources and flavours in processed meats.

The Food Division owns several R&D facilities that analyse average daily weight gain, feed conversion efficiency and other performance parameters. Results of these analyses are applied to both internal and commercial feed formulations to minimize costs and optimize animal growth.

Each R&D team also engages in the development and testing of new products and improvement of existing products and believes that each team's continued success will be affected in part by its ability to be innovative and attentive to consumer preferences and local market conditions. In recognition of the importance of ongoing product innovation, the R&D teams regularly conduct consumer surveys and work closely with the Corporate Innovations Group that spearheads a company-wide innovation program to introduce breakthrough products and services.

***Marketing***

The Food Division's marketing efforts are focused on reaching more consumers and promoting increased consumption of its products through brand-building activities in all forms of media, from television, radio and print ads to digital marketing as well as promotional events and sponsorships. The Food Division develops marketing programs that emphasize quality, freshness, and convenience of its products. For example, the flagship hotdog brand, *Purefoods Tender Juicy* uses the "experts" campaign where "Kids Can Tell" the difference between *Purefoods Tender Juicy* and other hotdog brands. For the blue line of canned meats, the key campaign is *"Pure Sarap Purefoods*" (or Purely Delicious) which inspires the notion that great meals start with pure intentions. For poultry, the campaign focuses on Magnolia Chicken *Timplados* (or marinated chicken), emphasizing "home-cooked goodness made easy," offering a variety of flavours and assuring safety in a sealed package. The Food Division airs commercials on radio, television and cable, maximizes its digital presence in Facebook, YouTube, Instagram and Tiktok, among others, and deploys out of home advertising such as billboards and truck ads. It also participates in culinary, school, sports, and community events.

***Competition***

*Prepared and Packaged Food*

The Food Division is a market leader in the Prepared and Packaged Food category (excluding coffee).

Every year, the Prepared and Packaged Food segment faces strong competition mainly from other local players, which employ aggressive pricing and promotion schemes. Competitors and competing brands in the branded processed meats category include Foodsphere, Inc. (CDO), Virginia Foods, Inc. (Virginia), Century Pacific Food Inc. (Argentina and Swift) and Frabelle Corporation. To maintain its leadership position, the Food Division adheres to very strict quality standards, drives innovation in its portfolio, maintains optimum visibility in traditional and digital media, and promotes increased consumption through product bundling and various value offerings.

According to NielsenIQ (Copyright © 2022, NielsenIQ), as of June 30, 2022, the Food Division has 65% market share for hotdogs and 22% for corned meats. Market share for luncheon meats was 20% as of June 30, 2022. This is based on Kantar Homepanel reading as subscription to Nielsen ended in Sept 2020.

According to NielsenIQ (Copyright © 2022, NielsenIQ), as of the year ended December 31, 2021, the Food Division has a market share of 43% for refrigerated butter, 96% for refrigerated margarine and 98% for non-refrigerated margarine, competing with Fonterra Cooperative Group Limited (Anchor) and New Zealand Creamery, Inc. (for butter) and CIIF Oil Mills Group (for margarine).

In the cheese category, as of June 30, 2022, the Magnolia brand has a 23% market share, competing with Mondelez International, Inc. (Eden and Kraft), according to NielsenIQ (Copyright © 2022, NielsenIQ).

*Animal Nutrition and Health*

Competitors in the Animal Nutrition and Health segment include major domestic producers such as Univet Nutrition and Animal Healthcare Company (UNAHCO), Pilmico Foods Corporation, and ADM Animal Nutrition (Popular), as well as numerous regional and local feedmills. There are also foreign feeds manufacturers, such as Charoen Pokphand Foods of Thailand and New Hope Group of China, which have established operations in the Philippines.

*Protein*

Major competitors in the Protein segment include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., and Charoen Pokphand Foods. There are also a good number of commercial scale integrators that compete on a limited regional basis or primarily in the foodservice segment. Imports from the U.S. and Brazil are also brought in by traders on a regular basis.

The competitive landscape of the Philippine hog industry has shifted due to the impact of African Swine Fever ("**ASF**"). Some competitors like Robina Farms and Foremost Farms completely depopulated their farms when they were affected by ASF. With the waning of the disease in many areas, other hog farms are starting up again, but the disease remains a threat, particularly in Mindanao. Because of this, the overall domestic pork supply remains tight.

*Others*

Major competitors of the flour milling business include Universal Robina Corporation (URC), Pilmico Foods Corporation and Philippine Foremost Milling Corporation. While most of its competitors only produce a limited number of flour types such as hard flour for bread products and soft flour for biscuits, others have also started offering specialized flours for noodles and wrappers. Nevertheless, the milling business continues to innovate in offering superior value specialized flours.

Competition from imported flour has diminished over the last few years as more domestic players entered the flour industry. These are companies like Atlantic Grains, Asian Grains, Mabuhay Interflour, and several others.

***Intellectual Property***

Brands, trademarks, industrial designs, and other related intellectual property rights relating to the Food Division's principal products in the Philippines and in foreign markets, including processed meats, dairy, coffee, and foodservice, as well as stable-priced commodity products that have undergone additional processing, such as marinated meats and products sold through *Monterey Meatshops* and *Magnolia Chicken Stations* and other branded distribution outlets, are either registered or pending registration in the name of SMFB or its subsidiaries.

The Food Division owns various brand names, related trademarks and other intellectual property rights to prepare, package, advertise, distribute and sell its products in the Philippines. These include among others, brand names such as *Magnolia, Veega, Star, Dari Crème, Purefoods, Purefoods Tender Juicy, San Mig Coffee, B-Meg* and *Monterey*. Registrations for these brands and other intellectual property rights that it uses or intends to use upon expiry of their respective terms are regularly renewed. Maintenance and protection of these brands and related intellectual property rights are important to ensuring distinctive corporate and market identities.

The Food Division is responsible for defending against any infringements on its brands or other proprietary rights. It monitors products in the market that may mislead consumers as to the origin of such products and attempt to ride on the goodwill of the Food Division's brands and other proprietary rights. It retains independent external counsels to alert it of any such attempts and enjoins third parties from the use of colorable imitations of its brands and/or marked similarities in general appearance of packaging of products, which may constitute trademark infringement and/or unfair competition. To monitor the publication for opposition of new trademark applications that may potentially infringe or dilute any of its registered trademarks, the Food Division invests on domestic and global trademark watches.

***Quality Control, Health, Safety and Environmental Matters***

The Food Division conforms to statutory and regulatory requirements in relation to quality assurance and food safety. GMP is observed across all food businesses, based on international hygiene standards, to ensure high quality and safe food products.

The Food Division is subject to a number of laws and regulations relating to the protection of the environment and human health and safety, including those governing food safety, air emissions, water and wastewater discharges, and odor emissions and the management and disposal of hazardous materials.

Quality and food safety standards are applied uniformly across all production facilities, whether company-owned or contracted, through training provided to third-party operators before they commence operations. The Food Division's representatives oversee toll plant operations on a regular basis, providing technical support and working closely with the management of third-party operators. Moreover, the Food Division's quality assurance personnel conduct periodic operational audits of all production facilities. The Food Division has defined quality assurance and food safety policies and guidelines which are cascaded to the tolling partners to serve as their technical references for the food safety programs managed and implemented across company-owned and tolled facilities. To ensure compliance with Food Quality and Food Safety Management systems, trained quality and food safety auditors conduct assessments based on a defined frequency set by the regulatory and quality systems certifying body.

Risk of contamination of products is minimized through strict sanitation procedures and constant monitoring and response. In compliance with the HACCP standards, the Food Division has identified specific stages of processing where preventative measures are undertaken, such as equipment sterilization, hygiene, temperature control and regular equipment testing. The Food Division adheres to a set of systems including proper product storage and handling practices and uses of appropriate facilities and equipment to ensure quality and freshness of products from receipt of raw materials to dispatch of finished goods.

The Food Division is committed to the highest level of food safety standards. Its Quality Assurance and Food Safety Management System Guidelines is anchored on HACCP, GMP, ISO: 22000, ISO: 9001 and FSSC: 22000 with the objective of complying with Republic Act No. 10611 or the Food Safety Act of 2013 ("**Food Safety Act**") and the requirements of its customers.

As of the date of this Prospectus, the Food Division believes that it is in material compliance with all applicable health, safety and environmental laws.

***Customers***

SMFB has a broad market base that includes community-based outlets, supermarkets, hypermarkets, grocery stores, cooperative stores, sari-sari stores, convenience stores, warehouse clubs, mini-marts, market stalls, wet market vendors/dealers and commissaries, wholesalers/distributors, commercial farms, animal raisers, buyers of live birds and institutional accounts (*i.e.,* bars, restaurants, hotels, beer gardens, fast food outlets, burger and pizza chains, bakeshops/bakeries, kiosks, snack/biscuit manufacturers, noodle manufacturers, membership clubs, school/office canteens and franchise holders). SMFB sells its products principally in the Philippines and Asia through the businesses' respective sales force, and through strategically located partners, distributors, and dealers.

SMFB, taken as a whole, is not dependent on a single customer or a few customers, the loss of any or more of which would have a material adverse effect on operations. This allows flexibility in managing the SMFB's sales activities.

**PACKAGING BUSINESS**

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. The Packaging Group is comprised of SMYPC, and SMYPIL and their respective subsidiaries, both are joint venture companies between SMC and NYG, one of the largest glass and plastic packaging corporations in Japan; SYFMC, the only manufacturer of glass and plastics molds in the country, CAI, a pioneer in the production of two-piece aluminum cans, Mincorr, a paper corrugated carton manufacturer and Wine Brothers Philippines Corp., involved in the sale and distribution of wine products.

The Packaging Group has 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. The Packaging Group also provides services such as beverage filling in aluminum cans, PET and glass bottles, pallet leasing and logistics services. The Packaging Group is the major source of packaging requirements of the other businesses of SMC. It also supplies packaging products to customers in the Asia-Pacific region, U.S., and Australasia, as well as to major multinational corporations across the Philippines, including Coca Cola Beverages Philippines, Inc., Nestle Philippines and Pepsi Cola Products Philippines, Inc.

The Packaging Group holds 18 international packaging companies, particularly, located in China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags and radiant/thermal liners), Australia (trading of packaging products, plastic manufacturing, wine closures, wine filling facilities, 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 owns all of the domestic plants of the Packaging Group, except the corrugated carton plant owned by Mincorr, which is 100% owned subsidiary by SMC. Mincorr is being managed by SMYPC. The subsidiaries of SMYPIL are the Packaging Group's international facilities.

For each of the years ended December 31, 2019, 2020 and 2021, the Packaging Group had sales of ₱37,874 million, ₱31,504 million and ₱ 33,703 million; gross profit of ₱10,760 million, ₱7,942 million and ₱8,194 million; and net income (loss) before tax of ₱1,480 million, ₱(1,371) million and ₱(70) million, respectively.

For the six months ended June 30, 2022, the Packaging Group had sales of ₱16,080 million; gross profit of ₱4,301 million and net income (loss) before tax of ₱527 million.

Selected operating data for the Packaging business is provided below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Sales | 37,874 | 31,504 | 33,703 | 16,080 |
| Gross profit | 10,760 | 7,942 | 8,194 | 4,301 |
| Gross profit margin(1) | 28% | 25% | 24% | 27% |
| EBITDA(2) | 5,824 | 3,488 | 3,867 | 2,305 |
| EBITDA margin(3) | 15% | 11% | 11% | 14% |
| Net income (loss) before tax | 1,480 | (1,371) | (70) | 527 |
| Net income (loss) before tax margin(4) | 4% | (4%) | 0% | 3% |

*Notes:*

*(1) Calculated as gross profit divided by revenues.*

*(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.*

*(3) Calculated as EBITDA divided by revenues.*

*(4) Calculated as net income before income tax divided by revenues.*

**Strengths & Strategies**

**Strengths**

The Packaging Group believes that its competitive strengths include the following:

***Market leader***

The Packaging Group is a market leader in most of its product formats in the domestic packaging industry, offering total packaging solutions to clients by providing glass, plastics, metal closures, aluminum cans, flexibles and paper as well as beverage filling for aluminum cans, PET and glass bottles, and logistics services.

The usage growth rate for glass containers (which is the largest business of the Packaging Group) for beverage applications has been steadily growing. Glass bottles for beverages accounts for the largest share among the glass packaging format. Most of these are available in traditional mom and pop stores where carbonated soft drinks, energy drinks and ready-to-drink juices come in returnable glass bottles. Glass packaging also recorded growth in other categories such as food packaging, pharmaceutical, home care, beauty and personal care because of its ability to portray a premium image while maintaining product quality. Although the growth of glass containers may be tempered by the increasing popularity of lightweight, unbreakable and more affordable packaging types such as PET, the glass packaging industry will likely benefit from creation of a free trade area amongst ASEAN nations. Among the likely positive impact of the free trade area will be the ability for local glass manufacturers, such as the Packaging Group, to further expand their business in the ASEAN economies.

***State-of-the-art manufacturing facilities***

The Packaging Group maintains state-of-the-art manufacturing facilities and best practices in manufacturing and quality procedures.

The Packaging Group has large available capacities and ready know-how to exploit prospects in this packaging format.

***Compliance with global standards***

The Packaging Group complies with global standards, recognized by key multinational and domestic customers, for Food Safety (FSSC 22000), Quality Management (ISO 9001), Environment Management (ISO 14000), various social accountability standards and other relevant standards. The Packaging Group maintains its presence to relevant organization to keep abreast with the current manufacturing standards and ensure statutory and regulatory compliance.

***Synergies from partnerships with key global packaging companies***

The Packaging Group gains synergies from its partnerships with global packaging players such as NYG (Japan) and Fuso Machine & Mold Mfg. Co. Ltd. (Japan).

**Strategies**

The strategies of the Packaging Group include the following:

***Total Packaging Solutions***

The Packaging Group intends to increase adoption of the total packaging solutions approach by proactively offering solutions that range from traditional packaging products to associated graphics design, conceptualization, consultancy, toll filling, trading and logistical requirements. The Packaging Group also has put up a can and glass filling lines to provide tolling services to the current beverage customers. 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. These acquisitions strengthened the Packaging Group'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.

***Network and Client Optimization***

The Packaging Group intends to optimize and leverage on its significant regional network of facilities and alliances as a gateway to enter into new markets. It is also evaluating opportunities with its international clientele on potentially providing packaging services to them in markets where these customers have a presence and are new to the Packaging Group. There is also a focus on entering into longer term contracts with key customers to enhance earnings visibility.

***Product Diversification***

The Packaging Group continuously innovates to enter new markets and market segments with new products such as slim cans and ends, down gauged crowns, lug caps, high-impact resistance pallets for cements, agricultural flooring, laminated paper, logistics services and wine closures (cork). In 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. In 2018, SMYA diversified its product portfolio through the acquisition of JMP Holding Pty Ltd, a supplier of retail and online packaging, cargo protection and materials handling.

***Marketing Environmentally Friendly Products***

The Packaging Group expects the future consumer trend towards environmentally friendly products and sound manufacturing systems. Hence, the Packaging Group is continuously developing eco-friendly processes such as the use of cullets in glass production, use of plastic regrinds in plastic crates and pallets, toluene-free flexible packaging and accreditation with various international standards and agencies. In recent years, the Packaging Group has been improving and upgrading its manufacturing facilities to a standard higher than established government regulations. Significant investments have been made, such as the Electrostatic Precipitators of the Packaging Group, a pollution-abating device that cost more than ₱200 million.

**Packaging Solutions**

***Glass***

The glass business is the Packaging Group's largest business segment. It has three (3) glass manufacturing facilities, and one glass and plastics mold plant in the Philippines serving the requirements of the beverage, food, pharmaceutical, chemical, personal care and health care industries. The Packaging Group believes that SMY Glass Plant is the country's most technologically advanced glass manufacturing facility and the largest glass manufacturing facility in the Philippines.

***Metal***

The metal business is the second largest business in the Packaging Group. It 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. The Packaging Group's CAI is the pioneering two-piece aluminum can plant in the Philippines for the beverage market. SMYPC formed CAI, a joint venture with CANPACK S.A., for the modernization of the two-piece aluminum can manufacturing business. Utilizing the know-how and technologies of CANPACK Group on can manufacturing, CAI is now capable of producing aluminum cans and ends in three (3) categories - regular (standard), sleek, and slim cans. With its aim to introduce various aluminum can-packaging formats to the growing market in the Philippines, the Asia-Pacific region and in North America, the business has expanded its product line to offer 180 ml and 355 ml aluminum cans. To-date, CAI is capable of producing six (6) can sizes. Effective October 1, 2022, CAI will become a wholly-owned subsidiary of SMYPC resulting from the buyback of CANPACK shares from CANPACK S.A.

***Composites/Flexible Packaging***

The composites/flexible packaging business manufactures flexible packaging, plastic films, industrial laminates, trademarked *Envirotuff* radiant barrier and woven bags. Through the Rightpak Plant and Malaysian plants, the Packaging Group manufactures flexible packaging for the food, beverage, personal care, chemical and healthcare industries. It also provides composite materials for a varied range of industries including construction, semi-conductor and electronics.

***Plastics***

The plastics business produces plastic crates and pallets, plastic poultry flooring, plastic preforms, bottles, caps and handles, food trays, plastic consumer and industrial containers, and plastic pails and tubs to domestic and international markets serving companies in industries, such as food, beer and beverages, pharmaceutical, chicken and agriculture, as well as petroleum and chemical.

***Paper***

The paper business produces corrugated cartons and partition boxes. Through Mincorr, a wholly-owned subsidiary of SMC based in Davao, the Packaging Group supplies the carton packaging needs of a broad range of manufacturing and agricultural industries.

***Toll Filling***

Adding to the existing capacity to fill beverages in PET bottles, the beverage filling facility grew its capability to fill aluminum cans for non-alcoholic beverages and glass bottles for alcoholic beverages. The business also utilizes retort technology, which enables the business to toll fill milk-based, coffee, tea and soy-based beverages in aluminum cans.

***Logistics Services***

The Logistics Services started its operations by offering pallets under lease agreements to food, beverage and storage facilities. It expanded its operations to include trucking services and warehouse management, primarily serving the Packaging Group's internal requirements and some of the SMC's trucking needs.

**Production Facilities**

The Packaging Group owns and operates three (3) glass plants, one (1) glass and plastics mold plant, four (4) metal packaging plants, two (2) plastics packaging plants, one (1) beverage filling plant, one (1) composite plant, and one (1) paper plant. The plants are strategically located throughout the Philippines. It also owns and operates 18 overseas packaging facilities located in China (glass, plastic, paper and trading of packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags and radiant/thermal liners), Australia (trading of packaging products, plastic manufacturing, wine closures, wine filling facilities, retail/online packaging, cargo protection and materials handling) and New Zealand (trading and plastic manufacturing).

**Raw Materials**

The main raw materials for glass manufacturing are silica sand, soda ash, cullet, and limestone while casting molds, neckring bars and round bars are used in the production of molds. Plastics packaging main inputs are colorants/pigments, inks, HDPE resin, and regrinds while the metal packaging uses Plate TFS, aluminum coil, and lubricants. The main raw materials for flexibles packaging are PET/CPP/OPP and other films, PE films, aluminum foil, resins, and inks. In manufacturing PET bottles, the main raw materials are PET Resin, PP Resin, and CO2 while paper packaging uses kraft paper. The Packaging Group sources its strategic raw materials from local and foreign suppliers with a supply period of approximately one (1) to two (2) years. These suppliers undergo an accreditation process and audits to ensure the delivery of raw materials meets the quality standards of the Packaging Group.

**Competition**

The Packaging Group believes that it remains to be the leading packaging player in the Philippines. It continues to enjoy majority share of market in the glass, aluminum cans, metal closures, and the plastics segments mainly brought about by its technical capability and strong market base.

The Packaging Group's competitions are based on its product format. The domestic competitors for glass include Anglo Watsons Glass, Inc., Asia Brewery Inc. and Arcya Glass Corp. The metal crown's domestic competitors are Rowell Lithography and Metal Closure, Inc., RL Graphic Arts, Inc. and Oriental Tin Can and Metal Sheet Manufacturing Co. The Packaging Group is among the top players for plastic pallet rental/leasing services with other players such as Loscam and Manly Plastics Inc. and Intraco Pallet. The highly competitive paper packaging competes with Davao Packaging Corporation, Steniel Carton Systems Corporation and AVLB Pacific

Conglomerate while the the Packaging Group competes with Manly Plastics, Plastmann Industrial and Evergood Plastic.

The influx of imports in flexibles, aluminium cans and glass from China are viewed as competition. The Packaging Group believes that providing total packaging solutions coupled with excellent customer service has been its core strength over its competition. Furthermore, SMYPC has been improving and upgrading its manufacturing facilities, as well as offering innovative packaging designs to adapt to the market trends.

**Customers**

The Packaging Group has a diversified market base and is not totally dependent on few major customers.

**Health, Safety and Environmental Matters**

The Packaging Group complies with the relevant global standards on Environmental, Occupational Health and Safety in all its facilities. It also maintains its presence to relevant organizations to keep abreast with the current manufacturing standards and ensure statutory and regulatory compliance.

**FUEL AND OIL BUSINESS**

SMC operates its fuel and oil business through Petron Corporation. As of June 30, 2022, SMC directly and indirectly owns 68.26% of Petron. Petron is the largest oil refining and marketing company in the Philippines and is a leading player in the Malaysian market. Petron has a combined refining capacity of 268,000 barrels per day and is engaged in refining crude oil and marketing and distributing refined petroleum products in the Philippines and Malaysia.

In the Philippines, Petron operates the Limay Refinery in Bataan with a production capacity of 180,000 barrels per day. Based on estimates using its internal assumptions and calculations and industry data from the DOE for the year 2021, Petron believes that its overall market share in the Philippine oil market in terms of sales volume, was approximately 21.0%[14] as of December 31, 2021. This estimate excludes direct imports of jet fuel by airlines, direct imports of naphtha as feedstock for petrochemical plants, direct imports of condensate as fuel for natural gas power plants, and lubes and greases.

The Limay Refinery processes crude oil into a range of petroleum products, including gasoline, diesel, LPG, jet fuel, kerosene, naphtha, and petrochemical feedstock such as benzene, toluene, mixed xylene and propylene. The completion of RMP-2, a U.S.$2 billion project for the Limay Refinery, enabled Petron to produce diesel, gasoline, jet fuel, kerosene and LPG (collectively, "**White Products**"), which have higher margins. The completion of RMP-2 also increased Petron's production of petrochemicals and made Petron the first oil company in the Philippines capable of producing Euro IV-standard fuels.

From the Limay Refinery, Petron moves its products, mainly by sea, to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven (7) in the Visayas and eight (8) in Mindanao, as well as four (4) airport installations in Luzon, five (5) airport installations in Visayas and three (3) airport installations in Mindanao. Through this nationwide network, Petron supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

Through its network of approximately 2,000 retail service stations in the Philippines as of June 30, 2022, Petron sells gasoline, diesel, and kerosene to motorists and to the public transport sector. Approximately 42% of service stations are CODOs and 58% are DODOs.

As of June 30, 2022, Petron's LPG distribution network includes more than 1,300 branch stores and approximately 2,000 service stations where Petron sell its LPG brands *Petron Gasul* and *Fiesta Gas* to households

[14] Market share is derived from Company estimates based on Company information and data from the Philippine Department of Energy for the year ended December 31, 2021. Company estimates exclude all direct imports of end users.

and other consumers. Meanwhile, Petron's Lubes distribution network includes more than 35 car care centres, more than 300 active lube bays, and more than 800 service stations selling lubes.

Petron entered the Malaysian market in March 2012 through the purchase of ExxonMobil's downstream oil business in Malaysia. As of June 30, 2022, Petron ranked third in the Malaysian retail market with more than 21%, a percentage market share based on estimates using its internal assumptions and calculations and industry data from a third-party market research consultant appointed by Malaysian retail market participants to compile industry data. Petron also covers the industrial segment in Malaysia, selling diesel and gasoline to unbranded mini-stations and power plants, as well as to manufacturing, plantation, transportation and construction sectors. Petron owns and operates the Port Dickson Refinery in Malaysia, which has a crude oil distillation capacity of 88,000 barrels per day, and produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and low-sulfur waxy residue ("**LSWR**"). As of June 30, 2022, Petron had ten (10) product terminals, a network of more than 740 retail service stations and about 300 *Treats* convenience stores in Malaysia. Petron also participates in the aviation segment with a 20% ownership of a multi-product pipeline to KLIA. The joint venture through which Petron owns its interest in the multi-product pipeline also owns a fuel terminal, the Klang Valley Distribution Terminal.

Petron Malaysia also operates a palm oil methyl ester ("PME") plant. It acquired the Lumut PME Plant in Perak in 2019 with a rated capacity to process 60,000 MT per annum of refined bleached deodorized palm oil (RBDPO). In early 2022, additional capacity was commissioned to run at 78,000 MT per annum. The plant produces PME, and crude and refined glycerine (CG and RG).

Petron's products are primarily sold to customers in the Philippines and Malaysia. Petron also exports various petroleum products and petrochemical feedstock, including LSWR, naphtha, mixed xylene, benzene, toluene and propylene, to other customers in the Asia-Pacific region. Petron's revenues from these export sales amounted to ₱17,146 million or 4% of total sales, as of June 30, 2022.

In 2019, 2020 and 2021, Petron's sales were ₱514,362 million, ₱286,033 million and ₱438,057 million, respectively, and net income (loss) was ₱2,303 million, ₱(11,413) million and ₱6,136 million, respectively. For the six months ended June 30, 2022, Petron's sales and net income were ₱398,517 million and ₱7,706 million, respectively.

Petron's common shares are listed for trading on the PSE under the symbol "PCOR," while its Series 2 preferred shares are listed and traded on the same exchange under the symbols "PRF2B," "PRF3A," "PRF3B". As of June 30, 2022, Petron had a market capitalization of ₱28,407 million with a common share price of ₱3.03. As of June 30, 2022, SMC's direct and indirect ownership in Petron was 68.26%.

In Malaysia, Petron's common shares for its subsidiary Petron Malaysia Refining & Marketing Bhd. are listed for trading on the Bursa Malaysia under the symbol "PETRONM."

Selected financial data for the business of Petron are set forth in the table below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Sales | 514,362 | 286,033 | 438,057 | 398,517 |
| Gross profit | 30,507 | 8,713 | 30,49930,499 | 22,935 |
| Gross profit margin[(1)] | 5.9% | 3.0% | 7% | 5.8% |
| EBITDA[(2)] | 29,902 | 4,308 | 27,198 | 20,149 |
| EBITDA margin[(3)] | 5.8% | 1.5% | 6.2% | 5.1% |
| Net income (loss) before tax | 3,737 | (16,211) | 7,297 | 10,022 |
| Net income (loss) before tax margin[(4)] | 0.7% | (5.7%) | 1.7% | 2.5% |

*Notes:*

*(1) Calculated as gross profit divided by revenues.*

*(2) EBITDA is calculated as net income before: income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), depreciation and amortization and impairment losses.*
*(3) Calculated as EBITDA divided by revenues.*
*(4) Calculated as net income before income tax divided by revenues.*

Petron's revenues from foreign sales amounted to ₱209,562 million or 53% of total revenues for the first six months ended June 30, 2022.

**Strengths and Strategies**

**Strengths**

Petron believes that its principal competitive strengths include the following:

***Market leadership in the Philippine downstream oil sector***

With an overall market share of approximately 21% of the Philippine oil market as of December 31, 2021 in terms of sales volume based on Petron estimates using its internal assumptions and calculations and industry data from the DOE, Petron believes it is the leader in the Philippine oil industry, ahead of the other two (2) major oil companies and other smaller players operating in the Philippines.

Petron has approximately 2,000 retail service stations in the country as of June 30, 2022, retailing gasoline, diesel, and kerosene to motorists and the public transport sector. Its wide range of world-class fuels includes Blaze 100 Euro 6, XCS, Xtra Advance, Turbo Diesel and Diesel Max. Petron also sells its LPG brands, *Gasul* and Fiesta Gas, to households and other consumers through its extensive dealership network, numbering more than 1,300 branch stores as of June 30, 2022. Petron also manufactures lubricants and greases through its blending plant in Manila and sells these products through its service stations and various lubes outlets.

In particular, Petron believes that it is the market leader based on domestic sales volume in the retail trade and industrial market segments.

***Logistically advantaged supply position in the Philippines***

In the Philippines, Petron transports its products from its Petron Bataan Refinery to its fuel terminal facilities and depots throughout the Philippines. Since the closure of the Shell Tabangao Refinery in the second half of 2020, the Petron Bataan Refinery remains as the only petroleum refinery in the country. The Petron Bataan Refinery has a total crude oil distillation capacity of 180,000 barrels per day.

Petron's extensive logistics network includes 28 terminals and 12 airport installations and reaches most key points in the Philippines. Given the challenges of distribution across the Philippine archipelago, this capability plays a significant role in securing Petron's leading position in the Philippines. From Bataan, products are moved mainly by sea to terminals located across the archipelago. Through its robust distribution network, Petron fuels strategic industries such as power generation, manufacturing, mining, and agribusiness, among others. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines.

As part of the CREATE Act, local petroleum refineries are exempted from paying taxes and duties upon crude importation but will be subject to applicable taxes and duties on finished petroleum products upon lifting of refined petroleum products from the refinery. Petron believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries will now pay taxes upon lifting of finished petroleum products from the refinery, similar to importers of refined fuel which pay taxes upon importation of finished products.

***Operations in markets with favorable industry dynamics***

Petron operates as an integrated oil refining and marketing company in the Philippines and Malaysia, both of which Petron believes have favorable oil industry dynamics. In July 2022, the International Monetary Fund ("**IMF**") projects GDP growth of 6.7% for the Philippines in 2022 and 5.0% in 2023, which provides a favorable economic environment to support energy and petroleum products demand growth in the country. In addition, the Philippines has one of the lowest per capita car ownership, and consequently, among the lowest fuel consumption in the region, at 1.3 bbl and 1.4 bbl per capita in 2020 and 2021, respectively. Petron believes this presents potential room for growth that Philippines fuel retailers can capitalize upon.

For Malaysia, the IMF projects GDP growth of 5.1% in 2022, 4.7% in 2023. Malaysia has a significantly higher per capita car ownership than the Philippines and has per capita fuel consumption of 7.2bbl in 2019.

The Philippines operates under a free market scheme, with movements in regional prices and foreign exchange reflected in the pump prices on a weekly basis. Malaysia, on the other hand, operates under a regulated environment and implements an APM that provides stable returns to fuel retailers.

***Expanded product offering driving non-fuel retail volumes***

Petron's network of service stations in the Philippines and Malaysia offers differentiated and comprehensive services to customers. Beyond being just a petroleum station, Petron's service station provides a one-stop service experience to travelers on the road, offering amenities such as *Treats* convenience stores, restaurants, and specialty shops. These convenience stores, restaurants and specialty shops help generate non-fuel revenues and improve traffic in the service stations.

In Malaysia, Petron's retail business markets fuel, LPG and Lubes through a dealer network comprising more than 740 retail service stations located throughout Peninsular and East Malaysia as of June 30, 2022. Petron has approximately 300 *Treats* convenience stores, generating non-fuel income and improving traffic in the service stations.

Since 2013, Petron has partnered with the Royal Malaysia Police to set up Go-To Safety Points ("**GTSPs**") at selected Petron stations in Malaysia. The GTSPs are set up at strategically located service stations to allow the public to seek temporary shelter, increasing safety and security awareness among Petron customers. Motorists can enjoy Petron products and services in a safer and more secure environment.

***Capitalizing on the loyalty card program in the Philippines and successful rollout of the Petron App***

Petron also offers loyalty programs that complement its retail business, such as the Petron Value Card in the Philippines and the Petron Miles Privilege Card ("**PMILES**") in Malaysia. Petron continues to upgrade existing loyalty programs and offer new and diverse programs to cater to the unique needs of customers. Some of the benefits of the Petron Value Card program include 24-hour free towing and roadside assistance, reward points for every purchase and complimentary annual personal accident insurance coverage. PMILES is a loyalty card aimed at ensuring customers enjoy better value, rewards and privileges. PMILES goes beyond fuel, as customers are able redeem instant fuel and mart items, enjoy partners offer through points conversion, promocodes and discounts across a wide range of products and services. Some of PMILES loyalty program partners include Malaysia Airline, Air Asia, Gloco, Legoland, Sunway Lagoon Theme Park, AGODA, BookDoc, Bungkusit, Zalora, and AXA, among others

As of June 30, 2022, more than eight (8) million Petron Value Cards (including Petron Super Driver Cards) have been issued in the Philippines and approximately 3.1 million active PMILES cardholder accounts in Malaysia.

In 2016, Petron launched the Petron mobile application (the "**Petron App**") as a companion for the everyday Filipino motorist. In addition to monitoring Petron loyalty card points earned from transactions at Petron stations, the Petron App also allows customers to track details of fuel spend, locate Petron service stations and car care centers and stay updated on the latest Petron news and promotions. The Petron App also sends customers reminders of the details of services that are available to Petron loyalty cardholders, such as free towing & roadside assistance and personal accident insurance.

With the extensive network of its loyalty card program and the Petron App, Petron believes it has been able to foster brand loyalty to strengthen its position in both markets in the Philippines and Malaysia. Furthermore, Petron has made informed marketing decisions to cater to the needs of its customers.

Using transactional data, post-campaign analyses were conducted to categorize cardholders into segments based on their purchase behaviors to launch strategic promotional activities, product offerings, and targeted loyalty programs with the objective of increasing throughput, up-selling higher value products, and reactivating dormant accounts.

Historical carded volume is used in projecting baseline numbers to implement customer programs, forecast incremental sales and gain insights on actual campaign results.

***Focus on higher yield products at the integrated Petron Bataan Refinery***

Over the years, Petron has developed and maintained a strong core base of high-quality petroleum products and has managed to consistently make significant investments in upgrading its facilities. Petron has also focused on increasing production of higher margin White Products and petrochemicals while minimizing production of low margin fuel products. In the Philippines, the investment in RMP-2 allowed the Company to produce Euro IV-standard fuels and convert black products into white products.

Petron recently completed construction of a new power plant to replace some of its old generators and generate power and steam that are more than sufficient for its internal consumption. The excess power will be sold to the grid. With the new power plant, use of fuel oil at the refinery will be eliminated, thereby allowing it to convert this fuel oil into high-value products. In addition, Petron invested in the expansion of its polypropylene plant to capitalize on petrochemical margins. The expansion at the polypropylene plant, which will increase its production capacity from 160,000 MT to 225,000 MT annually, is expected to be completed in 2023.

***Established position in the Malaysian downstream oil sector***

Petron has acquired an established position in the Malaysian downstream oil sector that provides geographic diversification to its portfolio, an additional platform to expand its business and added stability to its operations.

Petron's network of service stations and distribution infrastructure in Malaysia facilitate the capture of a growing share of the market. It includes more than 740 service stations, more than 300 convenience stores, and 10 product terminals as of June 30, 2022. Petron also has a presence in the aviation segment with a 20% ownership of a multi-product pipeline ("**MPP**") to KLIA. The joint venture through which the Company owns its interest in the MPP also owns a fuel terminal, the Klang Valley Distribution Terminal ("**KVDT**").

Petron's fuel supply in Malaysia comes from its Port Dickson Refinery and domestic and import purchases. The Port Dickson Refinery processes crude oil acquired from various sources. Petron has completed the construction of its diesel hydrotreater process unit, allowing the Port Dickson Refinery to comply with the Euro 5 specification for diesel (10 ppm sulfur) mandated by the Malaysian government effective April 2021. Furthermore, the onshore facilities and additional product tanks were fully operational in September 2021. These are expected to generate savings on freight costs.

The Malaysian government regulates the pricing structure through the APM, pursuant to which it mandates (i) the prices of certain refined petroleum products, (ii) quotas, and (iii) certain fixed amounts for marketing, transportation and distribution costs in relation to the subsidy structure. Effective March 30, 2017, the Malaysian government implemented a managed float system under which the Malaysian government fixes the government-mandated retail prices of RON 95 and RON 97 petroleum and diesel on a weekly basis based on the Mean of Platts Singapore. If government-mandated prices are lower than the fuel products' total built-up cost per the APM, then Petron will receive subsidies from the Malaysian government. Conversely, if government-mandated prices are higher than the fuel products' total built-up cost per the APM, then Petron will pay duties to the Malaysian government. This regulated environment provides stability to Petron's Malaysian operations in such sectors.

***Experienced management team and employees and strong principal shareholder in San Miguel Corporation***

Petron has an experienced team of managers with substantial relevant experience in refining operations and development of service stations. In addition, Petron has a team of employees skilled in managing the various aspects of its business, including a highly experienced management team at the Petron Bataan Refinery, a focused sales and marketing team, which includes a group that has years of experience in service station engineering and construction, and a research and development team that has overseen years of product development and production process improvement. Petron is also committed to the development of its employees by adopting on-going training and development programs to ensure that operations will be run by well-equipped and capable employees. The average tenure of employees in the company is approximately 9.6 years for the Philippines and 9.1 years for Malaysia.

SMC, directly and indirectly, holds an effective 68.26% of Petron's outstanding common equity. Petron believes that it benefits from its relationship as a key material subsidiary of SMC, primarily by realizing synergies, including the provision of fuels for SMC's expanding power generation business, SMC's infrastructure business and its various production facilities as well as cross-marketing opportunities with SMC's consumer and energy-related businesses.

Petron also believes that SMC's strong balance sheet and international reach and relationships increase its leverage and bargaining power with suppliers and financial institutions as well as enhance its sources of funding for its capital expenditure projects.

**STRATEGIES**

Petron's principal strategies are set out below:

***Maximize volume growth and further increase market share in the downstream oil markets in the Philippines and Malaysia***

Petron intends to leverage on its leading market position and extensive retail and distribution network in the Philippines to maximize its revenue and margin potential.

Petron believes that the downstream oil market in the Philippines and Malaysia are still underserved and have strong potential for growth. To capture this growth and further strengthen its market position, Petron will embark on: (i) offering competitive prices to boost volumes amidst a highly competitive market; (ii) increasing its retail outlets for fuels and LPG to improve market penetration and arrest the growth of other industry players; (iii) improving productivity of existing service station network; (iv) introducing new products with differentiated and superior qualities; (v) expanding lubes distribution network by putting up more sales channels such as new lubes outlets, sales centers and car care centers, and penetrating non-traditional outlets such as auto parts and repair shops; (vi) continuing to expand its non-fuel businesses by leasing additional service station spaces to food chains, coffee shops and other consumer services or franchising those establishments to provide "value conscious" customers with a one-stop full-service experience; and (vii) intensifying its dealer and sales personnel training to further improve customer service experience.

These initiatives will support the Petron's growing retail business and continuing service station network expansion.

***Innovation as tool for customer retention and growth***

Petron intends to continue to invest in its digital offerings such as the Petron App to provide value-added services to its customers and increase interaction by cross-selling into non-fuel retail offerings, tie-ups with other merchants and insurance products, among others. In addition, contactless payment solutions through PayMaya and are now offered in more than 1,400 service stations nationwide as of June 30, 2022. Petron's market leadership and customer brand awareness, coupled with digital offerings such as online orders and pick-ups at service stations nationwide, will serve to increase customer frequency and, in turn, increase fuel sales as well as non-fuel sales.

Petron will continue to position itself as a premium brand with premium fuel and lubricants offerings in addition to other related products. Petron seeks to maintain and further strengthen its established position in the Philippines and Malaysia by reinforcing business relationships with existing customers, providing differentiated service offerings in its retail service stations and by promoting enhanced loyalty programs in both countries.

***Maximize production of high margin refined petroleum products and petrochemicals***

Over the years, Petron has made significant investments in upgrading its facilities and is focused on increasing production of White Products and petrochemicals while minimizing production of low margin fuel products. In recent years, it has shifted production from lower margin fuel oils to higher margin products, including petrochemical feedstock such as propylene, mixed xylene, toluene and benzene.

Going forward, Petron expects to continue investing in upgrading its production capability with a focus on high-margin petroleum products and petrochemicals.

***Ensure reliability and efficiency of refinery operations***

Petron has undertaken a number of strategic projects such as improving operational efficiency and profitability at the refinery, and increasing market reach through the expansion of the company's service station network.

Petron also intends to further enhance efficiency and reduce production costs through supply chain improvements and enhancements to its existing facilities through a range of initiatives including: (i) enhancing its crude optimization program (a program which determines the crude mix that will yield the best product value at the lowest cost) and expanding its crude oil supply sources in addition to its major crude oil suppliers; (ii) investing in new receiving and storage facilities and improving the existing facilities to attain greater sourcing flexibility and support new growth areas; (iii) managing crude oil freight costs and availability of terminal-compliant vessels with contracts of affreightment that guarantee cost competitiveness with the spot market; and (iv) reducing distribution costs through rationalization of the terminal network, joint operations with other companies and optimized utilization of its marine and tank truck fleet. Petron also expects to continue utilizing operational synergies by leveraging on SMC's network, products and services.

***Continue to evaluate possible selective synergistic acquisitions***

In addition to organic growth, Petron will continue to consider and evaluate selective opportunities to expand both within and outside the Philippines through strategic acquisitions that will create operational synergies and add value to the existing business.

**Production Facilities**

***The Philippines***

In the Philippines, Petron owns the Petron Bataan Refinery complex located in Limay, Bataan, which is a 180,000 bpd full conversion refinery with a Nelson Complexity Index of 13.1. 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 (2) offshore berthing facilities, one of which can accommodate very large crude oil carriers, or "VLCCs." In December 2016, Petron acquired the cogeneration power plant from SMC Powergen, Inc., which now consists of six (6) turbo generators with a combined capacity of 184 MW and six (6) solid fuel fired Circulating Fluidized Bed boilers with a combined capacity of 1,200 TPH. This ensures the sufficient and reliable supply of steam and power for the Petron Bataan Refinery and export excess power to the grid.

In addition to the Petron Bataan Refinery, Petron owns and operates a fuel additive blending plant (the "**Subic Plant**") in the Subic Bay Freeport Zone in the Philippines with a capacity of 12,000 metric tons per year. Petron has a tolling agreement with Innospec, Limited ("**Innospec**"), a global fuel additives supplier. The output of the Subic Plant serves the fuel additive requirements of Petron and Innospec's customers in the Asia-Pacific region. Petron is Innospec's exclusive blender in the Asia-Pacific region.

Petron also operates a lube oil blending plant in Tondo, Manila. The capacity of the New Lube Oil Blending Plant (NLOBP) is 90,000,000 liters per year per shift.

***Production Facilities - Malaysia***

In Malaysia, Petron owns a petroleum refinery located in Port Dickson, Negeri Sembilan. The Port Dickson Refinery has a crude oil distillation capacity of 88,000 barrels per day.

The Port Dickson Refinery produces a range of petroleum products, including LPG, naphtha, gasoline, jet fuel, diesel and LSWR. With the exception of naphtha and LSWR, these products are intended to meet domestic demand in Malaysia. Petron exports its naphtha and LSWR to various customers in the Asia-Pacific region under term and spot contracts.

Crude oil for the Port Dickson Refinery is received by means of an SBM and crude pipeline facilities that are jointly owned with Hengyuan Refining Company Berhad (formerly known as Shell Refining Company (Federation of Malaya) Berhad) through an unincorporated joint venture. Under the joint venture, Petron shares 50% of all SBM operating and capital costs and also pays a levy of one-third of the overhead and administrative charges incurred in connection with the operation of the SBM.

**Refining Process and Quality Improvement Initiatives**

***The Petron Bataan Refinery***

The Petron Bataan Refinery has been continuously implementing various programs and initiatives to achieve key performance index targets on reliability, processing efficiency, energy efficiency, safety and environmental protection.

To adapt to ever-changing market conditions, the refinery implements margin enhancement programs to strategize production of higher value product yields.

On December 28, 2020, Petron Bataan Refinery was approved as a FAB-registered enterprise. With this registration, the refinery would be more competitive and in a better position to sustain its operation to supply fuel for the nation.

***The Port Dickson Refinery***

The Port Dickson Refinery uses an Integrated Management System ("**IMS**") in support of its operations. Embedded within the IMS are the Petron Operation Integrity Management System ("**POIMS**"), Control Management System ("**CMS**"), and Product Quality Management System ("**PQMS**"). In addition, the Port Dickson Refinery also practices the Loss Prevention System ("**LPS**"), the Reliability Management System ("**RMS**") and plant optimization initiatives for improved plant efficiency.

The Port Dickson Refinery adopted IMS in 2019 to align all existing processes under one management system. The POIMS provides a structured approach to the management of risks related to safety, security, health, environment ("**SSHE**") and operation integrity to comply with local regulations and laws. CMS provides a process for ensuring that Corporate Policies and In-Line Controls are implemented and effectively sustained over time. PQMS provides a work process to ensure high-quality products are delivered to customers. The Port Dickson Refinery was awarded with the IMS certification on December 24, 2019.

To increase plant reliability, the Port Dickson Refinery adopted the RMS, which utilizes a risk-based equipment strategy and aims to improve mechanical efficiency through routine work planning, scheduling and execution. The Port Dickson Refinery also continuously seeks improvement in the areas of process optimization, flaring, oil loss and energy conservation through the use of advanced process computer control and an integrated plant information system.

**Raw Materials**

***Philippine Operations***

The main raw material used in the Petron Bataan Refinery's production process is crude oil. Petron's crude oil optimization strategy includes the utilization of various types of crude oil, ranging from light and sweet crude to heavier, more sour alternative crude.

Petron acquires crude oil for the Petron Bataan Refinery primarily through arrangements with its wholly owned subsidiary PSTPL, which in turn obtains crude oil from foreign sources, through a combination of term or spot purchase contracts. PSTPL has a term contract with Saudi Aramco for the year 2022 to purchase various Saudi Arabian crude. The pricing and payment mechanisms under this contract are consistent with Saudi Aramco's standard practice for its Far East customers. Pricing is determined through a formula that is linked to international industry benchmarks, and payment is secured by irrevocable standby letters of credit. The contract is automatically renewed annually unless either Petron or Saudi Aramco elects to terminate the contract upon at least 60 days' written notice prior to its expiration date. As of the date of this Prospectus, neither Petron nor Saudi Aramco has terminated the contract.

Several other crude oils are purchased on spot basis from various suppliers.

PSTPL has a term contract for year 2022 to purchase group II base oils (J500 (500N) and J150 (150N)) and avgas from GS Caltex and group I base oil (BS150) from Exxon Mobil. The term contracts are negotiated annually, subject to both parties' options, and pricing is calculated using a formula based on an international standard price benchmark for base oils and Mean of Platts Singapore for avgas. Group I and II base oils are Petron's main feedstock for the production of automotive, industrial and marine lubricants, while avgas is used for aviation fuel requirements.

PSTPL has a term contract for year 2022 to purchase Asphalt, LPG and high RON Gasoline. These term contracts are tendered annually, and it is awarded to the most competitive supplier(s). Pricing is calculated using a formula based on an international standard price benchmark for these products

Petron may import gasoline, diesel, and Jet fuel. These imports are necessary if there is higher demand in the Philippines and during maintenance of the Petron Bataan Refinery. Petron deliberately ceased producing Fuel Oil, a lower margin product, upon the completion of the RMP-2. Pricing is usually based on Mean of Platts Singapore for the products being imported.

***Malaysian Operations***

The main raw materials used in the Port Dickson Refinery's production process are crude oil and condensate. The Port Dickson Refinery is designed to process sweet crude oil. Petron's crude oil optimization strategy includes diversification in processing different types of local as well as regional sweet crude oil.

Petron acquires crude oil and condensate for the Port Dickson Refinery from various sources, through a combination of term purchase contracts and spot market purchases. Petron has a long-term supply contract for Tapis crude oil and Terengganu condensate with EMEPMI for a period of 10 years until March 2022 (in negotiation for renewal), supplemented by other short-term supply contracts and spot crude purchases. As of June 30, 2022, about 60% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. Petron also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

A portion of the Petron's palm oil methyl ester ("**PME**") requirements for its bio-diesel mix are sourced from the PME plant acquired by Petron Malaysia Refining & Marketing Bhd in March 2019. The plant is located at Lumut, Perak and has an annual capacity of 60,000 metric tons. Petron purchases the balance of its PME requirements from other Malaysian government-approved local suppliers. PME is the bio-component of the biodiesel mix sold to domestic customers in Malaysia. Petron produces a biodiesel mix comprising 10% PME: 90% diesel for the Retail sector and 7% PME: 93% diesel for the Commercial sector (with exception for electricity power generation) mainly for the transportation and subsidized segment, following the Malaysian Biofuel Industry Act of 2007. For Sarawak Retail sector the ratio for PME has been increased to 20% effective from September 1, 2020. For Sabah and Peninsular Malaysia implementation date still pending Government final decision.

Petron also imports LPG, diesel, gasoline, jet fuel and some gasoline blending components into Malaysia to support domestic demand beyond its production level. These imports are purchased through term purchase contracts and in the spot market. Pricing is usually based on Mean of Platts Singapore for diesel, gasoline, jet fuel and some gasoline blending components, and Saudi CP for LPG. The country legislated diesel specifications from E2 (500wppm S) to E5 (10wppm S) effective from April 1, 2021.

**Utilities**

The principal utilities required for Petron's production process are water, electricity and steam.

***Water***

Deep wells and a seawater desalination plant provide the Petron Bataan Refinery's water requirements.

The Port Dickson Refinery's clean water requirements for the process units are sourced from the local municipal water source. Water for fire-fighting purposes is sourced from a lagoon located within the Port Dickson Refinery complex.

***Electricity and Steam***

The Petron Bataan Refinery's electricity and steam requirements are sourced from the Petron Bataan Refinery's existing turbo and steam generators as well as from its cogeneration power plant. The cogeneration power plant, which now consists of six (6) turbo generators with a combined capacity of 184 MW and six (6) solid fuel fired Circulating Fluidized Bed boilers with a combined capacity of 1,200 TPH, was acquired by Petron in December 2016 from SMC Powergen Inc., a subsidiary of SMC and an affiliate of Petron.

The Port Dickson Refinery's electricity requirements are purchased from Tenaga Nasional Berhad (TNB), the Malaysian national electricity provider, while the Port Dickson Refinery's fired and waste heat boilers supply the steam requirements of the refinery's process units

**Sales and Marketing**

***The Philippines***

In the Philippines, Petron operates the only integrated oil refinery and is a leading oil marketing company. Petron had a retail market share of 32.8% of the Philippine oil market in the year ended 2021 in terms of sales volume based on Petron's estimates using its internal assumptions and calculations and industry data from the DOE.

*Retail Service Stations*

Petron had a network of approximately 2,000 retail service stations in the Philippines as of June 30, 2022, according to the company's estimates. Most of these stations are located in Luzon, where demand is heaviest.

Petron employs two (2) types of service station operating structures in the Philippines: (i) CODO, which are company-owned-dealer-operated service stations, and (ii) DODO, which are dealer-owned-dealer-operated service stations. For CODOs, the company buys or leases the land and owns the service station structures and equipment, but third-party dealers operate the CODOs. For DODOs, third-party dealers buy or lease the land, build service station structures according to Petron's specifications, lease the service station equipment from the company, and operate the DODOs. As of June 30, 2022, approximately 42% of the company's retail service stations in the Philippines were CODOs, and approximately 58% were DODOs.

Petron's DODO network includes Petron *Bulilit* Stations, which are small service stations that provide the flexibility to establish a presence even in remote rural areas and make Petron's products and services accessible to more Filipinos. As of June 30, 2022, approximately 450 Petron *Bulilit* Stations are in operation.

To improve traffic in Petron's service stations and increase potential revenues of Petron's non-fuel business, Petron established *Treats* convenience stores and leases space to quick-serve restaurants and other consumer service shops in strategic service stations nationwide. The *Treats* convenience stores were rebranded under the brand name *San Mig Food Avenue* in 2011 pursuant to an agreement with San Miguel Foods Inc. The convenience stores are operated by dealers through a franchise obtained from San Miguel Foods, Inc. In 2014, the company opened stores in Manila under the brand name "*Treats,*" with permission from San Miguel Foods, Inc. for the use of the brand name. On March 1, 2021, Petron reacquired the *Treats* convenience store business from the San Miguel Food Group. The acquisition covered fixed assets in the stores, inventory, and intangible assets such as contracts and the *Treats* trademarks. On June 29, 2021, Petron paid ₱4 million to Foodcrave Marketing, Inc. for additional *Treats* assets. The *Treats* acquisition optimizes the synergies between the operation of the Petron service stations and the *Treats* outlets located in the service stations, resulting in operational efficiencies and savings, unified customer marketing programs, maximized exposure of the *Treats* brand, and the provision of holistic business consulting to dealers on their businesses within the service station. As of June 30, 2022, there are approximately 100 *Treats* outlets nationwide.

Petron continues to install the point of sale ("**POS**") system across its retail network throughout the Philippines. POS systems are used for gaining efficiencies through automating retail transactions and the proper monitoring of actual sales in service stations. As of June 30, 2022, Petron had installed POS terminals in more than 1,200 retail service stations in the Philippines.

*Industrial Sales*

Petron believes it is the leading supplier to the Philippine industrial sector, which includes major manufacturing, aviation, marine, and power accounts. Petron had approximately 700 direct industrial account customers as of June 30, 2022.

*LPG*

Petron is a leading market participant in the Philippine LPG market in terms of market share. Petron has set up more than 1,300 branch stores through its *Gasul* and *Fiesta Gas* LPG dealers as of June 30, 2022. Petron has commissioned 13 mini-refilling plants in the Philippines as of June 30, 2022 to broaden the reach of Petron's LPG products and make them accessible to more Filipinos.

*Lubricants, Specialties and Petrochemicals*

To augment lubricants and greases sales, Petron has a network of more than 35 Car Care Centers and Petron Lube Distributors, more than 10 Key Accounts, which includes Original Engine Manufacturers (OEM) and Franchise Car Dealers (FCDs), throughout the Philippines as of June 30, 2022. Petron capitalizes on the strong lubricant distribution network of non-traditional outlets such as automotive and motorcycle parts outlets and automotive repair shops, and expanded LPG-outlet network by utilizing its LPG branch stores as outlets for Petron's lubricants and specialty products. Petron has expanded into blending and export of fuel additives, leveraging on its technology partnership with Innospec, a global fuel additives supplier. Petron also provides technical services to Innospec's customers and was able to tap the customer base of Innospec in Asia to broaden the market for its own lubricant brands.

Petron exports various petroleum products such as lubricants and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region. These products are sold through accredited traders and to end-users under term or spot contracts.

Polypropylene is sold mostly to companies engaged in the manufacture of packaging materials.

*Loyalty Programs*

Petron actively pursues initiatives to improve customer service and promote customer loyalty. In 2004, Petron launched the Petron Fleet Card, the first microchip-powered card in the Philippines, which is a credit card that offers rebates and discounts on fuel, lubricants and services and provides 24-hour free towing and roadside assistance to cardholders. As of June 30, 2022, more than 500,000 Petron Fleet Cards had been issued. In 2008, Petron launched Petron e-Fuel Card as a promotional item. To maximize patronage of its service stations and related businesses, Petron launched a loyalty program in October 2011 through its Petron Value Card, which offers 24-hour free towing and roadside assistance, rewards points for every purchase and complimentary annual personal accident insurance coverage. In 2014, Petron introduced the Petron Super Driver Card, a variant of the Petron Value Card, to the public utility vehicle sector, specifically targeting the taxi and tricycle markets. As of June 30, 2022, Petron has issued more than 8.4 million Petron Value Cards (including Petron Super Driver Cards).

***Malaysia***

Petron's fuels marketing business in Malaysia is divided into retail business and commercial sales.

*Retail Business*

The retail business markets fuel and its related products through a dealer network comprising more than 740 retail service stations located throughout Peninsular and East Malaysia as of June 30, 2022. In Malaysia, Petron uses the CODO and DODO operating structures for its retail service stations. CODO accounted for approximately 58% of the total retail service station network of Petron while DODOs made up the 42% balance. Petron also has approximately 300 *Treats* convenience stores, generating non-fuel income and improving traffic in the service stations.

To further enhance the customer service experience in Malaysia, Petron launched the "Fuel Happy" campaign in March 2015 with various marketing activities and events organized to reward and enchant the customers. This was followed by "Best Day at Petron" campaign launched in 2017. In January 2016, Petron pioneered the country's first premium fuel with the rollout of Petron Blaze 100. As of June 30, 2022, Blaze 100 is available in more than 100 retail service stations, throughout Peninsular Malaysia. Petron also offers Petron Turbo Diesel Euro 5, a premium plus diesel fuel with 7% biodiesel mix that meets Euro 5 standards, even prior to the mandatory implementation of Euro 5 diesel standards set by the Malaysian government effective beginning April 1, 2021. As of June 30, 2022, Petron has approximately 310 service stations offering Turbo Diesel Euro 5, we are the brand with highest number of premium diesel offering. "Tandas Kita Bersih" was launched in 2018 to further enhance customer experience, Petron works closely with local council to rate our toilets, as we aspire to promote cleanliness and a culture of good sanitation at all Petron service stations. The clean toilet program has proven to be successful. We are the 1st station network to sell LPG *Gasul* in 2019. As of June 30, 2022, Petron has about 120 service stations selling *Gasul* LPG.

*Commercial Business*

Petron's commercial business is divided into three (3) segments: industrial and wholesale fuels, LPG and lubricants and specialties.

*Industrial and Wholesale Fuels*

The industrial segment sells diesel and gasoline to unbranded mini-stations and power plants, as well as to the manufacturing, plantation, transportation and construction sectors. Petron's sales of RON95 gasoline and diesel to unbranded mini-stations represented approximately 41% of its industrial sales by volume in the six months ended June 30, 2022. Sales to the mini-stations are priced according to the APM. Many power plants in Malaysia run on natural gas and use diesel as alternative fuel when there are gas curtailments. Petron sells diesel to such power plants on an ad-hoc basis at formulated prices. The pricing of these sales is determined through a formula that is linked to international industry benchmarks. Prices of diesel to the manufacturing, mining, plantation and construction sectors are not regulated by the Malaysian government, and the pricing of these sales is subject to market supply and demand.

The Malaysian wholesale segment consists of sales, primarily of diesel, to company-appointed distributors, which subsequently sell the company's products to industrial customers. As of June 30, 2022, the company had about 260 active distributors.

In Malaysia's aviation sector, Petron is one of the three (3) major jet fuel suppliers at KLIA and KLIA 2 pursuant to a throughput agreement with the Kuala Lumpur Aviation Fueling System Sdn Bhd, the operator of the KLIA's storage and hydrant facility.

*LPG*

Petron markets LPG in 12-kg and 14-kg cylinders for domestic/household sales, and 50-kg cylinders and bulk for commercial use, through redistribution centers, stockists and dealers. LPG redistribution centers are owned by Petron to store and distribute bottled LPG to dealers. Stockists are dealer-owned distribution centers which also distribute bottled LPG to other dealers. Dealers generally collect bottled LPG directly from redistribution centers and stockists for onward sale to domestic and commercial consumers. Prices of 12-kg and 14-kg cylinders for domestic use are regulated under the APM. In April 2019, Petron launched Petron *Gasul* at its service stations, the first "cash and carry" service wherein customers can purchase their LPG cooking gas at the service station. As of June 30, 2022, Petron has about 120 service stations selling *Gasul* LPG.

Petron also sells bulk LPG to industrial users through appointed dealers and to resellers. Prices of 14-kg forklift gas, 14-kg commercial gas, 50-kg and bulk LPG are not regulated by the APM. To further enhance the Petron *Gasul* brand, Petron has identified three (3) Brand Promises to drive the business forward: Safety, Quality and Convenience.

*Lubricants and Specialties*

Petron established a lubricants and specialties business line in April 2012 to introduce Petron lubricants and greases into the Malaysian market. These products are marketed through a network of appointed distributors in both West and East Malaysia to various industry segments including car and motorcycle workshops, transport and fleet operators, manufacturing, industrial and marine accounts. Petron's wide range of automotive lubricants is sold through its extensive network of service stations in Malaysia.

Petron exports surplus intermediate products LSWR and naphtha from the Port Dickson Refinery through accredited traders and to end-users under term or spot contracts.

In response to the government's biofuel mandate, Petron acquired a PME plant in Lumut, Perak in March 2019 to help ensure reliable and adequate supply of PME for the company's needs. Besides PME, the Lumut plant also produces glycerin that is sold to local and overseas consumers as raw material largely for pharmaceutical and cosmetic products like moisturizing skin care products and soaps.

*Loyalty Programs*

Petron has been actively pursuing initiatives to improve customer service and promote customer loyalty for its Malaysian retail business by offering rebates, points and discounts. As of June 30, 2022, Petron has about 3.1 million active Petron Miles cardholder accounts in Malaysia under its loyalty card program.

**Distribution**

***The Philippines***

Petron's main storage facility in the Philippines was formerly located in Pandacan, Manila. The reclassification by local authorities of the area occupied by the Pandacan terminal prohibited the continued operation of Petron's facility in Pandacan as a petroleum storage facility and necessitated relocation to other alternative sites in Luzon. Petron ceased its petroleum product storage operations in Pandacan in January 2015.

To serve its domestic markets, Petron maintains 40 terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the Philippines. The network comprises 13 terminals in Luzon, seven (7) in the Visayas and eight (8) in Mindanao, as well as four (4) airport installations in Luzon, five (5) airport installations in Visayas and three (3) airport installations in Mindanao. Terminals have marine receiving facilities, multiple product storage tanks for liquid fuels and LPG, drummed products storage, and warehouses for packaged products, such as lubricants and greases. From the Petron Bataan Refinery, refined products are distributed to the various terminals and direct large consumer accounts using a fleet of contracted barges and tankers, and to service stations and industrial accounts through a fleet of contracted tank trucks. The barges and tankers are chartered on term or spot contracts from third-party ship owners. From the storage terminals, bulk products are hauled by tank trucks owned by third parties to service stations and industrial accounts. Under the terms of the applicable contracts, the third-party owners of the contracted barges, tankers and tank trucks that are used to haul the company's products are liable for losses and environmental issues that may arise while the products are being transported.

In its Philippine LPG business, Petron has a nationwide network of retail dealerships and outlets. Some service stations carry Petron's LPG products and accessories. Petron has stand-alone LPG operations in its terminals in Pasig City, Legazpi City and San Fernando City in Pampanga and San Pablo, Laguna.

Lubricants and greases in various packages are transported by container vans to bulk plants and terminals outside Metro Manila. Package trucks owned by third parties are utilized to deliver these lubricants and greases to various customers in Metro Manila and Luzon. Sales counters throughout the Philippines are appointed to sell these products. Petron has a tolling agreement with Innospec for the blending of fuel additive products in its Subic Plant.

Petron has airport installations at the NAIA and 11 other airports located in major urban centers in the Philippines. These installations provide storage of aviation fuels as well as refueling services for various aircraft. In addition, Petron has presence in the airports of Puerto Princesa, Laoag and Clark in Luzon, Mactan, Bohol, Kalibo, Caticlan and Iloilo City in the Visayas, as well as in Davao, Laguindingan and Zamboanga City in Mindanao via mobile into plane refueling equipment.

***Malaysia***

Products from the Port Dickson Refinery are distributed to service stations and commercial accounts through tank trucks that lift products via the Port Dickson Terminal's tank truck loading facilities. These loading facilities are connected to the storage tanks inside the refinery. The refinery's produced volume is also sent to Klang Valley Distribution Terminal ("**KVDT**") through a pipeline as well as other strategically located terminals via marine shipments. Tank trucks lift products from these terminals for delivery to Petron customers. To supplement the refinery's produced volume, finished products supply at these terminals are also sourced through imports from regional suppliers.

Jet fuel is transported from the Port Dickson Refinery to KLIA through a multi-product pipeline (the "**MPP**"), which is jointly owned by Petron through its 20% ownership interest in an unincorporated joint venture with Petronas Dagangan Berhad ("**PDB**") and Shell Malaysia Trading Sdn Bhd ("**Shell Malaysia**"), each of which has a 40% ownership interest. The MPP is a fungible products pipeline for transporting gasoline, diesel and jet fuel and is operated by PS Pipeline Sdn Bhd, a 50-50 joint venture between PDB and Shell Malaysia.

The joint venture through which Petron owns its interest in the MPP also owns the KVDT, where fuel inventory is commingled. Prior to 2015, Petron only used the MPP to transport jet fuel to KLIA and not for transporting gasoline or diesel to the KVDT. In 2015, Petron successfully completed a project linking the Port Dickson Refinery to the MPP to transport gasoline and diesel products to KVDT. This improved the company's logistics and reduced cost of delivery to service stations in the Klang Valley area, a major market.

LPG is bottled at the Port Dickson and Westport terminals. Most redistribution centers and stockists collect bottled LPG directly from the Port Dickson and Westport terminals. Petron has an LPG storage and bottling facility at West Port (part of Port Klang, the principal port facility serving the Klang Valley), which is a 50-50 joint venture between Petron and Boustead Petroleum Marketing Sdn Bhd. Both terminals also load Bulk LPG for industrial customers. Petron had also contracted third-party bottling facilities to expand the reach of its *Gasul* products in Perak and Penang in the north, Kelantan in the east coast and Johor in the south.

Petron entered the Sarawak retail market in February 2017 with an initial six (6) DODO service stations, subsequently increasing the number to 11 as of June 30, 2022. These service stations are supplied through a sales and purchase term agreement with a local company, Petronesa Trading Sdn Bhd, from independent terminals located in Kuching and Tanjung Manis.

**Competition**

***The Philippines***

In the Philippines, Petron operates in a deregulated business environment, selling its products to individual, commercial and industrial customers. The enactment of the Downstream Oil Industry Deregulation Law in 1998 effectively removed the rate-setting function of the Philippine government through what was then known as the Energy Regulatory Board, leaving price-setting to market forces. It also opened the oil industry to free competition. See "*Regulatory Framework — Regulation Relating to the Fuel and Oil Business*" for a more detailed discussion of the oil deregulation law.

The Philippine downstream oil industry is dominated by three (3) major oil companies: Petron, Shell, and Chevron, which, based on company estimates based on its internal assumptions and calculations and industry data from the DOE for the year 2021, together constituted 71.4 % of the Philippine Retail market based on sales volume. Deregulation has seen the entry of more than 200 other industry market participants, rendering the petroleum business more competitive. Petron, with total crude oil distillation capacity of 180,000 bpd, operates the only petroleum refinery in the country. The rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. In the Philippines, 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.

Petron participates in the reseller (service station), industrial, LPG and lube sectors through its network of service stations, terminals, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among the major firms, as seen through the construction of service stations by Shell, Chevron, Total Philippines, Phoenix Petroleum, Seaoil and other new participants in major thoroughfares. Petron has approximately 2,000 retail service stations as of June 30, 2022, reaching more customers throughout the Philippines. The small market participants continued to grow, with station count increasing from approximately 2,660 in 2017 to almost 4,000 stations as of June 30, 2022. Participants in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The number of major LPG importers in the Philippines increased from three (3), prior to deregulation, to about seven (7), with new entrants having more flexible and bigger import receiving capacities. In the industrial sector, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among many brands, including global brands such as Castrol, Mobil, Shell and Caltex, continues. Brands compete for limited shelf space, which has led to the penetration of previously unutilized markets, such as auto-dealerships in malls.

Petron is the leader in the Philippine downstream oil industry, with a retail market share of about 32.8% of the Philippine oil market for the year 2021, while the other two (2) major oil companies, had a combined retail market share of 38.6% in terms of sales volume based on company estimates using its internal assumptions and calculations and industry data from the DOE. Approximately 200 smaller oil market participants, which started operations after the deregulation of the oil industry in 1998, account for the remaining market share. Petron believes that it is the leader in terms of domestic sales volume based on Company estimates using its internal assumptions and calculations and industry data from the DOE for the year 2021. The company's retail sales volumes for the years ended 2019, 2020 and 2021, and the six months ended June 30, 2022 were approximately 53,000 bpd, 39,000 bpd, 42,000 bpd, 45,000 bpd respectively. The company's non-retail sales volumes (including industrial and LPG) for the years ended 2019, 2020 and 2021, and the six months ended June 30, 2022 were approximately 105,000 bpd, 64,000 bpd, 67,000 bpd and 79,000 bpd, respectively.

Petron believes that its competitive advantages include organization, technology, assets, resources and infrastructure. Petron continues to implement initiatives aimed at improving operational efficiencies, managing costs and risks, and maximizing utilization of its assets and opportunities.

***Malaysia***

In the retail service station business, Petron's Malaysian operations compete with five (5) other main participants in the market, namely, Petronas, Shell, Caltex, BHPetrol, and Five Petroleum. Of these five, only Petronas has refinery operations in Malaysia. Market players compete in terms of product quality, customer service, operational efficiency and extent of distribution networks. Pricing of gasoline and diesel at retail service stations is not a competitive factor since the Malaysian government regulates the pricing these products through the APM.

Petron continues to grow its retail market share to more than 21%, with over 740 service stations in Malaysia as of June 30, 2022. With its customer-centric programs, service station facilities upgrades, continued retail network expansion program, introduction of innovative product lines, and improvements in logistics and refinery capabilities, Petron believes that it is well positioned to compete in the retail segment.

Petron continues to face intense competition in the industrial, aviation and wholesale market segments from other local and multi-national oil companies. Petron uses its local production from the Port Dickson Refinery and its strategic terminal locations across Malaysia to remain competitive in these segments. Besides the mini stations, fisheries and some selected transportation sectors, which are governed by the APM, other sectors do not benefit from the subsidies provided for under the APM. Major participants resort to aggressive pricing in these segments in order to expand market share. The aviation market is also very competitive, as the three (3) local refiners offload their jet fuel through the MPP to KLIA. Sales of jet fuel at the other Malaysian airports are supplied by the oil companies having the necessary storage and logistics capability. In the LPG segment, Petron competes with Petronas and NGC Energy Sdn Bhd, among others. The APM applies only for sales of LPG for domestic/household cylinders while industrial and bulk LPG are not covered. Competition in this market is driven by supply reliability, dealer network efficiency and customer service. Petron, being well established, remains competitive in this segment. Overall, Petron's commercial sales volume registered significant growth in all sectors as a result of the company's reliable and steady supply of quality fuel to sectors such as transportation, manufacturing, construction, mining, agriculture, and power generation. Petron's Malaysia retail sales volumes for the years ended 2019, 2020 and 2021, and the six months ended June 30, 2022 were approximately 83,000 bpd, 68,000 bpd, 67,000 bpd and 89,000 bpd, respectively. In the year 2020, retail sales volume was affected by MCO restrictions in Malaysia due to the COVID-19 pandemic.

The lubricants and specialties market is dominated by traditional global brands as well as established local participants. Petron leverages on its growing network of service stations to market its products and to provide brand presence. Price is a major competitive factor in this market. Petron believes that it is well positioned to compete in this market, due to its efficient blending plant and supply chain, and national consumer promotion through service station and independent workshops.

**Customers**

The Fuel and Oil business is not dependent on one or a few major customers.

**Health, Safety and Environmental Matters**

Petron is guided by its Corporate Health, Safety and Environment Policy ("**Corporate HSE Policy**"). The principles of the Corporate HSE Policy apply to all assets, facilities, and operating and support groups of Petron. Petron has a Corporate Technical Services Group ("**CTSG**") responsible for formulating, implementing and enforcing its employee health, safety and environment policies, as well as ensuring compliance with applicable laws and regulations in the Philippines.

**Research and Development**

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

R&D develops revolutionary products that meet and exceed the highest industry quality standards. Petron utilizes appropriate technology in developing new fuel and lubricant products to improve product performance, quality level and cost-effectiveness. R&D also continuously seeks ways to develop more eco-friendly petroleum products. The company remains fully compliant with all government laws and regulations such as the Clean Air Act and the Biofuels Act. R&D also introduced low-viscosity engine oils which aim to reduce automotive fuel consumption. It formulated Blaze Racing Fully Synthetic SAE 0W-20 with American Petroleum Institute (API) Engine Oil licensing as Resource Conserving.

In addition to these regulations, Petron also secures stringent certifications and approvals from global industry certifying institutes and original equipment manufacturers to be more competitive both in local and international markets. These approvals are applicable to specific Petron products in the Philippines, Malaysia, China, Brunei, and Cambodia.

In 2019, the R&D group also spearheaded the implementation of Total Quality Management ("**TQM**") at the terminals and Petron Research and Testing Centers ("**PRTC**") laboratories. TQM is a management system where all members of the organization participate and work together in improving processes by eliminating unnecessary steps and doing value-adding and innovative activities, thereby resulting to a more efficient, productive, and cost-saving operations. Expenses relating to research and development amounted to approximately ₱76 million in 2019, approximately ₱66 million in 2020, and approximately ₱9.5 million in the first six months of 2022.

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

As of June 30, 2022, R&D has 27 regular employees**.** Its testing facilities are ISO/IEC17025 certified – a testament to its ability to perform tests and analyses in accordance with global standards. R&D also has long-standing partnerships with leading global technology providers in fuels, lubricants and grease products. In addition, it provides technical training to keep internal and external customers updated of the latest technology trends in the industry.

**ENERGY BUSINESS**

SMC operates its energy business through its wholly-owned subsidiary, SMC Global Power.

SMC Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,734 MW of combined capacity as of June 30, 2022. SMC Global Power benefits from a diversified power portfolio, including natural gas, coal, renewable energy such as hydroelectric power and more recently, BESS. Based on the total installed generating capacities reported in the ERC Resolution on Grid Market Share Limitation, SMC Global Power believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case as of June 30, 2022.

SMC entered the power industry in 2009 following the acquisition of rights to administer the output produced by Independent Power Producers ("**IPPs**") in privatization auctions conducted by the Government through **PSALM**. The following companies under the SMC group became the IPPA of the following plants: (1) San Miguel Energy Corporation ("**SMEC**") became the Independent Power Producer Administrator ("**IPPA**") for the Sual Power Plant, a coal-fired thermal power plant located in Sual, Pangasinan, in November 2009; (2) Strategic Power Devt. Corp. ("**SPDC**") became the IPPA for the San Roque Power Plant, a hydroelectric power plant located in San Manuel, Pangasinan in January 2010; and (3) South Premiere Power Corp. ("**SPPC**") became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas in June 2010 (the Sual Power Plant and San Roque Power Plant are collectively referred to as the "**IPPA Power Plants**," the Ilijan Power Plant was turned over by PSALM to SPPC pursuant to the Deed of Sale dated June 3, 2022 upon expiration of the Ilijan IPPA Agreement).

An IPPA under the relevant IPPA agreement has the right to sell electricity generated by the power plants owned and operated by the relevant IPPs without having to bear any of the large upfront capital expenditures for power plant construction or maintenance. As an IPPA, each of SMEC and SPDC also has the ability to manage both market and price risks by entering into bilateral contracts with offtakers while capturing potential upside from the sale of excess capacity through the wholesale electricity spot market (the "**WESM**").

In September 2010, SMC consolidated its power generation business through the transfer of its equity interests in SMEC, SPDC and SPPC to SMC Global Power. SMC Global Power also became a wholly-owned subsidiary of SMC. Since then, SMC Global Power has controlled the 2,545 MW combined contracted capacity of the IPPA Power Plants and Ilijan Power Plant through the IPPA agreements executed by SMEC, SPDC and SPPC, respectively.

Building on its experience as an IPPA since SMC's transfer of interests in SMEC, SPDC and SPPC, SMC Global Power embarked on the development of its own greenfield power projects. In 2013, SMC Global Power initiated two (2) greenfield power projects, namely, the construction of the 2 x 150 MW Davao Greenfield Power Plant which is owned by San Miguel Consolidated Power Corporation ("**SMCPC**"), its wholly-owned subsidiary, and the 4 x 150 MW Limay Greenfield Power Plant which is owned by SMC Consolidated Power Corporation ("**SCPC**"), another wholly-owned subsidiary. 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, while Units 1 and 2 of the Davao Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

SMC Global Power also pursued strategic acquisitions to increase its energy portfolio. In November 2014, SMC Global Power, through its subsidiary PowerOne Ventures Energy Inc. ("**PVEI**"), acquired a 60% stake in Angat Hydropower Corporation ("**AHC**"), the owner and operator of the 218 MW Angat Hydroelectric Power Plant (the "**AHEPP**").

In March 2018, SMC Global Power completed the acquisition of 51% and 49% equity interests in SMCGP Masin Pte. Ltd. ("**SMCGP Masin**," formerly Masin AES Pte. Ltd.) from AES Phil Investment Pte. Ltd. ("**AES Phil**") and Gen Plus B.V., respectively. SMCGP Masin indirectly owns, through its subsidiaries, at the time of such acquisition, Masinloc Power Partners Co. Ltd. ("**MPPCL**") and SMCGP Philippines Energy Storage Co. Ltd. ("**SMCGP Philippines Energy**"), formerly AES Philippine Energy Storage Co. Ltd. (SMCGP Masin and its subsidiaries are collectively referred to as the "**Masinloc Group**"). MPPCL owns, operates and maintains the 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) coal-fired power plant and 1 x 351.75 MW (Unit 3) expansion project which commenced commercial operations on September 2020, (together, comprising the "**Masinloc Power Plant**"), and the 10 MWh battery energy storage system project (the "**Masinloc BESS**"), all located in Masinloc, Zambales, while SMCGP Philippines Energy holds the 2 x 20 MWh battery energy storage system facility in Kabankalan, Negros Occidental (the "**Kabankalan BESS**"). The capacity of Phase 1 of Kabankalan BESS is contracted under an Ancillary Service Procurement Agreement with the NGCP with a term of 5 years which commenced in January 2022. SPESCL is currently offering the capacity of Phase 2 of Kabankalan BESS to NGCP in the ongoing competitive selection process for the procurement of ancillary services. On September 19, 2018, Prime Electric Generation Corporation ("**PEGC**") and Oceantech Power Generation Corporation ("**OPGC**"), both wholly-owned subsidiaries of SMC Global Power, purchased the entire partnership interests in SMCGP Philippines Energy from subsidiaries of SMCGP Masin. SMC Global Power was admitted as an additional limited partner of SMCGP Masinloc Partners Co. Ltd. in 2019 (a limited partnership under the Masinloc Group) and of MPPCL in June 2020.

In July 2018, PEGC acquired the entire equity interest of ALCO Steam Energy Corp. in Alpha Water Realty & Services Corporation ("**Alpha Water**"), representing 60% of the outstanding capital stock of Alpha Water. As a result, SMC Global Power now effectively owns 100% of Alpha Water through its subsidiaries, PEGC and MPPCL. Alpha Water is the owner of the land on which the current site of the Masinloc Power Plant in Zambales Province is located.

In February 2020, Strategic Energy Development Inc. ("**SEDI**"), a wholly-owned subsidiary of SMC Global Power, executed an agreement for the acquisition of the 15 MW multi-fuel peaking power plant ("**Tagum Peaking Power Plant**") located at Tagum City, Davao del Norte from EEI Power Corporation to provide back-up power to the Davao Greenfield Power Plant.

In December 2020, the board of directors and stockholders of Mariveles Power Generation Corporation ("**MPGC**") approved the increase in the authorized capital stock of MPGC in which SMC Global Power subscribed to 29,177,717 common shares thereby, increasing SMC Global Power's ownership interest in MPGC from 89.54% to 91.98%, as a result of the waiver by Meralco Powergen Corporation, Zygnet Prime Holdings, Inc., and the other stockholders of MPGC, of their right to contribute additional equity. MPGC is currently constructing a 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan (the "**Mariveles Greenfield Power Plant**") using high efficiency low emission technologies ("**HELE Technologies**") with planned installed capacity of 600 MW.

Unit 3 of the Masinloc Power Plant (351.75 MW) commenced commercial operations on September 26, 2020, increasing the capacity of the Masinloc Power Plant by approximately 50%. SMC Global Power intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each. SMC Global Power has issued Notices of Award and is in the final stage of finalizing the engineering, procurement and construction ("**EPC**") contract for the construction of Masinloc Power Plant Units 4 and 5 which are targeted for completion in 2025.

In addition and as part of SMC Global Power's diversification of its power portfolio away from traditional coal technologies, SMC Global Power, through its subsidiary Excellent Energy Resources Inc. ("**EERI**"), is constructing a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz Proper, Batangas City (the "**Batangas Combined Cycle Power Plant**"). The Batangas Combined Cycle Power Plant will utilize regasified liquefied natural gas ("**LNG**"). The EPC contract with Black & Veatch, BVI (Philippines) Corporation and First Balfour, Inc. for this project was signed in December 2021. The projected construction period is expected to be shorter than the typical construction period for coal-fired power plants, with substantial completion of the first blocks expected in one and a half to two years, compared to three (3) to four (4) years for coal-fired power plants historically. The expected output of the Batangas Combined Cycle Power Plant is contracted to the Meralco after EERI won the competitive selection process conducted by Meralco in January 2021 and was awarded the Power Supply Agreement dated March 2, 2021 for the supply of 1,200 MW contract capacity for 20 years effective November 26, 2024.

In line with SMC Global Power's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, SMC Global Power, through its wholly-owned subsidiary, SMC Global Light and Power Corp. ("**SGLPC**"), is developing a portfolio of solar power projects with an initial aggregate capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February and August 2022, SGLPC obtained a Certificate of Registration from the DOE as a RE developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (221MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source ("**Bataan Solar Project**"). The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Currently, the Bataan Solar Project is in the pre-development stage. The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

SMC Global Power is also engaged in distribution and retail electricity services. In April 2013, SMC Global Power, through SMC Power Generation Corp. ("**SPGC**"), acquired 35% equity stake in Olongapo Electric Distribution Company, Inc. ("**OEDC**"). In October 2013, SMC Global Power entered into a concession agreement for the operation and maintenance of Albay Electric Cooperative, Inc. ("**ALECO**"), which is the franchise holder for the distribution of electricity in the province of Albay in Luzon. All rights, interest and obligations of SMC Global Power under the concession agreement with ALECO were assumed by its wholly-owned subsidiary, Albay Power and Energy Corp. ("**APEC**") on November 2013. SMC Global Power has also expanded its sale of power to a broader range of customers, including retail customers. The two (2) retail electricity supplier ("**RES**") licenses issued to SMC Global Power, through SCPC and MPPCL, 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 Meralco and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. Most of the consolidated sales of SMC Global Power are through long-term take-or-pay offtake contracts most of which have provisions for passing on fuel costs, foreign exchange differentials and certain other fixed costs.

The following table sets forth selected data in respect of SMC Global Power's power generation assets and interests as of the date of this Prospectus.

| | **IPPA Power Plants** | | **Greenfield Plants** | | **JV Plant** | **IPP Power Plants** | |
|---|---|---|---|---|---|---|---|
| | **Sual** | **San Roque** | **Davao** | **Limay** | **Angat** | **Masinloc and Masinloc BESS** | **Ilijan** |
| **Company Name**................ | SMEC | SPDC | SMCPC | SCPC | AHC | MPPCL | SPPC |
| **Date of Incorporation**...... | May 30, 2003 | October 30, 2003 | August 26, 2011 | August 19, 2011 | November 15, 2013 | June 25, 2007 | October 23, 2003 |
| **Operating Segment**......... | Power Generation | Power Generation | Power Generation | Power Generation | Power Generation | Power Generation | Power Generation |
| **Type** ................................ | Coal | Hydro | Coal | Coal | Hydro | Coal and Battery | Natural Gas |
| **Commercial Operations Date**................................ | 1999 | 2003 | 2017 (150 MW); 2018 (150 MW) | 2017 (300 MW); 2018 (150 MW); 2019 (150 MW) | 1967 (112 MW); 1968 (100 MW); 1978 (6 MW) | 1998 (660 MW); 2018 (additional 14 MW)(5); 2018 (10 MWh); 2020 (351.75 MW)(6) | 2002 |
| **Year of Acquisition** ......... | 2009 | 2010 | — | — | 2014 | 2018 | 2010 |
| **Capacity (MW)**................ | 1,000 | 345 | 300 | 600 | 218 | 1,035.75(7) | 1,200 |
| **Technology** ..................... | Pulverized Coal | Storage Hydropower | Circulating Fluidized Bed | Circulating Fluidized Bed | Storage Hydropower | Pulverized Coal(8) and Battery Energy Storage System | Combined Cycle |
| **Emission Levels(1)** | | | | | | | |
| **NOx (ppm)**................ | 168.6 | — | 45.2 | 63.3 | — | 170.9 | — |
| **SOx (ppm)** ................ | 261.6 | — | 71.8 | 111.4 | — | 360.7 | — |
| **PM (mg/Nm$^3$)** ................. | 13.1 | — | 7.7 | 5.7 | — | 112.2 | — |
| **Operator** ......................... | TeaM Sual Corp. | SRPC | Safetech | Mantech | AHC | Mantech | KEILCO |
| **Offtakers(2)** ...................... | Meralco, ECs, DUs, DCCs, Third-Party RES, WESM | Inter-company(4) DU, WESM, RES | ECs, DUs, DCCs | DCCs, ECs, DUs, CCs, WESM | Inter-company,(4) WESM | Meralco, DUs, CCs, WESM, NGCP | Meralco, WESM, Inter-company (4) |
| **IPPA Expiry / Asset Transfer Date(3)** ......... | 2024 | 2028 | N/A | N/A | N/A | N/A | 2022 |

*Notes:*

*(1) See "Safety, Health and Environmental Regulation" for information on DENR emission standards. Emission levels for the Masinloc Power Plant excludes the Masinloc BESS. Emissions as of June 30, 2022.*

*(2) DUs: Distribution Utilities; ECs: Electric Cooperatives; CCs: Contestable Customers; DCCs: Directly Connected Customers; RES: Retail Electricity Supplier.*

*(3) Under the respective IPPA Agreements of SMEC and SPDC, these subsidiaries of SMC Global Power have the right to acquire the Sual Power Plant in October 2024 and the San Roque Power Plant in April 2028, respectively.*

(4) *Within the SMC Global Power group.*

(5) *The retrofit of Masinloc Power Plant Unit 2 completed in 2018 resulted in an increase of its capacity from 330 MW to 344 MW.*

(6) *Masinloc Power Plant Unit 3.*

(7) *Includes the capacity of Units 1, 2 and 3 of Masinloc Power Plant and Masinloc BESS.*

(8) *Masinloc Power Plant Unit 3 utilizes supercritical boiler technology. Units 1 and 2 of the Masinloc Power Plant utilize pulverized technology.*

In addition, SMC Global Power, through SMEC and its subsidiaries, Bonanza Energy, Daguma Agro and Sultan Energy, 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 imminently, 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.

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, SMC Global Power sold 26,133 gigawatt hour ("**GWh**"), 23,900 GWh,24,708 GWh and 13,342 GWh, of power pursuant to bilateral offtake agreements and 1,979 GWh, 2,216 GWh,2,513 GWh and 994 GWh, of power through the WESM, respectively. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, SMC Global Power purchased 1,973 GWh, 1,876 GWh, 2,520 GWh and 1,625 GWh, of power from the WESM, respectively.

For the year ended December 31, 2019, 2020 and 2021, the total consolidated revenue, net income before tax and unrealized foreign exchange gain (loss), and EBITDA of SMC Global Power were ₱135,060 million, ₱17,418 million and ₱34,995 million; ₱115,029 million, ₱22,988 million and ₱41,451 million; and ₱133,710 million, ₱19,521 million and ₱33,542 million, respectively. For the six months ended June 30, 2022, SMC Global Power's total consolidated revenue, net income before tax and unrealized foreign exchange gain (loss), and EBITDA were, ₱102,581 million, ₱6,425 million and ₱14,058 million, respectively.

The table below sets forth the gross profit margin, EBITDA margin and net income before tax and unrealized foreign exchange gain (loss) – net margin of SMC Global Power for the periods indicated:

| | **For the years ended December 31,** | | | **For the six months ended June 30,** |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | **(in millions, except percentages)** | | | |
| | ₱ | ₱ | ₱ | ₱ |
| Revenues | 135,060 | 115,029 | 133,710 | 102,581 |
| Gross profit | 43,302 | 43,133 | 36,802 | 15,238 |
| Gross profit margin(1) | 32.1% | 37.5% | 27.5% | 14.9% |
| EBITDA(2) | 34,995 | 41,451 | 33,542 | 14,058 |
| EBITDA margin(3) | 25.9% | 36.0% | 25.1% | 13.7% |
| Net income before tax and unrealized foreign exchange gain (loss) – net | 17,418 | 22,988 | 19,521 | 6,425 |
| Margin(4) | 12.9% | 20.0% | 14.6% | 6.3% |

*Notes:*

(1) *Calculated as gross profit divided by revenues.*

(2) *EBITDA is calculated as (a) net income (excluding items between any or all of SMC Global Power and its subsidiaries) plus (b) income tax expense (benefit), finance cost (less interest income) and depreciation less (c) foreign exchange gain (loss) and gain on sale of investments, in each case, excluding amounts attributable to Ring-Fenced Subsidiaries. EBITDA should not be viewed in isolation or as an alternative to financial measures calculated in accordance with PFRS.*

(3) *Calculated as EBITDA divided by revenues.*

(4) *Calculated as net income before income tax and unrealized foreign exchange gain (loss) – net divided by revenues.*

**Expansion Projects**

**Power Plant Portfolio**

In December 2020, the board of directors and stockholders of MPGC approved the increase in the authorized capital stock of MPGC in which SMC Global Power subscribed to 29,177,717 common shares thereby, increasing its ownership interest in MPGC from 89.54% to 91.98%, as a result of the waiver by Meralco Powergen Corporation, Zygnet Prime Holdings, Inc., and the other stockholders of MPGC, of their right to contribute additional equity. MPGC is currently constructing the Mariveles Greenfield Power Plant using HELE Technologies with planned installed capacity of 600 MW in Mariveles, Bataan. As of June 2022, all stream turbines and generators for the four (4) units were delivered and the site development of the Mariveles Greenfield Power Plant is approximately 54% complete which is expected to commence commercial operations in 2023.

Unit 3 of the Masinloc Power Plant (351.75 MW) commenced commercial operations on September 26, 2020, increasing the capacity of the Masinloc Power Plant by approximately 50%. SMC Global Power intends to further expand the Masinloc Power Plant by constructing additional units utilizing supercritical boiler technology (Units 4 and 5) with a planned gross installed capacity of 350 MW each. SMC Global Power has issued Notices of Award and is in the final stage of finalizing the EPC contract for the construction of Masinloc Power Plant Units 4 and 5 which are targeted for completion in 2025.

In addition and as part of the SMC Global Power's diversification of its power portfolio away from traditional coal technologies, through its subsidiary EERI, is constructing the Batangas Combined Cycle Power Plant. The Batangas Combined Cycle Power Plant will utilize regasified LNG. The EPC contract with Black & Veatch, BVI (Philippines) Corporation and First Balfour, Inc. for this project was signed in December 2021. The projected construction period is expected to be shorter than the typical construction period for coal-fired power plants, with substantial completion of the first blocks expected in one and a half to two years, compared to three (3) to four (4) years for coal-fired power plants historically. The expected output of the Batangas Combined Cycle Power Plant is contracted to the Meralco after EERI won the competitive selection process conducted by Meralco in January 2021 and was awarded the Power Supply Agreement dated March 2, 2021 for the supply of 1,200 MW contract capacity for 20 years effective November 26, 2024.

SMC Global Power has access or control over approximately 54 hectares of land adjacent to the Ilijan Power Plant. This includes land area and properties along the shoreline with priority to use the foreshore area over a uniquely deep ocean area (15.5m draught) that is close to shore (220 km). SMC Global Power will locate the Batangas Combined Cycle Power Plant on these properties. SMC Global Power is also exploring possible improvements to, or retrofitting of, the Ilijan Power Plant. SMC Global Power, through SPPC, expects to become the owner and operator of the Ilijan Power Plant by June 2022 pursuant to the Ilijan IPPA Agreement. Simultaneously, the existing gas supply from Malampaya will expire and SPPC will need to procure its own natural gas supply.

In this regard, SMC Global Power, through its wholly owned subsidiary, SMCGP Transpower Pte. Ltd. ("**Transpower**"), has executed a terminal use agreement ("**TUA**") with Linseed Field Corporation for the use of a hybrid LNG terminal in Ilijan, Batangas (the "**Batangas LNG Terminal**") by SPPC and EERI, which is intended to provide regasified LNG and storage solutions to the Ilijan Power Plant and the Batangas Combined Cycle Power Plant, and which is being constructed by AG&P, through its subsidiary AG&P Manila. The TUA will allow terminal customers to receive, store and regasify LNG from the global market through the Batangas LNG Terminal. The DOE has issued the Notice to Proceed as well as the Permit to Construct and as of the date of this Prospectus, construction has commenced for the Batangas LNG Terminal and is expected to be completed by fourth quarter of 2022.

SMC Global Power also intends to construct and develop LNG power plants in certain provinces to boost rural electrification. As of the date of this Prospectus, SMC Global Power is finalizing the purchase of SGT-800 gas turbines from Siemens Energy AB for all sites. The said gas turbines are an established technology of Siemens Energy and have a rated capacity of approximately 61%, assuming a two-gas turbine and one (1) heat recovery steam generator configuration. Fuel will be sourced through break bulking arrangement from the planned Batangas LNG Terminal using two (2) to three (3) vessels that will ferry the LNG supply across the sites. These LNG plants will have mini regassification facilities of up to 150 mmscfds and small inland storage of up to 50,000 m3 capability. In addition, SMC Global Power is contemplating the construction, operation and maintenance of liquefied combined cycle natural gas plants in Tabango, Leyte and San Carlos City, Negros Occidental, with capacities of 600 MW and 300 MW, respectively. It is expected that these facilities will also be contracted with distribution utilities and selected key industrial customers embedded in the local utility distribution network. SMC Global Power is evaluating the timing on progressing these projects depending on market conditions, the general state of the Philippine economy and demand, among others. In January 2022, SMC Global Power placed advance orders with Siemens Energy AB for the supply of four (4) gas turbine packages for the Cebu and Zamboanga sites with expected initial shipment of the SGT-800 units between the fourth quarter of 2022 and the second quarter of 2023.

In line with SMC Global Power's decision to significantly reduce its carbon footprint and transition to cleaner sources of energy, through its wholly-owned subsidiary, SMC Global Light and Power Corp. ("**SGLPC**"), is developing a portfolio of solar power projects with an initial aggregate capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February and August 2022, SGLPC obtained a Certificate of Registration from the DOE as a RE developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (221MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source ("**Bataan Solar Project**"). The lease agreements for the property in Bataan and in Isabela where the solar projects will be located have been executed. Currently, the Bataan Solar Project is in the pre-development stage. The generation output of the proposed solar power projects is intended to be offered to various contestable customers.

Meanwhile, SMC Global Power will no longer pursue some of its intended coal facilities, including the previously planned power plant to be located in Pagbilao, Quezon, with planned installed capacity of 600 MW through its wholly-owned subsidiary, Central Luzon Premiere Power Corp. ("**CLPPC**").

SMC Global Power continues to participate in the Government-mandated competitive selection processes ("**CSP**") for power supply agreements ("**PSAs**") with distribution utilities ("**DUs**"), and negotiate for retail supply contracts ("**RSCs**") with contestable customers for these expansion plans. In January 2021, SMC Global Power, through its subsidiaries EERI and MPPCL, participated in the Meralco CSP bidding for Meralco's 1,800 MW supply requirements starting in 2024. The entire 1,800 MW contract in greenfield capacity was awarded to SMC Global Power and it is intended that the output of the planned Batangas Combined Cycle Power Plant will supply 1,200 MW starting November 26, 2024, while Masinloc Power Plant expansion Units 4 and 5 will supply 600 MW starting April 26, 2025, for 20 years. The relevant PSAs were executed with Meralco on March 2, 2021 and were filed with the ERC. As of the date of this Prospectus, the PSAs are pending ERC approval.

**BESS Portfolio**

SMC Global Power, through its subsidiaries Universal Power Solutions, Inc. ("**UPSI**," formerly Limay Power Generation Corporation), MPPCL and SMCGP Philippines Energy, is undertaking the expansion of its portfolio of BESS projects by ~1,000 MWh.

As part of these BESS project expansion plans, SMC Global Power has already commenced commercial operations on January 26, 2022 as ancillary service provider to the NGCP for the Kabankalan BESS (20 MWh), the largest BESS project in the Philippines as of the date of this Prospectus. Further, SMC Global Power is undergoing the completion of construction, testing and commissioning of a total of 690 MWh of BESS capacity across 21 sites within 2022. Of the 21 sites (690 MWh), eight (8) sites (230 MWh) have already completed construction and installation as well as the conduct of ancillary services and grid capability compliance tests by NGCP.

In respect of permits, environmental compliance certificates ("**ECCs**") for 24 sites have been secured as of August 26, 2022. For the remaining eight (8) sites, preparation and consolidation of documentary requirements (i.e., land acquisition, conversion, environmental impact assessment, etc.) are ongoing prior to securing the necessary permits including the ECC. Moreover, BOI registration for 32 sites have been completed, which includes 31 projects that were granted pioneer status by the BOI as of August 26, 2022. Pioneer status provides these projects an extended income tax holiday of six (6) years instead of four (4) years (under non-pioneer status).

In addition, SMC Global Power, through its subsidiaries UPSI, MPPCL and SMCGP Philippines Energy, has executed turnkey contracts with leading battery EPC contractors for 1,000 MWh installed power capacity as of

August 26, 2022. In connection with this, equipment representing 860 MWh of battery modules, 810 MWh of inverters, 670 MWh of core transformers, 840 MWh of enclosures, and 620 MWh of main power transformers have already been delivered at storage areas. Design, manufacturing and shipment are ongoing for 12 out of 41 power transformers, 144 out of 485 units of core transformers, 19,500 out of 150,000 battery modules, 32 out of 290 containers/enclosures, and 119 out of 485 inverters as of August 26, 2022.

Of these ~1,000 MWh BESS projects, 20 MWh have obtained commercial operations, 690 MWh across 21 sites are expected to be substantially complete by 2022, with the remaining 310 MWh across 10 sites expected to be completed in 2023. As of August 26, 2022, overall project completion is approximately 62%. As of the same date, eight (8) sites (230 MWh) have already completed testing and commissioning activities while nine (9) sites (300 MWh) and five (5) sites (160 MWh) are expected to commence in the third and fourth quarter of 2022, respectively.

SMC Global Power, through its subsidiaries, executed a Memorandum of Understanding on January 21, 2020 with battery module manufacturer, Samsung SDI Co. Ltd., granting SMC Global Power preferential customer status and competitive pricing, performance guarantees and extended support periods and warranties, among others. Samsung SDI is recognized worldwide as a reputable battery module manufacturer, with a manufacturing process that has a 2,000-point, real-time, quality control system.

The charts below set out the BESS project completion status per site as of August 26, 2022.

| | PROJECT SITES | Capacity | Access to site | Site-related permits | BOI registration | Site development | EPC *(construction, delivery of equipment)* | Interconnection | ASPA, ERC, WESM | Overall project completion |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **740** | | | | | | | | |
| **1** | Albay | 40 | 100% | 100% | 100% | 91% | 15% | 5% | | 40% |
| **2** | Bataan Site 1 | 40 | 100% | 100% | 100% | 100% | 100% | 100% | 20% | 92% |
| **3** | Bataan Site 2 | 50 | 100% | 100% | 100% | 100% | 100% | 100% | 20% | 92% |
| **4** | Batangas | 40 | 100% | 100% | 100% | 5% | | | | 20% |
| **5** | Bulacan | 20 | 100% | | 100% | | 10% | | | 19% |
| **6** | Pampanga Site 2 | 20 | 100% | 100% | 100% | 10% | 10% | | | 26% |
| **7** | Cagayan | 40 | 100% | 100% | 100% | 100% | 96% | 99% | 20% | 90% |
| **8** | Ilocos Norte | 40 | 100% | | 100% | | 10% | | | 19% |
| **9** | Isabela | 40 | 100% | 100% | 100% | 100% | 96% | 92% | 20% | 89% |
| **10** | La Union | 20 | 100% | | 100% | | | | | 15% |
| **11** | Laguna | 50 | 100% | 100% | 100% | 100% | 92% | 75% | | 83% |
| **12** | Camarines Norte | 40 | 100% | | 100% | | | | | 15% |
| **13** | Nueva Ecija | 40 | 100% | | 100% | | 5% | | | 17% |
| **14** | Pampanga Site 1 | 50 | 100% | 100% | 100% | 100% | 94% | 30% | 20% | 79% |
| **15** | Pangasinan Site 1 | 50 | 100% | 100% | 100% | 100% | 100% | 100% | 20% | 92% |
| **16** | Pangasinan Site 2 | 40 | 100% | | 100% | | | | | 15% |
| **17** | Tarlac | 50 | 100% | 100% | 100% | 100% | 96% | 96% | 20% | 90% |
| **18** | Zambales | 20 | 100% | 100% | 100% | 100% | 99% | 100% | 20% | 92% |
| **19** | Bataan Site 3 | 50 | 100% | | 100% | | | | | 15% |
| | | **190** | | | | | | | | |
| **20** | Kabankalan Phase 1 | 20 | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 97% |
| | Kabankalan Phase 2 | 10 | 100% | 100% | 100% | 100% | 100% | 100% | 20% | |
| **21** | Bohol | 20 | 100% | 100% | 100% | 100% | 100% | 100% | 20% | 92% |
| **22** | Cebu Site 1 | 20 | 100% | 100% | 100% | 100% | 100% | 100% | 20% | 92% |
| **23** | Cebu Site 2 | 20 | 100% | | 100% | | 10% | | | 19% |
| **24** | Cebu Site 3 | 20 | 100% | | 100% | | 41% | | | 31% |
| **25** | Iloilo | 20 | 100% | 100% | 100% | 23% | 43% | | | 41% |
| **26** | Leyte Site 1 | 40 | 100% | 100% | 100% | 100% | 99% | 93% | 20% | 91% |
| **27** | Leyte Site 2 | 20 | 100% | 100% | 100% | 100% | 98% | 30% | 20% | 81% |
| | | **90** | | | | | | | | |
| **28** | Davao Site 1 | 20 | 100% | 100% | 100% | 100% | 98% | 100% | 20% | 91% |
| **29** | Davao Site 2 | 20 | 100% | 100% | 100% | 100% | 100% | 100% | 20% | 92% |
| **30** | Davao del Norte | 10 | 100% | 100% | 100% | 100% | 52% | | | 56% |
| **31** | Misamis Oriental Site 1 | 20 | 100% | 100% | 100% | 100% | 94% | 92% | 20% | 88% |
| **32** | Misamis Oriental Site 2 | 20 | 100% | 100% | 100% | 100% | 93% | 90% | 20% | 88% |
| | | **1,020** | | | | | | | | |

**Strengths and Strategies**

**Strengths**

***Industry leader with a strong growth platform***

SMC Global Power, together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,734 MW of combined capacity as of June 30, 2022. SMC Global Power controls the capacities of among the largest baseload plants in the Philippines, including the Sual Power Plant (the largest coal-fired power plant in the Philippines in terms of installed capacity) and the Ilijan Power Plant (the largest natural gas power plant in the Philippines in terms of installed capacity). The subsidiaries of SMC Global Power, namely SMEC, SPDC and SPPC, for the Sual, San Roque and Ilijan Power Plants, respectively, which have a combined contracted capacity attributable to SMC Global Power of 2,545 MW. SMC Global Power also owns a 60% stake in AHC, the owner and operator of the 218 MW AHEPP, and wholly owns SCPC, SMCPC and MPPCL, the owners of the Limay Greenfield Power Plant, the Davao Greenfield Power Plant and the Masinloc Power Plant and Masinloc BESS, respectively. Based on the total installed generating capacities reported in ERC Resolution on Grid Market Share Limitation, SMC Global Power believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case as of June 30, 2022.

The IPPA business model provides SMC Global Power, through the IPPA subsidiaries, with the benefit of having the right to sell electricity generated by the IPPs without having to incur large upfront capital expenditures for power plant construction, or to bear any related development risk or ongoing preventive maintenance capital expenditures. The IPPA subsidiaries of SMC Global Power manage the amount of power to be produced by the IPP for supply to the customers of the IPPA and sell the power generated by the IPPs either pursuant to bilateral offtake agreements directly with customers or through the WESM. This business model provides SMC Global Power the ability to manage both market and price risk by entering directly into bilateral contracts with established customers while capturing potential upside through the sale of excess capacity through the WESM when spot market prices are attractive.

SMC Global Power’s experience in acting as IPPA and its history of power plant ownership and operation has enabled it to gain significant expertise in the Philippine power generation industry. With this experience, SMC Global Power embarked on its own greenfield power projects and pursued strategic acquisitions. It believes that it is in a strong position to participate in the expected future growth of the Philippine power market, through both the development of greenfield power projects and the acquisition of existing power generation capacity, including NPC-owned power generation plants that are scheduled for privatization as asset sales or under the IPPA framework, cost competitive baseload plants and renewable energy power plants.

To capitalize on changes in the Philippine regulatory structure, SMC Global Power, through certain subsidiaries, holds RES licenses from the ERC, allowing the entry into offtake agreements with contestable customers. SMC Global Power, through SMEC and its subsidiaries, also maintains coal concession assets which, depending on prevailing global coal prices and the related logistical costs, may be tapped to serve as a back-up fuel source for its greenfield coal-fired power plants.

SMC Global Power is expected to expand its market leadership with its ongoing and future expansion that is anchored on cost competitive baseload plants. In addition, SMC Global Power is actively pursuing battery energy storage technology investments and initiatives in the Philippines that will help regulate the transmission grid over the Philippine archipelago, which is inherently prone to voltage and frequency instability.

**Well-positioned to capture future demand growth.**

Demand for electricity in the Philippines is expected to continue to grow. According to the Philippine Energy Plan 2020-2040 published by the DOE, to meet the projected electricity demand including reserve requirements by 2040, the power system capacity addition that the Philippines will need is 69,420 MW under the reference scenario and an additional 92,320 MW under the clean energy scenario with the expected entry of more renewable energy power projects, which is broken down as follows: 2,641 MW for coal, 20,810 MW for natural gas, 381 MW for oil-based and 45,588 MW for renewable technology under the reference scenario and 2,641 MW for coal, 15,430 MW for natural gas, 381 MW for oil-based and 73,868 MW for renewable technology under the clean energy scenario. Moreover, based on SMC Global Power's estimates, despite the continuing build-up of installed capacity, net reliable capacity remains insufficient to meet peak demand. This considers the entry of variable capacities, composed primarily of intermittent renewable energies such as solar and wind, as well as the introduction of flexible technologies, such as BESS, which compensate for the intermittency of the variable capacities.

For the period 2018 to 2022, there is approximately 6,000 MW of private sector-initiated power projects that are either committed or indicative, according to the DOE. Construction of new power plants on average takes a minimum of three (3) years. In addition, the depletion of the supply of natural gas from Malampaya, supplying 25% to 30% of net reliable capacity, may result in a reduction of energy generated by natural gas power plants beginning 2022. Given the gap between projected electricity demand and committed power projects, SMC Global Power expects that there will be a power supply shortage in the medium term until new capacity is built to meet the growing consumption.

SMC Global Power believes it is well-positioned to take advantage of opportunities from continued growth in the Philippine electricity market, as well as from the expected power supply shortage. The latter is exacerbated by an existing base of aging power plants, which will be over 20 years old by 2022 (currently representing 60% of net reliable capacity) and are thus prone to unscheduled shutdowns as well as a large base of seasonal power supply, such as hydropower plants in Mindanao. To meet this need, SMC Global Power has a defined roadmap to increase capacity by developing greenfield power plants and pursuing opportunities to invest in renewable energy projects, particularly in hydroelectric power and solar power projects and complementary technologies such as BESS.

SMC Global Power's expansion projects include the construction and installation of the ~1,000 MWh BESS facilities with a leading global battery EPC contractor. SMC Global Power, through MPGC, is currently constructing a 600 MW coal-fired power plant and associated facilities using HELE Technologies in Mariveles, Bataan. The overall project construction is approximately 54% complete as of June 2022 while the steam turbine for Unit 1 and the generator for Unit 2 arrived at the site in July 2020. SMC Global Power plans to expand its power portfolio through the development and construction of the 1,313.1 MW Batangas Combined Cycle Power Plant and further expansion of the Masinloc Power Plant (Units 4 and 5) by 700 MW. SMC Global Power also intends to construct and develop LNG power plants to boost rural electrification and to develop a portfolio of solar power projects to significantly reduce its carbon footprint. In addition, SMC Global Power is contemplating the construction, operation and maintenance of liquefied combined cycle natural gas plants in certain provinces.

SMC Global Power believes that the increase in demand for electricity will also lead to growth in the ancillary reserve requirements of the country, which creates significant opportunities for BESS projects. SMC Global Power believes that it is well-positioned to capture growth in the reserve market through the expertise it has gained from operating the Masinloc BESS, the first of its kind in the Philippines. The Masinloc BESS provides more efficient ancillary services compared to other technologies, particularly for frequency regulating reserves, because of its instantaneous response time and ability to charge and discharge power. SMC Global Power plans to utilize advanced lithium-ion battery technologies such as nickel-cobalt-manganese ("**NCM**") based lithium-ion batteries which generally have longer useful lives (estimated at 8,200 cycles), high voltage capabilities, large storage capacity and improved roundtrip efficiencies.

Finally, 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.

**Stable and predictable cash flows.**

SMC Global Power, through its subsidiaries, sells power through offtake agreements directly to customers, including Meralco and other distribution utilities, electric cooperatives and industrial customers, or through the WESM. A substantial portion of the combined installed capacity of SMC Global Power is covered by bilateral contracts that cover the term of the IPPA Agreements, where applicable. Revenue from bilateral contracts with offtakers contributed 94%, 95%, 92%, 90% and 93% of total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. For the six months ended June 30, 2022, approximately 49% and 44% of SMC Global Power's consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers, and ancillary services, respectively. Based on the publicly available disclosures of Meralco, the largest distribution utility in the Philippines, SMC Global Power is one of Meralco's largest power suppliers as of June 30, 2022, supplying approximately 25% of Meralco's power purchases. In addition and based on data obtained from the ERC as of March 2022, SMC Global Power believes that it is a major player in the RES markets where it operates.

On September 13, 2019, Meralco issued notices of award to SMEC and SPPC for PSAs for 330 MW and 670 MW, respectively, to supply its baseload power requirements from December 26, 2019 until December 25, 2029. On August 4, 2022, SMEC and SPPC issued separate termination notices to Meralco covering the 1,000 MW baseload capacity that is the subject of joint petition for a temporary price increase with the ERC to allow it to charge its incremental power supply costs. The effectivity date of termination shall be on October 4, 2022, following the 60-day notice period. Meralco filed its Urgent Manifestations before the ERC on August 5, 2022. In August 2022, Meralco conducted the emergency procurement of supply to replace the 1,000 MW baseload capacity. MPPCL, SCPC and SPPC participated in the offer and were awarded 570 MW in aggregated capacity for 1-year power supply commencing on October 4, 2022 and were priced at prevailing fuel cost regime. In addition, on September 16, 2019, Meralco issued another notice of award to SPPC for the supply of 290 MW of mid-merit power requirements from December 26, 2019 until December 25, 2024. The three (3) contracts have been executed between Meralco and the relevant IPPAs, and have been granted provisional authority by the ERC. On February 26, 2021, Meralco issued notices of award to EERI and MPPCL for the supply of 1,200 MW from November 26, 2024, and 600 MW from April 26, 2025, for 20 years. The PSAs were executed with Meralco on March 2, 2021 and are pending the approval of the ERC. On February 2, 2022, SPPC won the CSP conducted by Meralco for the supply of 170 MW (net) contract capacity for a five-month period which will commence upon its approval by the ERC.

These contracts were awarded following the Supreme Court's decision on May 3, 2019 ruling that all PSAs of distribution utilities and electric cooperatives should undergo CSP. This effectively invalidated certain PSAs of Meralco for its greenfield demand totalling almost 3,600 MW. As a result, the DOE moved to immediately implement the CSP requirement and Meralco proceeded to bid out several power supply requirements requiring brownfield and greenfield power sources totalling 1,700 MW and 1,200 MW, respectively. SMC Global Power was awarded an aggregate of 1,290 MW of the 1,700 MW brownfield requirements that were successfully bid out. Meralco, in early 2020, secured the approval of the DOE for the CSP of 1,800 MW greenfield baseload capacity for its requirements in 2024/2025, which includes 1,200 MW capacity from the failed CSP in 2019 and an additional 600 MW from the target 1,500 MW baseload capacity scheduled for bidding in 2020. The 1,800 MW contract capacity was the subject of the CSP conducted by Meralco in January 2021, for which SMC Global Power through its subsidiaries, EERI and MPPCL was awarded the entire 1,800 MW contract.

Meralco is expected to continue to bid out additional greenfield requirements in the next few years. SMC Global Power believes this is an opportunity for SMC Global Power to contract its ongoing and planned expansion projects with Meralco and plans to participate in the future bidding of the greenfield requirements.

These offtake agreements provide SMC Global Power, through its subsidiaries, with stable and predictable cash flow by enabling it to manage both market and price risks. Despite the general volatility in market prices for electric power due to supply and demand imbalances, SMC Global Power has been able to manage such risks through the contracted sale prices with offtakers, which also provide a long-term stable source of demand. The majority of the tariffs under these agreements take into account adjustments for fuel, foreign exchange, and inflation, thereby allowing SMC Global Power to pass through these costs to its offtakers. In addition, SMC Global Power's diversified portfolio of baseload and peaking power plants helps mitigate market risks through long-term, intercompany, replacement power contracts.

**Flexible and diversified power portfolio.**

SMC Global Power has a portfolio that includes some of the newest and largest power plants in the Philippines. The baseload and peaking plants with diversified fuel sources of SMC Global Power allow it to manage costs and offer more competitive baseload power rates. In addition, SMC Global Power also has capacity from its BESS facilities, which can provide more efficient ancillary services, and has synergistic effects with renewable technologies, among other applications. In particular, BESS technologies can strengthen the stability of a grid, while improving power quality.

As of June 30, 2022, the major power assets of SMC Global Power consist of (i) the IPPA Power Plants and the Ilijan Power Plant administered by SMC Global Power, through its subsidiaries, as the IPPA (comprising the Sual Power Plant with SMEC as IPPA representing 21% of SMC Global Power's capacity, the San Roque Power Plant with SPDC as IPPA representing 7% of SMC Global Power's capacity and the Ilijan Power Plant with SPPC representing 25% of SMC Global Power's capacity), (ii) the AHEPP, through AHC, which represents 5% of the capacity of SMC Global Power, and (iii) the power plants owned by SMC Global Power, particularly the Limay Greenfield Power Plant of SCPC, which represents 13% of the capacity of SMC Global Power, the Davao Greenfield Power Plant, which represents 6% of the capacity of SMC Global Power, and the Masinloc Power Plant (with the Masinloc BESS), which represents another 22% of the capacity of SMC Global Power.

Power generated by the Sual Power Plant, Ilijan Power Plant, Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant, is primarily used as baseload supply and sold to customers pursuant to bilateral offtake agreements. Power generated by the San Roque Power Plant and the AHEPP is used as peaking supply, and sold through the WESM or as replacement power to affiliates. The entire capacity of the 10 MWh Masinloc BESS is contracted to the NGCP and provides regulating reserve ancillary services to the Luzon Grid under an ASPA.

As of June 30, 2022, SMC Global Power's coal-fired plants accounted for approximately 62% of its capacity. In addition to the baseload coal-fired plants, SMC Global Power intends to increase its LNG capacities and BESS capacities, which together contribute to increasing the diversity of its generation portfolio. This is guided by the existing energy policy of the Government to provide relatively inexpensive and reliable power to residential and commercial customers without the need for subsidies or escalating tariffs. Feed-in-tariffs for renewable energy projects have been phased out by the Government, which makes it more challenging to embark on large-scale renewable energy projects. SMC Global Power continues to closely monitor all relevant fuel options, including renewables. The planned expansion of its BESS portfolio and gas-fired generation capacity reflects SMC Global Power's objective to reduce its overall carbon emissions and support the Government's climate policies and objectives, including the Philippines' commitments under the Paris Agreement.

SMC Global Power believes that the size and diversity of the fuel supply of its power portfolio reduces the exposure of SMC Global Power and its customers to fuel-type specific risks such as variations in fuel costs, and regulatory concerns that are linked to any one type of power plant or commodity price. SMC Global Power believes that its management of the capacity of this diverse portfolio of power plants allows it to respond efficiently to market requirements at each point of the electricity demand cycle. This diversity helps it to improve the profitability of its portfolio by flexibly dispatching electricity in response to market demand and fuel cost competitiveness. SMC Global Power and its subsidiaries can enter into bilateral contracts and trade in the WESM for the balance of its contracted capacities and energy. By managing the IPPA Power Plants as a single portfolio and actively managing the energy output of the plants, SMC Global Power seeks to offer more competitive electricity rates compared to other power companies with smaller and less diverse portfolios.

**Established relationships with world class partners.**

The IPPA Power Plants are owned, operated and maintained by world-class partners, including Marubeni Corporation, Tokyo Electric Power Corporation and Mitsubishi Corporation. Since entering the power business, SMC Global Power has established relationships with internationally recognized fuel suppliers in Indonesia and Australia, as well as with its customers, including Meralco, its largest customer. SMC Global Power also has strong working relationships with world-class EPC providers, such as Formosa Heavy Industries for its greenfield power plants, and battery EPC providers such as Fluence Energy, Inc. ("**Fluence**," a joint venture between Siemens and AES) for the Masinloc BESS and Kabankalan BESS and ABB, Inc. ("**ABB**") and Wartsila Finland Oy ("**Wartsila**") for BESS projects in the pipeline. SMC Global Power has also entered into and is forging new and strategic relationships with AG&P, for the Batangas LNG Terminal through the TUA, and other LNG players, particularly for LNG Supply and for EPC of the Batangas Combined Cycle Power Plant. AG&P acted as EPC contractor or technical partner for various LNG Terminal projects across the world such as the Bali Hybrid Terminal, Karaikal Gas Terminal, Osaka Gas and has completed and delivered modular regasification units for multiple projects around the world (including in Singapore, South Korea, Turkey and Africa, among others).

SMC Global Power believes that these well-established relationships provide a strong foundation for its existing business and a platform of potential partners for future expansion.

**A member of the San Miguel Corporation group of companies.**

The principal shareholder of SMC Global Power, San Miguel Corporation, together with its subsidiaries, 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 Philippine GDP in 2021[15].16 In addition to its power business, San Miguel Corporation has market-leading businesses in vital industries that support the economic development of the country, including food and beverages, packaging, fuel and oil, infrastructure, property development and leasing, cement, car distributorship and banking.

Under the stewardship of San Miguel Corporation, SMC Global Power has become one of the market leaders in the Philippine power industry in a relatively short period of time. San Miguel Corporation provides SMC Global Power with key ancillary and support services in areas that promote operational efficiency, such as human resources, corporate affairs, legal, finance and treasury functions. SMC Global Power believes it will continue to benefit from the extensive business networks of San Miguel Corporation, its in-depth understanding of the Philippine economy and expertise of its senior management to identify and capitalize on growth opportunities. Given the substantial electricity requirements of the other businesses of San Miguel Corporation, SMC Global Power believes that it can benefit from potential revenue and operational synergies and potentially provide a large captive energy demand base for SMC Global Power.

**Experienced and highly competent management team.**

The senior management of SMC Global Power has extensive experience in the Philippine power industry and has a deep understanding of the Philippine electricity markets with respect to the operational, financial, regulatory, and business development aspects of the operation and management of power plants. The senior management team of SMC Global Power has strong professional relationships with key industry participants, such as the DOE, PSALM, NPC, National Transmission Corporation ("**TransCo**"), NGCP, PEMC and ERC, as well as other government offices and agencies. The employees of SMC Global Power include experienced energy traders who pioneered WESM trading and marketing executives who have established strong relationships with the extensive customer base of NPC. The members of the Executive Committee of SMC Global Power have an average of more than 25 years of experience in executive management and related government experience in the power industry, including strengths in key areas of engineering and finance. The executive and senior management have displayed a strong track record of growth and delivery since SMC Global Power commenced operations in November 2009.

**Strong commitment to stringent environmental policies and pollution controls.**

SMC Global Power closely supervises, controls and processes improvements in the power plants it owns and operates to ensure that regulated emissions are within and below applicable environmental compliance standards. For example, SMC Global Power uses CFB technology in its Limay Greenfield Power Plant and Davao Greenfield Power Plant. CFB technology is a technology employed to transform coal into a fuel source that is relatively low in pollutant emissions. These low emissions are made possible by processes that are not used in non-CFB coal-fired power plants, such as burning coal at low temperature and pressure, chemically washing minerals and impurities from the coal, gasification, treating the flue gases with steam to remove sulfur dioxide, carbon capture and storage technologies to capture the carbon dioxide from the flue gas and dewatering lower rank coals (brown coals) to improve the calorific value, thereby improving the efficiency of the conversion into electricity. In addition, CFB plants have other elements that reduce emissions, such as fine coal grinders, limestone injections, and electrostatic precipitators to capture dust particles that escape the boiler. See "*Safety, Health and Environmental Regulation*."

SMC Global Power is committed to further reduce its emissions. Masinloc Power Plant Unit 3 uses supercritical boiler technology which, relative to an ordinary PC boiler (subcritical), has a significantly better combustion process resulting to improved heat rate of coal, which means less coal is required to produce a megawatt of

[15] Based on data from the SMC consolidated revenues in 2021 divided by Philippine's total revenue sourced from Philippine Statistics Authority.

[16] Based on data from the SMC consolidated revenues in 2021 divided by the Philippines' total revenue sourced from the Philippine Statistics Authority.

electricity. The technology also allows the use of lower calorific value and lower sulfur coal, which is a key factor to lower SOx emissions.

In 2018, SMC Global Power won the following Asian Power Awards: Environmental Upgrade of the Year (Limay Greenfield Power Plant), Power Utility of the Year — Philippines (Davao Greenfield Power Plant) and Innovative Power Technology of the Year Philippines (Masinloc Power Plant). The Asian Power Awards recognize ground-breaking projects and trailblazing initiatives in the power sector in Asia. In 2019, the Davao Greenfield Power Plant was once again awarded by Asian Power Awards as the Power Utility of the Year — Philippines and Environmental Upgrade of the Year — Philippines for its carbon sink and bioindicator project. In the same year, the Masinloc Power Plant also garnered two awards, namely the Power Plant Upgrade of the Year — Philippines for its Ship Unloader Upgrade, and the Information Technology Project of the Year — Philippines for its SAP S4 and ARIBA Migration and Implementation project.

Moreover, SMC Global Power has dedicated teams who monitor environmental compliance with international standards. For example, the Sual Power Plant has an Environmental and Management System Certificate (ISO 14001), Occupational Standard on Health Safety Certificate (ISO 18001) and Quality Management System Certificate (ISO 9001). The same ISO certifications were received by the Davao Greenfield Power Plant and Limay Greenfield Power Plant in 2017 and 2018, respectively, while the Masinloc Power Plant and Masinloc BESS received an Environmental and Management System Certificate and Occupational Standard on Health Safety Certificate in 2014, and the Asset Management System in 2018. The Davao Greenfield Power Plant was the first power plant in the Philippines to receive an Energy Management System Certificate (ISO 50001) in December 2018. The Davao Greenfield Power Plant also received its certification for Asset Management System (ISO 55001) in October 2019 and certification for Business Continuity Management System in January 2021. In 2018, the Occupational Standard on Health Safety Certificate was replaced by the Occupational Health and Safety Management System (ISO 45001). The Masinloc Power Plant and Masinloc BESS received their certification for Occupational Health and Safety Management System in October 2019, while the Davao Greenfield Power Plant, Limay Greenfield Power Plant and Sual Power Plant received their certifications in April 2020, February 2021 and March 2021, respectively.

**Strategies**

**Optimize the installed capacity of its power portfolio and strategically contract capacity to enhance margins.**

SMC Global Power (a) proactively manages its sales in order to achieve a balanced mix of power sales through (i) contractual arrangements with electricity customers including distribution utilities, industrial and commercial customers, and the contestable market and (ii) engaging in power trading through the WESM, and (b) optimizes the operations of its power plant portfolio through maximizing plant utilization, improving individual account and plant margins and minimizing the impact of supply interruptions. This approach provides SMC Global Power with the certainty and predictability of sales from its contracted capacity while being able to realize trading opportunities from the WESM to enhance its margins. The objective of SMC Global Power is to supply power based on the least cost, and to sell available excess power through the WESM at favorable prices.

Specifically, in case of high prices in the WESM, SMC Global Power can optimize its portfolio and take advantage of such pricing and sell the excess output of its power plants to the WESM after delivering the contractual amounts required under its offtake agreements. Alternatively, in case of low prices in the WESM, SMC Global Power can minimize the generation output of its power plants and deliver the contractual amounts required under its offtake agreements either with output from the San Roque Power Plant or with energy purchased from the WESM. In the event of tripping or shutdown of any of its power plants, SMC Global Power can maximize the dispatch of its remaining units by lowering the bid prices so that the bilateral contract quantity requirements will be served without buying at high prices from the WESM.

SMC Global Power plans to utilize capacity from its planned BESS for ancillary services to the grid, particularly frequency regulating reserves, through long-term ASPAs, which have terms of up to 10 years. SMC Global Power may also contract, as applicable, for other applications such as renewables integration, power quality improvement and arbitrage.

SMC Global Power also leverages on the diversity of its portfolio to create operational synergies and improve its supply offers to offtakers. Having a portfolio of baseload and peaking power plants utilizing different fuel sources allows SMC Global Power to actively respond to the needs of its offtakers and the market, particularly with regard to replacement power and pricing competitiveness.

**Well-positioned as a leading baseload power generator utilizing clean power technologies.**

SMC Global Power's greenfield projects in the pipeline include the planned Batangas Combined Cycle Power Plant as well as clean coal-fired plants utilizing CFB and supercritical coal (e.g., Units 3, 4 and 5 of Masinloc Power Plant) technologies. These technologies generally have lower emissions compared to the applicable benchmarks, as well as higher thermal efficiency levels, particularly for natural gas and supercritical coal plants. Capacities from these greenfield plants are well-suited to providing baseload generation to the Philippines, have high availability factors (with the existing Ilijan Power Plant registering an availability factor of 92% for the year of 2021), and are generally strong contenders for securing downstream PSAs, which require HELE technologies.

SMC Global Power believes that the proposed location of the Batangas Combined Cycle Power Plant adjacent to the existing Ilijan Power Plant will create significant operational benefits given the planned Batangas LNG Terminal. When constructed, the Batangas LNG Terminal will be capable of receiving, storing, and regasifying LNG from the global market and supplying the LNG volume requirements of the Ilijan Power Plant and the Batangas Combined Cycle Power Plant. As the Ilijan Power Plant and Batangas Combined Cycle Power Plant are expected to be its major customers, these plants could negotiate for competitive terminal use rates, as well as preferential treatment and rights for terminal capacity under the TUA. For example, SMC Global Power has already negotiated for certain terms under the TUA which it believes would be advantageous as it expands its portfolio of natural gas power plants. These terms include "foundation customer status," which would prioritize SMC Global Power's LNG processing requirements, availability guarantees of up to 97%, and a fixed and essentially viable pricing mechanism for 20 years. SMC Global Power has also negotiated for the planned Batangas LNG Terminal to be accorded "priority project status" by AG&P over AG&P's other projects, which will help ensure supply of natural gas to the Ilijan Power Plant beyond its IPPA.

SMC Global Power believes that its existing and planned natural gas power plant capacities serve as an anchor to its further diversification into clean power technologies and provide a strong foothold for the growth of natural gas power in the Philippines. SMC Global Power, through its subsidiary SPPC became the owner and operator of the Ilijan Power Plant pursuant to the terms of its IPPA Agreement. When the planned 1,313.1 MW Batangas Combined Cycle Power Plant is completed, SMC Global Power is expected to have in operation 2,513 MW of natural gas power plants requiring the equivalent of about 2.2 million tons of LNG per annum or approximately three (3) to four (4) full load LNG carriers per month, which LNG can be sourced from the global market. In view of its existing downstream PSAs, including its Meralco contracts for 1,800 MW for which PSAs were executed between SMC Global Power and Meralco on March 2, 2021, SMC Global Power believes that this volume requirement is significant and firm, and would allow SMC Global Power to competitively negotiate for its LNG supply. This could in turn create further operational flexibilities and reduce its downstream electricity tariffs. SMC Global Power has secured the long-term supply of LNG commencing in January 2025 and medium-term LNG supply for the period June 2022 to December 2024. The terms would provide for essentially viable and fixed pricing and allow for flexible delivery, including scheduling the delivery of LNG in line with downstream requirements aligned with the relevant PSA.

**To be a leading player in the ancillary reserve market and renewable energy initiatives through strategic establishment of battery energy storage systems across the Philippines.**

SMC Global Power believes that it has a strong competitive advantage on BESS as ancillary services provider and plans to leverage on its experience operating the Masinloc BESS, the first of its kind in the Philippines, and become a leading BESS player in the Philippines by expanding its portfolio of BESS projects to about ~1,000 MWh. Of these ~1,000 MWh BESS projects, 20 MWh have obtained commercial operations, 690 MWh across 21 sites are expected to be substantially complete by 2022 and the remaining 310 MWh across 10 sites is expected to be completed in 2023. In addition, 740 MWh are expected to be located in Luzon, 190 MWh in Visayas and 90 MWh in Mindanao. Furthermore, SMC Global Power has acquired ownership or has entered into agreements with rights of access or possession of 32 sites out of which one site has already reached commercial operations, and 21 sites are in advanced stages of site development, construction and testing and commissioning activities. NGCP has issued 27 system impact studies and 26 facility studies relating to these projects. In addition, 32 registration certificates have been issued by the BOI. As part of its plan to expand its portfolio of BESS projects, SMC Global Power has entered into agreements with its EPC contractors, Fluence, ABB and Wartsila. Notably, Fluence and ABB have agreed to provide their services exclusively to SMC Global Power in the Philippines, while Wartsila has agreed to exclusively act as EPC contractor in selected sites in the Philippines.

Integral to this expansion plan is the strategic locations of BESS facilities across Luzon, Visayas and Mindanao. SMC Global Power has identified key locations where there are power quality problems or renewable energy projects and plans to install facilities in close proximity to the substations of the grid. For example, the Kabankalan BESS is located in Negros Island in the Visayas region. Negros has a demand of 360 MW, but the majority of the capacity in the island comes from solar plants with a total capacity of 330 MW. In particular, SMC Global Power has identified the area next to Kabankalan substation, as an ideal location for the BESS project.

SMC Global Power believes that given the increasing entry of renewable energy sources, which by their nature are susceptible to inconsistent and sometimes unreliable output, coupled with the sustained growth of electricity demand over the medium to long term, the market for reserve power and ancillary services will grow significantly. For example, the Masinloc BESS currently provides intra-hour instantaneous frequency regulating reserves to the grid, which helps maintain the grid frequency, or the balance between supply and demand in the electricity networks. Compared to other technologies, BESS provide frequency regulation reserves by charging and discharging from and to the grid, effectively doubling its ability to regulate grid frequencies.
BESS can complement renewable technologies, such as solar and wind, by compensating for sudden drops in generation of these plants due to natural phenomena, or by storing energy from these renewable sources for use during those periods where energy demand from the grid is highest. As such, BESS can support and complement the entry of renewable energy projects. SMC Global Power also envisions maximizing the sites of future BESS projects by evaluating the possibility of establishing renewable technologies such as solar and wind (based on the availability of the resource for the area) alongside the planned BESS facilities. Such integrated renewable energy sources and BESS facilities are expected to provide clean, reliable, and resilient sources of energy and reserves to the grid.

In addition to supporting the entry of renewable energy, SMC Global Power plans to develop a variety of battery applications in partnership with leading battery developers in the world. These include the provision of power quality improvement, peak-shaving, energy aggregation, network upgrade deferral, black start, microgrid application, and other ancillary services, such as reactive power support and contingency reserves.

**Continue to grow its power portfolio through the development of greenfield power projects, acquisition of power generation capacity in line with regulatory and infrastructure developments and development of renewable energy projects.**

SMC Global Power intends to utilize its strong platform, extensive relationships and experienced management team to address the growing demand for power in the Philippines. SMC Global Power plans to continue its strategic development of greenfield power projects in parallel with its plan to acquire existing power generation capacity. SMC Global Power balances the need for reliable and cost-efficient operations with environmental performance, and views clean coal technologies and LNG power plants as viable and sustainable options for its greenfield power projects.

In addition to its strategy to grow its power portfolio, SMC Global Power is focused on further investments in battery technology to add to the existing 10 MWh Masinloc BESS and the 20 MWh Kabankalan BESS. SMC Global Power also actively seeks to identify and pursue renewable energy investments such as hydroelectric power and solar power projects, subject to the outcome of viability and feasibility analysis. SMC Global Power, through its wholly-owned subsidiary, SGLPC, is developing a portfolio of solar power projects with an initial capacity of 800 MWp across various sites in Luzon including in the provinces of Bataan and Isabela. The proposed solar projects will be situated in areas with moderate to high photovoltaic potential. In February and August 2022, the SGLPC obtained a Certificate of Registration from the DOE as a RE developer for a solar project located in Bataan and has entered into a Solar Energy Operating Contract (221 MWp) with the DOE for the development and operation of RE projects using solar energy as a renewable source. 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 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 Grid and Visayas Grid, 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 strategically locating them in high-demand areas and in areas with the closest proximity to the grid. SMC Global Power is considering the further expansion of its power portfolio of new capacity nationwide through greenfield power plants over the next few years, depending on market demand. See "—Overview—Expansion Projects." SMC Global Power plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. SMC Global Power is confident from its experience in building the Limay and Davao Greenfield Power Plants that it will be able to build new cost competitive plants.

**Vertically integrate complementary businesses in order to diversify its energy portfolio.**

SMC Global Power continues to expand into businesses along the power sector value chain that complement its current power generation business. SMC Global Power has obtained RES licenses, through certain subsidiaries, to expand its customer base and diversify its sales. With the open access and retail competition fully implemented, the RES licenses allow SMC Global Power to enter into retail electricity supply agreements with contestable customers. In addition, SMC Global Power has invested in distribution assets, namely OEDC and APEC, which create a competitive advantage through integrated generation and distribution operations.

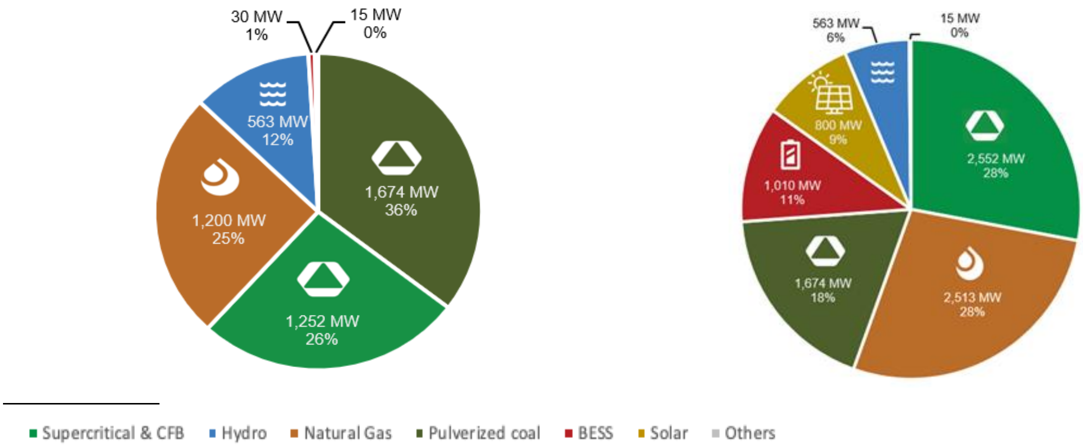
Furthermore, depending on the prevailing global coal prices and the related logistical costs, SMC Global Power could initiate coal exploration, development and production rights over approximately 17,000 hectares of land in Mindanao held through SMEC and its subsidiaries. SMC Global Power could develop these assets, which could potentially provide a significant additional source of coal fuel for its planned and existing greenfield power plants. SMC Global Power believes that the successful integration of viable coal mining operations into its power generation business could provide it with an additional competitive advantage over its competitors in the local power industry.

**Continue to pursue and develop measures to reduce emissions and operate power plants within and below applicable environmental compliance standards.**

SMC Global Power continuously supervises, controls and improves processes in the power plants it owns and operates to ensure that regulated emissions from operations are within and below applicable environmental compliance standards. With the addition of its BESS capacities, development of renewable energy projects and planned LNG generation capacities, SMC Global Power anticipates improvements in its emissions performance, including carbon emissions intensity, on a portfolio basis. Moreover, SMC Global Power has dedicated technical teams to monitor environmental compliance with international standards. See "*Safety, Health and Environmental Regulation*."

With its current mix of greenfield power projects, SMC Global Power anticipates to significantly reduce the proportion of power generated from traditional pulverized coal technologies in its portfolio by 2025 as it transitions towards high growth, low emission, viable frontier technologies, such as its ~1,000 MWh BESS projects, planned solar power projects and LNG initiatives. SMC Global Power expects this to result in the proportion of power generated from pulverized coal technologies to decrease from 36% to 18% by 2025. Below is the projected combined capacity of SMC Global Power from 2022 to 2025.

*Current Mix (4,734 MW)*[1] *Forecasted Mix (9,127 MW)*[2]




*Notes:*

*(1) Mix as of June 30, 2022. Masinloc BESS, Kabankalan BESS and Tagum Peaking Power Plant represents 0.21%, 0.42% and 0.32% of installed capacity, respectively.*

*(2) 2025 Expected Fuel/Technology Mix of SMC Global Power includes the 600 MW Mariveles, 700 MW Masinloc Units 4 and 5, 1,313.1 MW Batangas Combined Cycle Power Plant, about 1,000 MWh BESS expansion projects and 800 MWp solar power projects.*

**Projected Combined Capacity**

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| **SMC Global Power** ............................................. | 5,424 | 7,114 | 8,427 | 9,127 | 9,127 |
| **Baseload** ..................................................... | 4,126 | 4,726 | 6,039 | 6,739 | 6,739 |
| **Others** ........................................................ | 1,298 | 2,388 | 2,388 | 2,388 | 2,388 |

**Leverage operational synergies with San Miguel Corporation group of Companies.**

SMC Global Power creates operational synergies within and among its subsidiaries by performing key management functions at the holding company level under management agreements. Key management functions include sales and marketing, energy trading, finance, legal, human resources, and billing and settlement. This allows all the subsidiaries to benefit from the wealth of experience of the management team of SMC Global Power while optimizing initiatives at a portfolio level. SMC Global Power also intends to establish customer relationships with the other subsidiaries and affiliates of San Miguel Corporation for the sale and supply of power. In addition, SMC Global Power, through its subsidiaries, Daguma Agro, Bonanza Energy and Sultan Energy, owns various coal properties that it may develop as a hedge against international coal price fluctuations.

**SMC Global Power Portfolio**

***Sual Power Plant***

The Sual Power Plant is a 2 x 647 MW coal-fired thermal power plant located in Sual, Pangasinan on the Lingayen Gulf that commenced commercial operations in October 1999. It is the largest coal-fired thermal power plant in the Philippines in terms of installed capacity. The Sual Power Plant was built by CEPA Pangasinan Electric Limited pursuant to an ECA with NPC under a 25-year Build-Operate-Transfer ("**BOT**") scheme that expires on October 24, 2024.

On September 1, 2009, SMEC, was declared the winning bidder and received the notice of award for the IPPA for the Sual Power Plant. On November 6, 2009, SMEC assumed the administration of the capacity of the Sual Power Plant in accordance with the provisions of the Sual IPPA Agreement.

*Sual IPPA*

SMC Global Power, through its wholly-owned subsidiary, SMEC, has the contractual right to manage, control, trade, sell or otherwise deal in up to 1,000 MW of the generation capacity of the Sual Power Plant pursuant to the Sual IPPA Agreement. TeaM (Philippines) Energy Corporation, an affiliate of TeaM Energy, is allowed to sell the remaining balance of 200 MW. Accordingly, for purposes of this Prospectus, the contracted capacity of the Sual Power Plant is 1,000 MW.

SMEC must supply and deliver, at its own cost, the fuel that is necessary for the power plant to generate the power that SMEC requires TeaM Energy to produce. TeaM Energy is responsible for supplying fuel at its own cost to the Sual Power Plant to produce power in excess of the dispatch instructions of SMEC.

SMEC pays PSALM a monthly fee that consists of a fixed payment and a variable energy fee.

*Power Offtakers*

The capacity of the Sual Power Plant is fully contracted to various distribution utilities, electric cooperatives, directly connected customers and third-party RES under existing PSCs.

For energy-based contracts entered into by SMEC directly with offtakers on a bilateral basis, pricing is based on a reasonable return over the cost structure of SMEC.

For capacity-based contracts, pricing is based on a fixed and variable payment. The fixed payment represents the monthly fixed payments to PSALM and fixed operating and maintenance expenses. The variable payment represents the energy fee, fuel, and variable operating and maintenance expense.

*Fuel Supply*

SMEC has existing coal supply agreements with Vitol Asia Pte. Ltd., PT Trubaindo Coal Mining and PT Bayan Resources Tbk for the period until December 31, 2023, to ensure a steady supply of coal for SMEC. Further, negotiations with the existing suppliers are annually done for additional volume to cover balance-year quantities and contract base volume for forward years and SMEC continues to accredit coal supply acceptable for plant operations for more optionality and supply security. Pricing under the coal supply agreements is linked to the Global Coal NewCastle index, subject to adjustment based on agreed standards applicable to the quality of the coal delivered. Sual Power Plant continuously monitors coal market activity for future contracting of supply in succeeding periods.

*Operations and Maintenance*

The Sual Power Plant is operated by TeaM Energy, the successor-in-interest of CEPA Pangasinan Electric Limited. Under the Sual ECA, TeaM Energy is responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Sual Power Plant. TeaM Energy is required to use its best endeavors to ensure that the Sual Power Plant is in good operating condition and capable of converting fuel supplied by SMEC under the Sual IPPA Agreement, into electricity in a safe and reliable manner.

***Ilijan Power Plant***

The Ilijan Power Plant commenced commercial operations on June 5, 2002, and is located on a 60-acre site at Arenas Point, Barangay Ilijan, Batangas City. The Ilijan Power Plant was constructed and was previously owned by KEPCO Ilijan Corporation ("**KEILCO**") pursuant to a 20-year ECA with NPC under a BOT scheme that expires on June 4, 2022. The Ilijan Power Plant was turned over by PSALM to SPPC pursuant to the Deed of Sale dated June 3, 2022 upon expiration of the Ilijan IPPA Agreement The Ilijan Power Plant consists of two (2) blocks with a rated capacity of 600 MW each.

NPC/PSALM supplies natural gas to the Ilijan Power Plant from the Malampaya gas field in Palawan under a gas supply agreement with Shell Exploration Philippines BV during the IPPA cooperation period. The Ilijan Power Plant can also run on diesel oil stored on site.

On April 16, 2010, SMC successfully bid for the appointment to be the IPP Administrator for the Ilijan Power Plant and received a notice of award on May 5, 2010. On June 10, 2010, SMC and SPPC, entered into an assignment agreement with assumption of obligations whereby SMC assigned all of its rights and obligations with respect to the Ilijan Power Plant to SPPC. SPPC assumed administration of the Ilijan Power Plant on June 26, 2010, in accordance with the Ilijan IPPA Agreement.

*Ilijan IPPA*

During the IPPA cooperation period, SMC Global Power, through its wholly-owned subsidiary, SPPC, has the contractual right to manage, control, trade, sell or otherwise deal in the generation capacity of the Ilijan Power Plant pursuant to the Ilijan IPPA Agreement. Although the installed capacity of the Ilijan Power Plant totals 1,271 MW, ERC records attribute to SPPC a capacity of 1,200 MW for the Ilijan Power Plant. Accordingly, for purposes of this Prospectus, the contracted capacity of the Ilijan Power Plant is referred to as 1,200 MW.

Under the Ilijan ECA, NPC/PSALM is required to deliver and supply to KEILCO the fuel necessary to operate the Ilijan Power Plant. If natural gas is unavailable, SMC Global Power, through SPPC, may require KEILCO to run the Ilijan Power Plant using diesel fuel. NPC/PSALM remains responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant during the IPPA cooperation period.

SPPC must pay fixed monthly payments comprising both a U.S. Dollar and Peso component. In addition, SPPC must pay monthly generation payments comprising a “must pay” amount for electricity sold up to a given volume (the “**Must Pay Volume**”) and a variable amount for electricity sold in excess of the Must Pay Volume.

*Power Offtakers*

Majority of the capacity of the Ilijan Power Plant is contracted to Meralco under long-term power supply agreements. Meralco conducted CSP for its power supply, in accordance with the DOE CSP Policy. The Ilijan Power Plant was awarded two (2) offtake contracts to supply an aggregate of 960 MW, of which 670 MW is contracted for ten (10) years but is the subject of termination up to October 4, 2022 while the remaining 290 MW is contracted for five (5) years. SPPC was also awarded 120 MW contract from Meralco under the emergency power supply contract for one (1) year.

In the years ended December 31, 2019, 2020, and 2021, and the six months ended June 30, 2022, 87%, 93%, 89%, and 92%, respectively, of the volume of power sold from the Ilijan Power Plant were derived from sales made under offtake agreements. In the years ended December 31, 2019, 2020, and 2021, and the six months ended June 30, 2022, 13%, 7%, 11%, and 8%of the volume of power sold from the Ilijan Power Plant, respectively, were derived from sales made through the WESM.

*Fuel Supply*

Under the Ilijan IPPA Agreement, NPC is responsible for securing the natural gas and diesel fuel supply to the Ilijan Power Plant. Pursuant to a fuel supply and management agreement among Shell Philippines Exploration B.V., Occidental Philippines, Inc., and NPC, NPC supplies natural gas to the Ilijan Power Plant through a 480-km undersea pipeline from the Camago-Malampaya field in Palawan to the Shell Refinery in Tabangao. From there, the natural gas is transported through a 16-inch diameter onshore pipeline running 15 km to the Ilijan Power Plant. SPPC signed an agreement with PNOC for the acquisition of 70.26 petajoule in banked gas from Malampaya last June 23, 2022. To date, however, PNOC has yet to deliver the banked gas.

*Operations and Maintenance*

KEILCO is responsible for the operations and maintenance of the Ilijan Power Plant for 20 years from June 2002. Under the Ilijan ECA, KEILCO is required to operate the Ilijan Power Plant pursuant to certain operating criteria and guidelines, governing the output of 1,200 MW guaranteed contracted capacity, baseload operation, and spinning reserve capability. Under the Ilijan ECA, KEILCO is responsible, at its own cost, for the management, operation, maintenance, including the supply of consumables and spare parts, and the repair of the Ilijan Power Plant. Upon turned over by PSALM in June 2022, the operations and maintenance of the Ilijan Power Plant were transferred to SPPC.

***San Roque Power Plant***

The 345 MW San Roque Power Plant in San Manuel, Pangasinan, commenced operations on May 1, 2003, and is a peaking plant that was constructed by a consortium composed of Marubeni Corporation, Sithe Philippines Holdings, Ltd., and Italian-Thai Development Public Company Limited (the "**Consortium**") pursuant to a power purchase agreement with NPC under a BOT scheme (the "**San Roque PPA**").

The San Roque Power Plant utilizes the Agno River for peaking power, irrigation, flood control and water quality improvement for the surrounding region and comprises three (3) power generation units of 115 MW each. The San Roque Power Plant produced an annual average energy generation of 882 GWh for the calendar years 2011 through 2021, irrigates approximately 39,553 hectares of agricultural land, stores water that would otherwise flood the Pangasinan plains, and improves water quality of the Agno River which, otherwise, would pollute the downstream rivers.

On December 15, 2009, SPDC, a wholly-owned subsidiary of SMC Global Power, successfully bid for the appointment to be the IPPA for the San Roque Power Plant and received a notice of award on December 28, 2009. SPDC assumed administration of the San Roque Power Plant on January 26, 2010 in accordance with the IPPA Agreement with PSALM (the "**San Roque IPPA Agreement**"). PSALM remains responsible under the San Roque PPA to remunerate the IPP of the San Roque Power Plant for the electricity it produces.

*San Roque IPPA Agreement*

Under the San Roque IPPA Agreement, SPDC has the right to manage, control, trade, sell or otherwise deal in the electrical generation capacity of the San Roque Power Plant, while NPC, which owns and operates the dam and related facilities thereof, obtained and maintains water rights necessary for the testing and operation of the power plant. SPDC is required to assist PSALM so that the San Roque Power Plant can draw water from the Agno River required by the power plant and necessary for it to generate the electricity required to be produced under the San Roque PPA of NPC with San Roque Power Corporation ("**SRPC**").

While the contracted capacity of SPDC is 345 MW, it may generate up to 435 MW depending on the water level and inflow to the San Roque reservoir. Accordingly, for purposes of this Prospectus, the contracted capacity of the San Roque Power Plant is referred to as 345 MW.

The San Roque Power Plant is a peaking plant. Under the terms of the San Roque PPA, power and energy are delivered to SPDC at the delivery point (the high voltage side of the step-up transformers) located at the perimeter fence of the San Roque Power Plant site. SPDC is responsible for contracting with NGCP to wheel power from the delivery point.

The San Roque PPA requires NPC to take-or-pay for a minimum amount of power from the San Roque Power Plant. The minimum amount required increases from 85 MW through April 2007, 95 MW from May 2007 through April 2013, 110 MW from May 2013 through April 2017 and 115 MW from May 2017 through April 2028. Under the San Roque IPPA Agreement, SPDC is contractually obligated to purchase the minimum amount of power that NPC is obligated to take-or-pay for under the San Roque PPA.

SPDC pays PSALM a monthly fee that consists of a fixed payment and a variable energy fee. The fixed payment consists of agreed amounts (in U.S. Dollars and Pesos) for the applicable month as set out in the San Roque IPPA Agreement. The specific amount of the fixed monthly payments under the San Roque IPPA Agreement increases over the life of the agreement, and the amounts and timing of such increases are specified in a schedule to the agreement. In any month that the San Roque Power Plant is unable to produce power for at least three (3) non-delivering days, these fixed amounts are reduced in proportion to the number of non-delivering days in that month. A non-delivering day means a 24-hour period during which the San Roque Power Plant is unable to produce power for reasons specified in the San Roque IPPA Agreement, including unplanned outages arising from causes not attributable to SPDC. No reduction in the fixed payment is made if the San Roque Power Plant is unable to produce power due to planned outages.

The energy fee is computed based on the actual energy delivered by the San Roque Power Plant at a fixed price of ₱1.30 per KWh. The actual energy delivered and dispatched by the San Roque Power Plant at any given time is dependent on the water levels in the reservoir and downstream irrigation requirements at that time.

*Water Rights*

The generated output energy of the San Roque Power Plant is limited by the "Irrigation Diversion Requirements" set by the NIA of the Philippines. Water allocation is usually dictated by a rule curve that is derived from historical data of river flows and water demands. A rule curve shows the minimum water level requirement in the reservoir at a specific time to meet the needs for which the reservoir is designed. The rule curve must generally be followed, except during periods of extreme drought and when public interest requires.

Generally, the output energy of San Roque Power Plant is high during planting seasons which cover the months of December through April (dry planting season) and July through September (wet planting season). The water releases from the dam, and thus, energy generation, during the dry planting season is much higher due to the absence of rain. The water rights of NPC are used by the San Roque Power Plant, and NPC, until the date of transfer of the San Roque Power Plant to NPC (or SPDC, as the case may be), must obtain such renewals or extensions as may be required to maintain the water rights in full force and effect at all times. NPC derives its water rights from a permit granted by the NWRB.

*Operations and Maintenance*

SRPC, the successor-in-interest of the Consortium, is responsible for the operations and maintenance of the San Roque Power Plant for 25 years effective May 1, 2003. SRPC is owned by Marubeni Corporation and Kansai Electric Power Company Ltd. Under the San Roque PPA, SRPC is responsible for the management, operation, maintenance and repair of the San Roque Power Plant at its own cost until transfer to NPC or SPDC, as the case may be. As operator, SRPC is entitled to conduct the normal inspection, regular preventive maintenance, repair and overhaul for a period of 15 days for each unit comprising the San Roque Power Plant. In addition, SRPC has the right to enter into contracts for the supply of materials and services, including contracts with NPC; appoint and remove consultants and professional advisers; purchase replacement equipment; appoint, organize and direct staff; manage and supervise the power plant; establish and maintain regular inspection, maintenance and overhaul procedures; and otherwise run the power plant within the operating parameters set out in the San Roque PPA.

***Angat Hydroelectric Power Plant***

The AHEPP is an operating hydroelectric power plant located at the Angat reservoir in San Lorenzo, Norzagaray, Bulacan, approximately 58 km northeast of Metro Manila. The AHEPP was privatized through an asset purchase agreement between PSALM and Korea Water Resource Corporation ("**K-water**"). K-water assigned its rights in favor of AHC, a joint venture between K-water and PVEI.

The project has a total electricity generating capacity of 218 MW, comprised of four (4) main units of 50 MW capacity each and three (3) auxiliary units of 6 MW capacity each. The Main Units 1 and 2, together with the Auxiliary Units 1 and 2 were commissioned in 1967. The Main Units 3 and 4 were commissioned in 1968. The Auxiliary Unit 3 was commissioned in 1978. The Auxiliary Unit 3 was manufactured by Allis-Chalmer and Ebara and all the other units were manufactured by Toshiba Corporation of Japan. All units are run by the Francis-type turbines, which are the most commonly used model in hydroelectric power generation. In August 2018, AHC completed the rehabilitation and turnover of the Angat Dam and Dykes in accordance with the Operations and Maintenance Agreement with PSALM and NPC.

In September 2021, AHC entered into a Rehabilitate-Operate-Maintain Agreement for Auxiliary Units 4 and 5 with combined capacity of 28 MW, owned by the MWSS and located at the AHEPP. Under the agreement, AHC will rehabilitate Auxiliary Units 4 and 5 and thereafter operate and maintain the same for 23 years under a profit-sharing arrangement with MWSS.

*Fuel Supply and Water Rights*

The AHEPP utilizes water resources of the Angat reservoir. The Angat reservoir is 35 km long and 3 km wide at its widest points and has surface area of 2,300 hectares and viable storage volume of 850 million cubic meters. The water discharged by the project is used for the following two (2) purposes: (i) water discharged through Auxiliary Units and through the spillway that flows to the Ipo reservoir is used to supply 97.0% of the residential drinking water of Metro Manila; and (ii) water discharged through Main Units that flows downstream to the Bustos reservoir is utilized for irrigation purposes.

Water rights surrounding the AHEPP are co-owned and governed by the following entities, with its respective purposes, pursuant to the Water Code of the Philippines, Angat Reservoir Operation Rules issued and regulated by NWRB as implemented by a Memorandum of Agreement on the Angat Water Protocol between MWSS, NIA, AHC, PSALM, NPC and NWRB: (i) MWSS, for domestic water supply to Metro Manila; (ii) provincial government of Bulacan, for water supply in the Bulacan Province; (iii) NIA, for irrigation diversion requirements; and (iv) AHC (through a lease contract with KWPP Holdings Corporation ("**KWPP**")), for power generation.

*Power Offtakers*

AHC sells the majority of its generated capacity to the WESM at the prevalent spot price. The Main Units are operated as peaking units. The strategy for the Main Units is to allocate daily water release during peak hours. Auxiliary Units are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discrete optionality to choose the hour of allocation. AHC periodically enters into short-term power supply contracts for the capacity of its auxiliary units, including replacement contracts with the subsidiaries of SMC Global Power, and continues to explore options to contract this capacity.

*Operations and Maintenance*

AHC undertakes the operation and maintenance of AHEPP. The operations and maintenance team consist of the local technical team who have been operating the AHEPP supported by technical experts seconded from K-water.

AHC has entered into technical services agreements with each of K-water and PVEI to ensure that the appropriate level of technical and management support will be provided to support the operation and maintenance requirements of AHC.

***Limay Greenfield Power Plant***

The Limay Greenfield Power Plant, owned by SMC Global Power through its subsidiary, SCPC, is a 4 x 150 MW CFB coal-fired power plant located in Limay, Bataan, which commenced construction in October 2013. Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant achieved commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively.

The EPC contractors of the Limay Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation. In June 2017, SCPC acquired all of the rights and obligations on the completion of Units 3 and 4 of the Limay Greenfield Power Plant from another wholly-owned subsidiary, Limay Premiere Power Corp. Mantech Power Dynamics Services Inc., a wholly-owned subsidiary of SMC Global Power, is responsible for the operation and maintenance of the Limay Greenfield Power Plant.

*Power Offtakers*

Units 1 and 2 of the Limay Greenfield Power Plant are fully contracted to various distribution utilities, electric cooperatives, directly connected customers and contestable customers, including facilities of SMC subsidiaries, under long-term offtake agreements mostly expiring in 10 years from its effective date, subject to extension upon mutual agreement between the parties. Units 3 and 4 of the Limay Greenfield Power Plant are also contracted with distribution utilities, directly connected customers and contestable customers. For the year ended December 31, 2021, 97% of revenues were from bilateral contracts while the remaining 3% was attributable to revenue from WESM. SCPC was granted a RES license on August 24, 2016, which was valid until

August 23, 2021. SCPC has had preliminary discussions with the ERC for the second renewal of the RES licenses and submitted the renewal application for the RES license of SCPC in May 2021. Pending the completion of the final evaluation of the renewal application, the ERC has extended the validity of SCPC's RES license until September 29, 2022. The RES license gave SCPC the ability to directly contract with contestable customers.

*Fuel Supply*

SCPC has executed three (3) long-term coal supply agreements with PT Bara Tabang with terms of until 2022, until January 31, 2029 and until January 31, 2032, respectively. SCPC also has a long-term coal supply agreement with PT Kaltim Prima Coal which expired on December 31, 2021. Pricing under the coal supply agreements is subject to adjustment based on certain standards applicable to the quality or grade of the coal delivered by the supplier. SCPC has also executed spot coal supply contracts with other suppliers. Bayan is required to supply 24 panamax shipments in 2022 and up to 37 panamax shipments from 2023 up to the end of the term.

**Davao Greenfield Power Plant**

The Davao Greenfield Power Plant owned by SMC Global Power through its subsidiary, SMCPC, is a 2 x 150 MW CFB coal-fired power plant located in Malita, Davao Occidental, which commenced construction in September 2013. Units 1 and 2 of the Davao Greenfield Power Plant achieved commercial operations in July 2017 and February 2018, respectively.

The EPC contractors of the Davao Greenfield Power Plant are Formosa Heavy Industries and True North Manufacturing Services Corporation. Safetech Power Services Corp., a wholly-owned subsidiary of SMC Global Power, is responsible for the operation and maintenance of the Davao Greenfield Power Plant.

*Power Offtakers*

Units 1 and 2 of the Davao Greenfield Power Plant are substantially contracted to various distribution utilities, electric cooperatives and industrial customers under long-term offtake agreements mostly expiring in 10 years from its effective date, subject to extension upon mutual agreement between the parties. For the six months ended June 30, 2022, all revenues were from bilateral contracts.

*Fuel Supply*

SMCPC executed two (2) long-term coal supply agreement with Bayan, effective until January 31, 2029, and January 31, 2032, respectively. Pricing under the coal supply agreement is subject to adjustment based on certain standards applicable to the quality or grade of the coal delivered by the supplier. SMCPC also has executed spot coal supply contracts with other suppliers. Bayan is required to supply 16 panamax shipments in 2022 and up to 18 panamax shipments from 2023 up to the end of the term.

***Masinloc Power Plant and Masinloc BESS***

The Masinloc Power Plant comprises 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) and 1 x 351.75 MW (Unit 3) coal-fired power plant located in Masinloc, Zambales, and is owned and operated by MPPCL. Units 1 and 2 of the Masinloc Power Plant commenced commercial operations in June 1998 and December 1998, respectively, and were originally developed and owned by NPC. Unit 3, which is a brownfield/expansion project within the Masinloc Power Plant, commenced commercial operations on September 26, 2020. MPPCL also owns the Masinloc BESS.

The Masinloc BESS (10 MWh) is a pioneer grid-scale BESS in the Philippines and Southeast Asia. The EPC Contractor for the Masinloc BESS is Fluence, which has installed 1,125 MW in BESS capacity in 95 projects across 20 countries and is a leading vendor for utility-scale energy storage systems, according to Navigant Research.

The Masinloc Power Plant and Masinloc BESS were acquired by SMC Global Power on March 20, 2018, pursuant to its acquisition of 51% and 49% equity interests in SMCGP Masin from AES Phil and Gen Plus B.V., respectively.

*Power Offtakers*

Units 1, 2, and 3 of the Masinloc Power Plant are substantially contracted through medium to long-term bilateral contracts with Meralco, electric cooperatives and contestable customers. For the six months ended June 30, 2022, 93% of revenues were from bilateral contracts while the remaining 7% was attributable to revenue from WESM. The RES license of MPPCL was renewed on June 27, 2016, and is valid until August 1, 2021. MPPCL has had preliminary discussions with the ERC for the second renewal of the RES license and submitted the renewal application in June 2021. Pending the completion of the final evaluation of the renewal applications, the ERC has extended the validity of MPPCL's RES license until September 29, 2022. The Masinloc BESS provides regulating reserve ancillary services to the Luzon Grid under an ASPA with NGCP, under a take-or-pay scheme for capacity payments for both charging and discharging capacity, subject to dispatch protocols and guidelines.

*Fuel Supply*

MPPCL continues to maintain multiple supply agreements, from short- to long-term, and with various reputable mining companies and traders that can deliver the different qualities required by the Masinloc Power Plant with different boilers designs and required coal specifications. MPPCL has two (2) units of sub-critical boiler technology and one unit of supercritical boiler technology that requires different qualities of coal for optimal operations. MPPCL has signed supply contracts with Vitol Asia Pte. Ltd., PT Bharinto Ekatama and an annual agreement with PT Kaltim Prima Coal to cover the base coal requirements of the Masinloc Power Plant. Spot supply is also contracted on an as-needed basis involving suppliers that have previously served MPPCL's requirements. This is to ensure the acceptability of coal to be delivered, with best value pricing, and lower execution risk of the agreement terms. Terms under the contracts are linked to the Global Coal NewCastle Index, appropriately adjusted to the coal quality. The Masinloc Power Plant continuously monitors coal market activity for future contracting of supply in succeeding periods.

**Distribution and Retail Services**

***Albay Power and Energy Corp.***

On October 29, 2013, after an open and competitive bidding, SMC Global Power entered into a concession agreement for the operation and maintenance of ALECO, which is the franchise holder for the distribution of electricity in the province of Albay, Luzon. Under the concession agreement, there is no transfer of the franchise to operate the distribution system and the ownership of the distribution assets remains with ALECO. At the end of the concession period, the distribution system will be turned over back to ALECO. Under the concession agreement, SMC Global Power would pay a concession fee consisting of quarterly payments for the operating expenses of residual ALECO, and 50.0% of the net cash flow if the net cash flow is positive within five (5) years or earlier. SMC Global Power also paid for the severance pay of ALECO employees dismissed as a result of the concession agreement. SMC Global Power established APEC as its wholly-owned subsidiary, and in January 2014, SMC Global Power assigned all of its rights and obligations under the concession agreement to APEC, a wholly-owned subsidiary. On February 26, 2014, APEC assumed the role of SMC Global Power under the concession agreement.

***Retail Electric Supply***

SMC Global Power is pursuing downstream vertical integration by capitalizing on changes in the Philippine regulatory structure to expand its sales of power to a broader range of customers, including retail customers. The three (3) RES licenses issued to SMC Global Power, through SMELC, SCPC and MPPCL, have a term of five (5) years each and were valid until August 21, 2021, August 23, 2021 and August 1, 2021, respectively. SMC Global Power submitted RES license renewal applications for SCPC and MPPCL in May and June 2021, respectively, which are currently undergoing evaluation by the ERC. Pending the completion of the final evaluation of the renewal applications, the ERC has extended the validity of SCPC's and MPPCL's RES licenses until September 29, 2022. The RES license of SMELC was extended until September 5, 2021 to serve the requirements of its one remaining contestable customer pending the transfer of such customer's requirement to another RES. After the expiration of SMELC's RES license, SMELC did not submit a RES license renewal application as it has decided to discontinue its supply business.

The RES licenses allow the relevant subsidiary of SMC Global Power to enter into RSCs with contestable customers and expand its customer base. As of June 2022, SCPC and MPPCL supply an equivalent of 767 MW to various facilities of San Miguel Corporation subsidiaries and other contestable customers. Based on data obtained from the ERC, SMC Global Power believes that it is a major player in the RES markets where it operates, supplying over 130 contestable customers as of June 2022. SMC Global Power currently holds a market share of 19% of the contestable customer market, with Meralco, Aboitiz, Ayala and the EDC group holding 35%, 22%, 8% and 5%, respectively, based on the Competitive Retail Electricity Market Report from the ERC as of June 2022.

***Coal Investments***

Pursuant to its strategy of integrating viable complementary businesses to its power generation business, SMC Global Power, through SMEC and its subsidiaries, Bonanza Energy, Daguma Agro and Sultan Energy, acquired coal exploration, production and development rights over approximately 17,000 hectares of land in Mindanao. Depending on prevailing coal prices and the related logistical costs, SMC Global Power could develop these assets to provide a significant additional source of coal fuel for its power plants, but such assets remain in the preparatory stage of its mining activities, as of June 30, 2022. SMC Global Power continues to evaluate the viability of these assets.

Each of the Coal Operating Contracts ("**COCs**") has a term of ten (10) years from the conversion date of the COC for development and production. The initial 10-year term of each COC may be extended for another 10-year period, and thereafter for a series of three-year periods not to exceed 12 years, in each case subject to agreement between the parties. Sultan Energy has obtained an extension from the DOE up to 2029 while Daguma Agro has obtained an extension from the DOE up to 2028. Bonanza Energy has filed a request for a 10-year term extension. In 2019, Daguma Agro and Bonanza Energy requested the approval of the DOE for the consolidation of their COCs, which remains pending as of the date of this Prospectus.

**Sales Strategy and Customers**

SMC Global Power seeks to sell substantially all of the power generated by its portfolio of power plants to offtakers, whether in the form of distribution utilities, electric cooperatives or contestable customers. For the six months ended June 30, 2022, approximately 49% and 44% of consolidated sales volumes were to (i) Meralco and (ii) other distribution utilities, electric cooperatives, directly connected customers, contestable customers and ancillary services, respectively. Based on publicly available disclosures of Meralco, SMC Global Power believes that it is one of Meralco's largest power suppliers as of June 30, 2022, supplying approximately 25% of Meralco's power purchases. Meralco is the largest distribution utility in the Philippines.

Currently, the capacities of the Ilijan Power Plant and Unit 1 of the Sual Power Plant are subcontracted under long-term offtake agreements with Meralco and its affiliates, while the capacity of Unit 2 of the Sual Power Plant is contracted to various distribution utilities, electric cooperatives, and industrial customers under existing offtake agreements. These agreements typically include take-or-pay provisions whereby a customer is required to pay for a minimum contracted amount of power, regardless of whether or not the customer takes delivery of the entire amount, with the result that revenue from these offtake agreements is relatively stable for the duration of the agreements.

If the generation output available to the subsidiaries of SMC Global Power from these plants exceeds the amount deliverable under their offtake agreements, such subsidiaries of SMC Global Power offer the excess power for sale through the WESM at the market clearing price. SMC Global Power believes that offtake agreements with distribution utilities and electric cooperatives, while subject to approval of the ERC, are relatively better in pricing compared to retail supply contracts with contestable customers. Units 1, 2 and 3 of the Masinloc Power Plant are substantially contracted through medium to long-term bilateral contracts with Meralco, electric cooperatives and industrial customers.

The power generation capacity of the San Roque Power Plant and the AHEPP at any given time depends on the water levels in the reservoir and downstream irrigation requirements. As such, these plants sell the majority of their generated capacity to the WESM at the prevailing spot prices. The San Roque Power Plant and the Main Units of the AHEPP are operated as peaking units. Available water is used to generate power during peak hours when prices are higher.

The Auxiliary Units of AHEPP are operated as baseload units, as the water requirement from MWSS is continuous throughout the day, thus eliminating any discretion to choose the hour of allocation. AHC is exploring options to contract the capacity of its Auxiliary Units.

SMC Global Power plans to contract a substantial portion of the capacity of BESS projects to provide ancillary services to the grid. It can also take advantage of arbitrage opportunities in the WESM, particularly during peak hours when prices may be more than double. BESS projects may also be contracted with other entities such as electric cooperatives or power plants.

In the years ended December 31, 2019, 2020, and 2021, and in the six months ended June 30, 2022, approximately 93%, 92%,91%, and 93%, respectively, of consolidated volume of power sold by SMC Global Power were to customers pursuant to bilateral offtake agreements. Sales to Meralco accounted for approximately 49%, 46%, 48%, and 49%, of the total consolidated sales volume of SMC Global Power for the years ended December 31, 2019, 2020, and 2021, and for the six months ended June 30, 2022, respectively. Sales through the WESM accounted for approximately 7%, 8%, 9%, and 7% of SMC Global Power's total consolidated sales volume for the years ended December 31, 2019, 2020, and 2021, and the six months ended June 30, 2022, respectively.

**Competition**

SMC Global Power is one of the largest power companies in the Philippines. Based on the total installed generating capacities in the ERC Resolution on Grid Market Share Limitation, SMC Global Power believes that its combined installed capacity comprises approximately 19% of the National Grid, 26% of the Luzon Grid and 7% of the Mindanao Grid, in each case as of June 30, 2022. Its main competitors are the Aboitiz Group which holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others, ACEN Corporation("**ACEN**") and First Gen Corporation.

AboitizPower, Aboitiz Group's largest subsidiary, is another top energy player in the Philippines. It has been in business since February 13, 1998. It has four (4) strategic business units: (a) Power Generation, (b) Power Distribution, (c) RES, and (d) Distributed Energy. AboitizPower intends to double its capacity to 9,200 MW by 2030. This is expected to come from a portfolio of renewables and selective baseload builds, with the optionality for either coal or gas facilities. AboitizPower's renewable investments are held primarily through its wholly-owned subsidiary, Aboitiz Renewables, Inc. ("**ARI**"), along with ARI's Subsidiaries and Joint Ventures. AboitizPower is a pioneer in the building and operation of run-of-river mini hydropower plants in the country. Aboitiz power posted total assets, revenues and net income of ₱427.0 billion, ₱134.0 billion and ₱22.0 billion, respectively in 2021. AboitizPower had a total net sellable capacity of 3,962 MW as of February 28, 2022, equivalent to a 17% market share of the National Grid's installed generating capacity. AboitizPower, through Aboitiz Renewables, has also ventured into solar power. It currently operates a 59 MWp solar photovoltaic facility in San Carlos City, Negros Occidental. It also held a groundbreaking ceremony for its 94 MW peak solar project in Pangasinan last February 2022.

ACEN is the listed energy platform of the Ayala Group. It has approximately 3,800 MW, of which 87% or 3,300 MW uses renewable energy, of attributable capacity in the Philippines, Vietnam, Indonesia, India and Australia. ACEN's aspiration is to be the largest listed renewables platform in Southeast Asia, with a goal of reaching 5,000 MW of renewables capacity by 2025. Among its current projects under construction are the 160 MW Pagudpud Wind Farm and 283 MW San Marcelino Solar Farm. For the year 2021, ACEN posted net income, revenue, market capitalization and total shareholders' equity of ₱5.3 billion, ₱26.0 billion, ₱421.0 billion and ₱118.0 billion, respectively. ACEN has recently finished constructing the 72 MWp Arayat-Mexico Solar PV plant in March 2022, and the said plant is already providing electricity to the local grid. It has completed a number of solar energy projects, and intends on expanding its current solar portfolio as part of its grand mission of providing 15 GW of clean energy capacity by 2030.

First Gen owns power plants which utilize clean and indigenous fuels such as natural gas, geothermal energy from steam, hydro-electric, wind, and solar power. First Gen has 3,495 MW of installed capacity in its portfolio, which accounts for 19% of the country's gross generation. Its natural gas portfolio accounted for 60% of First Gen's total consolidated revenues, with geothermal, wind, and solar revenues collectively accounted for 35% and the hydro plants accounted for 5%. Currently, First Gen's 65% controlled Energy Development Corporation ("**EDC**") uses the parcels of land in Burgos, Ilocos Norte, to install and operate the 4.16-MWp Burgos Solar Phase 1 and the 2.66-MWp Burgos Solar Project Phase 2. Also, EDC's subsidiaries, EDC Burgos Wind Power Corporation owns and operates the 150-MWp Burgos Wind Energy Project and EDC Siklab Power Corporation ("**EDC Siklab**") operates solar rooftop systems in various Gaisano Capital's malls located in the provinces of Iloilo, Aklan, Leyte, Southern Leyte and Sorsogon. In addition, the First Gen is also developing an Interim Offshore LNG Terminal located in Batangas City which will allow First Gen the ability to introduce LNG to the Philippines as early as the fourth quarter of 2022 to serve the natural gas requirements of existing and future gas-fired power plants of third parties and First Gen LNG affiliates. For the year ended December 31, 2021, the total consolidated revenue, net income and total assets of First Gen Corporation was ₱110.5 billion, ₱18.1 billion and ₱280.7 billion, respectively. In the Philippine Energy Plan 2020-2040, the energy sector reiterates the transition into a more sustainable and resilient energy system with clean energy fuels and technologies such as solar, wind, hydro, geothermal and natural gas will dominate the country's portfolio for the next two (2) decades. The DOE projects solar will expand and become the dominant power source at 34.1% of installed capacity in 2040 (3.9% in 2020). In addition to the solar projects of First Gen's main competitors, some of the companies in the Philippines with solar projects are Solar Philippines, Citicore Power Inc., and Raslag Corporation.

Solar Philippines claims to be the largest solar company in Southeast Asia, with over 300 MW of generating capacity with 10,000 hectares of land area suitable for solar farms. Its subsidiary, Solar Energy Zones, Inc. ("**SEZI**"), spearheads the development and growth of solar sites. In December 2021, Solar PH made history when one of its subsidiaries, Solar Philippines Nueva Ecija Corporation became the first company be listed under the PSE's Supplemental Listing and Disclosure rules for Renewable Energy companies, providing exemption from PSE's track record and operating history requirements. 63.3 MW and 150 MW solar farms have been built by Solar Philippines' Calatagan and Tarlac subsidiaries, respectively, among other projects already completed. Solar Philippines, through a joint venture with Razon-led Prime Infra, plans to construct a massive 3.5 GW solar facility, the biggest yet in the Philippines. In the long-term, Solar Philippines intends to augment its overall capacity to 10 GW through more solar projects.

Citicore Power Inc. ("**Citicore**") claims to have a portfolio of businesses spanning renewable energy solutions, from solar and hydro power generation, plantations for biomass energy, and water utility distribution facilities. Through its subsidiaries, Citicore has a combined generating installed capacity of 163 MWp of solar installations. Among its projects are the 22.3 MWp solar farm in Clark, Pampanga, the 25 MWp solar farm in Silay, Negros Occidental, and the 60 MWp solar farm in Toledo, Cebu. In 2022, Citicore listed its unit, Citicore Energy Real Estate Investment Trust ("**REIT**") Corp. ("**C-REIT**"), which focuses on income-generating renewable energy real estate properties. For the year 2021, C-REIT posted a revenue and net income of ₱352.3 million and ₱225.9 million, respectively. Raslag Corporation ("**RASLAG**") is a recently listed renewable energy developer which currently focuses on developing solar power projects. Citicore's portfolio consists of two (2) operational solar power plants, the 10.046 MWp RASLAG-1 and the 13.141 MWp RASLAG-2 Solar Power Plants in Pampanga, both of which are running under the Feed-in Tariff Scheme. Also in its portfolio are three (3) additional solar power plants, 18.011 MWp of which is under construction and 95.159 MWp under development. For the year 2021, Citicore posted a revenue and net income of ₱291.8 million and ₱116.2 million, respectively.

With the Government committed to privatizing the majority of NPC-owned power generation facilities and the establishment of WESM, the generation facilities of SMC Global Power will face competition from other power generation plants that supply the grid during the privatization phase. SMC Global Power will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. The performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects within the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

SMC Global Power is one of the largest power companies in the Philippines in terms of baseload and net reliable generation and in terms of ownership of the underlying assets. As a matter of corporate strategy, SMC Global Power contract its available capacity to qualified offtakers primarily to distribution utilities such as Meralco and have contracted over 90% of its installed capacity. SMC Global Power is currently the biggest supplier for the energy requirement of Meralco and also the biggest supplier in the overall utility sector. SMC Global Power ranks the 2nd biggest supplier in the retail energy sector. This only shows that SMC Global Power can effectively compete with other power generators in the industry.

**Customers**

SMC Global Power sells power, through power supply agreements, either directly to customers (distribution utilities, electric cooperatives, industrial customers and retail electricity suppliers) or through the WESM.

| | For the year ended December 31, | | | | | | For the six months ended June 30, | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | | 2022 | |
| **Customers** | **Volume Sold (GWh)** | **Revenue (in millions ₱)** | **Volume Sold (GWh)** | **Revenue (in millions ₱)** | **Volume Sold (GWh)** | **Revenue (in millions ₱)** | **Volume Sold (GWh)** | **Revenue (in millions ₱)** |
| Meralco | 13,816 | 62,795 | 12,117 | 50,498 | 12,967 | 53,313 | 6,995 | 41,612 |
| WESM | 1,979 | 8,167 | 2,216 | 5,208 | 2,513 | 11,221 | 994 | 6,802 |
| **Total Major Customers** | 15,795 | 70,962 | 14,333 | 55,706 | 15,480 | 64,534 | 7,989 | 48,414 |
| Others(1) | 12,317 | 64,098 | 11,958 | 59,323 | 11,741 | 69,176 | 6,347 | 54,167 |
| **Total Sales** | 28,112 | 135,060 | 26,291 | 115,029 | 27,221 | 133,710 | 14,336 | 102,581 |

*Note:*

(1) *Includes Non-Meralco Dus, Ecs, RES, Directly Connected Customers, Contestable Customers, Sales to Distribution Customers, and sales to related parties, which individually contributes less than 20% to the consolidated revenues of SMC Global Power.*

SMC Global Power operates its power plant on a portfolio basis of which about 40.6% of the revenue of SMC Global Power as of June 30, 2022 is from Meralco who has offtake contracts with the Sual, Ilijan and Masinloc Power Plants. Sales to WESM is about 6.6% and the rest to customers to various distribution utilities, electric cooperatives, directly connected customers and contestable customer that accounted to 5% or less of revenues.

**Safety, Health and Environmental Regulation**

Power operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations include the Philippine Clean Air Act of 1999 ("**Clean Air Act**"), the Philippine Clean Water Act of 2004 ("**Clean Water Act**"), Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, the Department of Labor and Employment Occupational Safety and Health Standard of 1989, as amended, and Republic Act No. 11058 (otherwise known as An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Therefor). Such legislation addresses, among other things, air emissions, wastewater discharges as well as the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste. It also regulates workplace conditions within power plants and employee exposure to hazardous substances. The Occupational Safety and Health Standard, meanwhile, was formulated to safeguard the workers' social and economic well-being as well as their physical safety and health.

For its BESS sites, SMC Global Power is committed to ensuring the safety of its employees and the community and has designed measures such as a fire protection system, with a fire wall, automatic fire shutters, and sprinkler system, and a double wall system composed of the blast wall and fire wall, to add additional layers of safety. The fire wall (Boral) has a 60/60/60 fire resistance level meaning it is able to maintain structural adequacy, integrity, and insulation for at least 60 minutes during fire testing. Its thermal regulation features include louver-type windows and doors and dedicated high-voltage air conditioning units. The prismatic cell design of the BESS with can-type battery enclosures provides additional safety features such as its fuse countermeasure and overcharge safety device while also promoting stability, space-efficiency and flexibility. The BESS also has a disaster resilient design, and is able to withstand 7-9 magnitude earthquakes (Seismic Zone 4) and super typhoons (i.e., wind speeds up to 270 kph).

SMC Global Power complies for its company-owned generation plants, and it believes that the IPPs for each of the IPPA Power Plants managed by SMC Global Power comply, in all material respects with all applicable safety, health and environmental laws and regulations. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, SMC Global Power incurred ₱105 million, ₱39 million, ₱34 million and ₱22 million in costs and expenses relating to compliance with environmental laws.

The Sual Power Plant received its Environmental and Management System Certificate (ISO 14001) in 2004, its Occupational Standard on Health Safety Certificate (ISO 18001) in 2007 and its Quality Management System Certificate (ISO 9001) in 2008. The same ISO certifications were received by Davao Greenfield Power Plant and Limay Greenfield Power Plant in 2017 and 2018, respectively, while the Masinloc Power Plant and the Masinloc BESS received an Environmental and Management System Certificate (ISO 14001) and Occupational Standard on Health Safety Certificate in 2014.

For each of its greenfield power plants, SMC Global Power will comply with all applicable safety, health and environmental laws and regulations, including securing the necessary ECC in accordance with Philippine law.

SMC Global Power's coal-fired power plants have maintained levels of emission lower than the standards set by the DENR. The following table sets forth the level of NOx, $SO_2$ and PM emissions of the power plants owned and operated by SMC Global Power, as well as the applicable emission control standards, as of June 30, 2022:

| | **Nox** | | **$SO_x$** | | **PM** | |
|---|---|---|---|---|---|---|
| **Power Plant** | **Emission level** | **DENR Standard** | **Emission level** | **DENR Standard** | **Emission level** | **DENR Standard** |
| | **(ppm)** | | **(ppm)** | | **($mg/Nm^3$)** | |
| Sual Power Plant*.......................... | 168.6 | 732.0 | 261.6 | 524.0 | 13.1 | 200.0 |
| Masinloc Power Plant................... | 170.9 | 732.0 | 360.7 | 524.0 | 112.2 | 200.0 |
| Limay Greenfield Power Plant....... | 63.3 | 487.0 | 111.4 | 245.0 | 5.7 | 150.0 |
| Davao Greenfield Power Plant ...... | 45.2 | 487.0 | 71.8 | 245.0 | 7.7 | 150.0 |

* *Operated under IPPA Agreement*

Supercritical coal technology typically performs better than subcritical coal technology, and is both more efficient and has less CO2 emissions for every unit of generation.

| **Technology** | **Net Thermal Efficiency (%)** | **CO2 Emissions Rate (lb/KWh)** |
|---|---|---|
| **Subcritical**.......................................................................................... | 36% | 2.21 |
| **Supercritical** ...................................................................................... | 42% | 1.94 |

*Source: The Power of High Efficiency Coal, World Coal Association (2016) and Energy Information Administration.*

A comparison of supercritical coal technology local and international emission control standards is provided below. Unit 3 of the Masinloc Power Plant utilizes supercritical coal technology. Its indicative emissions during performance testing, as reported in the Commissioning-Report for Air Emission Guarantees Test conducted by a third party is provided below. The testing was conducted on October 2019 for a total test period of more than 48 hours.

| | **Austra-lia** | **China** | **EU** | **India** | **Japan** | **USA** | **Thai-land** | **Phili-ppines** | **World Bank** | **Masinloc Power Plant Unit 3 Perfor-mance Test** | **Masinloc Power Plant Unit 3 EPC Guaran-tee** |
|---|---|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sox, ppm*............. | 287 | 287 | 573 | 287 | 573 | 390 | 1,476 | 244 | 314 | 24.7 | 76.0 |
| Nox, ppm** ........... | 719 | 206 | 411 | 206 | 411 | 196 | 843 | 486 | 248 | 79.7 | 239.0 |
| PM, $mg/Nm^3$.......... | 50 | 30 | 20 | 30 | 50 | 12 | 80 | 200 | 50 | 4.7 | 400.0 |

*Source: Emission standards, IEA Clean Coal Centre.*

* *converted using conversion factors 2.8571 $mg/Nm^3$ or $mg/m^3$ for 1 ppm for Sox.*

** *converted using conversion factors 2.0493 $mg/Nm^3$ or $mg/m^3$ for 1 ppm of Nox.*

A comparison of the indicative emissions per technology with the applicable emission control standard is as follows:

| | Subcritical | | Supercritical | | |
|---|---|---|---|---|---|
| **Emission** | **Indicative Emissions*** | **DENR Standard** | **Indicative Emissions**** | **EPC Guarantee** | **DENR Standard** |
| **Sox** (ppm) ............................................ | 71.8 | 245.0 | 29.8 | 76.0 | 245.0 |
| **Nox** (ppm)............................................ | 45.2 | 487.0 | 43.1 | 239.0 | 487.0 |
| CO (ppm) ............................................ | 4.5 | 400.0 | 18.4 | 400.0 | 400.0 |
| Opacity (%) ........................................... | 16.3 | 20.0 | 7.0 | 20.0 | 20.0 |
| PM (**$mg/Nm^3$**)....................................... | 7.7 | 150.0 | 18.7 | 50.0 | 150.0 |

| | Subcritical | | Supercritical | | |
|---|---|---|---|---|---|
| **Emission** | **Indicative Emissions*** | **World Bank Standard***** | **Indicative Emissions**** | **EPC Guarantee** | **World Bank Standard***** |
| **Sox** (ppm) ............................................ | 71.8 | 314.0 | 29.8 | 76.0 | 314.0 |
| **Nox** (ppm)............................................ | 45.2 | 248.1 | 43.1 | 239.0 | 248.1 |
| PM (**$mg/Nm^3$**)....................................... | 7.7 | 50.0 | 18.7 | 400.0 | 50.0 |

* *Indicative subcritical emissions refer to Davao Greenfield Power Plant emissions as of June 2022.*

** *Actual figures based on Masinloc U3 Commissioning-Report for Air Emission Guarantees Test conducted by a third party with total test period over 48 hours in October 2019.*

*** *Source: 2008 IFC Environmental, Health and Safety Guidelines.*

For its LNG power plants, SMC Global Power anticipates emissions performance that is better than coal technologies.

| **Metric** | **LNG** | **Benchmark** |
|---|---|---|
| Thermal Efficiency (%)..................................................................................... | 61-63%[(a)] | Min 53%[(b)] |
| Heat Rate (BTU/KWh)...................................................................................... | 6,055[(a)] | Max 6,415[(b)] |
| Nox ($mg/Nm^3$) ................................................................................................ | 34.6[(c)] | Max of 1,500.0[(d)] |
| SOx ($mg/Nm^3$)................................................................................................. | 6.6[(c)] | Max of 1,500.0[(d)] |
| CO ($mg/Nm^3$) .................................................................................................. | 37.4[(c)] | Max of 500.0[(d)] |
| Opacity (%) ...................................................................................................... | 8.5[(c)] | Max of 20.0[(d)] |
| CO2 Emissions (lb per KWh) ........................................................................... | 0.92[(e)] | N/A |

*(a)* *Based on gross efficiency, with net heat rate based on 100% CF derived from 59.4% net efficiency, as stated in offers received by SMC Global Power from EPC contractors for Batangas Combined Cycle Power Plant as of December 31, 2021.*

*(b)* *Estimated LNG plant (GNPHR at 100% CF) converted to thermal efficiency using 3,600 kj/KWh.*

*(c)* *Actual Ilijan Performance —January to June 2022.*

*(d)* *DENR regulations.*

*(e)* *Energy Information Administration.*

In addition, coal mining in the Philippines is subject to environmental, health and safety laws, forestry laws and other legal requirements. These laws govern the discharge of substances into the air and water, the management and disposal of hazardous substances and wastes, site clean-up, groundwater quality and availability, plant and wildlife protection, reclamation and rehabilitation of mining properties after mining is completed and the restriction of open-pit mining activities in conserved forest areas.

Notwithstanding the foregoing, the discharge of chemicals, other hazardous substances and pollutants into the air, soil or water by the power plants owned or managed by SMC Global Power or the coal mines of SMC Global Power may give rise to liabilities to the Government and to local Government units where such facilities are located, or to third parties. In addition, SMC Global Power may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that SMC Global Power make additional capital expenditures or incur additional operating expenses in order to maintain the operations of its generating facilities at their current level, curtail power generation or take other actions that could have a material adverse effect on the financial condition, results of operations and cash flow of SMC Global Power.

Power operations are subject to extensive, evolving and increasingly stringent safety, health and environmental laws and regulations. These laws and regulations include the Clean Air Act, Clean Water Act, Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, the Department of Labor and Employment Occupational Safety and Health Standard of 1989, as amended, and Republic Act No. 11058, otherwise known as An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Therefor. Such legislation addresses, among other things, air emissions, wastewater discharges as well as the generation, handling, storage, transportation, treatment and disposal of toxic or hazardous chemicals, materials and waste. It also regulates workplace conditions within power plants and employee exposure to hazardous substances. The Occupational Safety and Health Standard, meanwhile, was formulated to safeguard the workers' social and economic well-being, as well as their physical safety and health.

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SMC Global Power complies for its company-owned generation plants, and it believes that the IPPs for each of the IPPA Power Plants managed by SMC Global Power comply, in all material respects with all applicable safety, health and environmental laws and regulations.

The Sual Power Plant received its Environmental and Management System Certificate (ISO 14001) in 2004, its Occupational Standard on Health Safety Certificate (ISO 18001) in 2007 and its Quality Management System Certificate (ISO 9001) in 2008. The same ISO certifications were received by Davao Greenfield Power Plant and Limay Greenfield Power Plant in 2017 and 2018, respectively, while the Masinloc Power Plant and the Masinloc BESS received an Environmental and Management System Certificate (ISO 14001) and Occupational Standard on Health Safety Certificate in 2014.

For each of its greenfield power plants, SMC Global Power will comply with all applicable safety, health and environmental laws and regulations, including securing the necessary ECC in accordance with Philippine law.

SMC Global Power's coal-fired power plants have maintained levels of emission lower than the standards set by the DENR. The following table sets forth the level of NOx, $SO_2$ and PM emissions of the power plants owned and operated by SMC Global Power, as well as the applicable emission control standards, for the six months ended June 30, 2022:

| Power Plant | NOx | | SOx | | PM | |
|---|---|---|---|---|---|---|
| | Emission level | DENR Standard | Emission level | DENR Standard | Emission level | DENR Standard |
| | (ppm) | | (ppm) | | (Mg/Nm3) | |
| Sual Power Plant* | 168.6 | 732.0 | 261.6 | 524.0 | 13.1 | 200.0 |
| Masinloc Power Plant | 170.9 | 732.0 | 360.7 | 524.0 | 112.2 | 200.0 |
| Limay Greenfield Power Plant | 63.3 | 487.0 | 111.4 | 245.0 | 5.7 | 150.0 |
| Davao Greenfield Power Plan | 45.2 | 487.0 | 71.8 | 245.0 | 7.7 | 150.0 |

** Operated under IPPA Agreement*

In addition, coal mining in the Philippines is subject to environmental, health and safety laws, forestry laws and other legal requirements. These laws govern the discharge of substances into the air and water, the management and disposal of hazardous substances and wastes, site clean-up, groundwater quality and availability, plant and wildlife protection, reclamation and rehabilitation of mining properties after mining is completed and the restriction of open-pit mining activities in conserved forest areas.

Notwithstanding the foregoing, the discharge of chemicals, other hazardous substances and pollutants into the air, soil or water by the power plants owned or managed by SMC Global Power or the coal mines of SMC Global Power may give rise to liabilities to the Government and to local Government units where such facilities are located, or to third parties. In addition, SMC Global Power may be required to incur costs to remedy the damage caused by such discharges or pay fines or other penalties for non-compliance.

Further, the adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require that SMC Global Power make additional capital expenditures or incur additional operating expenses in order to maintain the operations of its generating facilities at their current level, curtail power generation or take other actions that could have a material adverse effect on the financial condition, results of operations, and cash flow of SMC Global Power.

**Insurance**

Pursuant to the IPPA arrangements of SMC Global Power, the IPPs associated with the power plants for which SMC Global Power is the IPPA are responsible for maintaining insurance for all of the facilities, equipment and infrastructure for those power plants, with the exception of the dam and spillway of the San Roque Power Plant, for which NPC is obligated to maintain insurance. SMC Global Power is not a beneficiary of any of these insurance agreements. SMC Global Power employs risk management for purposes of analyzing the risks faced by its business in the determining the appropriate insurance policies. SMC Global Power does not have business interruption insurance for its IPPA Power Plants and believes that there is no business interruption insurance available for the IPPA business model under which SMC Global Power is currently operating. SMC Global Power maintains the necessary policies to cover such insurable risks for the ownership and operation of the Limay Greenfield Power Plant, Davao Greenfield Power Plant and Masinloc Power Plant and the construction of the Batangas Combined Cycle Power Plant, Mariveles Greenfield Power Plant and the battery projects as are customary in the power generation industry, which are reviewed regularly. See "*Risk Factors—Risks Relating to the Energy Business—Insufficient insurance coverage for generation plants.*"

**Intellectual Property**

SMC Global Power owns exclusive rights to its corporate name. Management believes that the business of SMC Global Power as a whole is not materially dependent on any trademark or on any other intellectual property.

**INFRASTRUCTURE BUSINESS**

SMC has made investments in the infrastructure industry in the Philippines, through its wholly-owned subsidiary, SMHC, consisting of concessions for toll roads, airports, a seaport, bulk water supply and a mass rail transit system.

Certain details of these investments as of June 30, 2022 are set forth in the table below:

| Concession | % SMC Effective Ownership Interest | Expected Project Cost (in millions) | Concession Length |
|---|---|---|---|
| TPLEX | 70.11%[(1)] | ₱29,969 | 35 years |
| Boracay Airport | 99.80%[(2)] | ₱15,312 | 25 years |
| MRT-7 | 100%[(3)] | $1.540 | 25 years |
| SLEX Toll Road (TR) 1, 2, & 3 | 76%[(4)] | Completed | 25 years |
| SLEX TR4 | 76%[(4)] | ₱27,491[(4)] | 25 years |
| Skyway Stage 1 & 2 | 83.45%[(5)] | Completed | 25 years |
| Skyway Stage 3 | 85.50%[(6)] | ₱69,950 | 30 years |
| Skyway Stage 4 | 77.93%[(7)] | ₱56,351 | 30 years |
| NAIAx | 100% | Completed | 30 years |
| Star Tollway | 100%[(8)] | Completed | 30 years |
| Manila North Harbor | 50%[(9)] | ₱14,894 | 30 years |
| Bulacan Bulk Water Supply Stage 1 & 2 | 90%[(10)] | Completed | 30 years |
| Manila International Airport | 100%[(11)] | ₱343,576 | 50 years |
| SLEX TR5 | 90%[(12)] | ₱28,154 | 30 years |
| PAREX | 90%[(13)] | ₱81,528 | 30 years |
| NALEX | 90%[(14)] | ₱148,344 | 30 years |
| SALEX | 90%[(15)] | ₱152,394 | 30 years |

*Notes:*

*(1) Ownership through SMC TPLEX Corporation (formerly Private Infra Dev Corp.), through RTI through SMHC equity interest.*

*(2) Ownership through TADHC, through SMHC equity interest.*

*(3) Ownership through SMC Mass Rail Transit 7 through SMHC equity interest: 100% SMHC to MRT-7*

*(4) Ownership through SMHC equity interest: 95% SMHC to AAIBV, 100% AAIBV to SMC SLEX Holdings Company, Inc. and 80% SMC SLEX Holdings Company, Inc. to SLEX. All major CAPEX has been completed prior to equity acquisition except for TR4.*

*(5) Ownership through SMHC equity interest: 95% SMHC to AAIBV, 100% AAIBV to SMC Tollways Corporation and 87.84% SMC Tollways Corporation to SMCSC. All major CAPEX has been completed prior to equity acquisition.*

*(6) Ownership through SMHC equity interest: 95% SMHC to AAIBV, 100% AAIBV to S3HC and 90% S3HC to SMCSS3C.*

*(7) Ownership through SMHC equity interest: 100% SMHC to SMCI, 77.93% SMCI to SMCSS4C.*

*(8) Ownership through SMHC equity interest: 100% SMHC to Sleep Coop, 40% Sleep Coop to CTCII, 100% CTCII to SIDC and 100% SMHC to Wiselink, 60% Wiselink to CTCII and 100% CTCII to SIDC.*

*(9) Ownership through SMHC common equity interest: 50% SMHC to MNHPI.*

*(10) Ownership through SMHC common equity interest: 90% SMHC to LCWDC.*

*(11) Ownership through SMHC equity interest: 48.44% SMHC, 51.56% SMC to SMAI*

*(12) Ownership through SMHC equity interest: 90% SMHC to SLEX TR5*

*(13) Ownership through SMHC equity interest: 90% SMHC to PAREX*

*(14) Ownership through SMHC equity interest: 90% SMHC to NALEX*

*(15) Ownership through SMHC equity interest: 90% SMHC to SALEX*

For each of the years ended December 31, 2019, 2020 and 2021 and for the six months ended June 30, 2022, the infrastructure business had revenues of ₱23,406 million, ₱14,565 million, ₱ 19,690 million and ₱ 13,425 million; gross profit of ₱14,730 million, ₱5,989 million, ₱10,120 million and ₱7,974 million, and net income of ₱8,597 million, ₱(1,003) million, ₱2,743 million and ₱4,976 million, respectively.

Selected financial highlights for the infrastructure business are provided below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| Sales | 23,406 | 14,565 | 19,690 | 13,425 |
| Gross profit | 14,730 | 5,989 | 10,120 | 7,974 |
| Gross profit margin[(1)] | 63.0% | 41% | 51% | 59% |
| EBITDA[(2)] | 17,177 | 8,599 | 13,804 | 10,580 |
| EBITDA margin[(3)] | 73.0% | 59% | 70% | 79% |
| Net income (loss) before tax | 8,597 | (1,003) | 2,743 | 4,976 |
| Net income (loss) before tax margin[(4)] | 37.0% | -7% | 14% | 37% |

*Notes:*

*(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.*

*(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.*

*(3) EBITDA margin is calculated by EBITDA divided by sales.*

*(4) Net income before tax margin is calculated by net income before income tax divided by sales.*

### Strengths and Strategies

### Strengths

***Project portfolio vital to the growth of the Philippine economy***

SMHC has ownership interests in various companies that hold concession rights in infrastructure projects, which are vital to the development and growth of the Philippine economy. These include operating tollways, such as the SLEX TR 1, 2 & 3, Skyway Stages 1,2 & 3, STAR tollway, TPLEX and NAIAx, serving as the main thoroughfares for motorists. For example, according to the Philippine Statistics Authority data, in 2019, the gross regional domestic product of the Southern Luzon Region is 4.5% which accounts for 14.6% of the total gross domestic product of the country. The SLEX is a key gateway through which business and commerce are transported and conducted throughout this region. The Skyway Stage 3 was opened to motorists and received a Notice to Collect Toll from the TRB last July 12, 2021. SMHC is also spearheading the development of the following projects: Boracay Airport, Manila North Harbor, Skyway Stage 4, SLEX TR4, MRT-7, and the Manila International Airport, which are projected to further support the growth in the areas they will serve.

The decrease in traffic volume in 2020 was caused by the quarantine restrictions due to the COVID-19. As the Philippine economy continues to bounce back with easing of the quarantine restrictions, SMHC believes that there will be an upward trend on traffic volume. Thus, as of June 30, 2022, traffic has already increased by 37% vs. the same period in 2021.

| For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|
| 2019 | 2020 | 2021 | 2022 |
| Annual Average Daily Traffic ("AADT")[(1)] | | | |

| | | | | |
|---|---|---|---|---|
| SLEX TR 1, 2 & 3 .................................. | 366,189 | 274,931 | 335,901 | 368,683 |
| Skyway Stages 1 & 2 ........................... | 257,052 | 167,686 | 199,466 | 233,422 |
| Skyway Stage 3 .................................. | | | 78,479 | 105,997 |
| STAR.................................................... | 62,453 | 50,441 | 61,609 | 68,116 |
| TPLEX(2)............................................... | 24,370 | 14,757 | 17,484 | 25,648 |
| NAIAx .................................................. | 112,708 | 44,184 | 52,883 | 80,526 |

*Notes:*

*(1) AADT refers to the average number of vehicles per day counted per exit in a toll road. Data is sourced through the Accounts Management System of each of the toll roads and are monitored by the Toll Monitoring Department of SMHC.*

*(2) These reflects AADT for partial operations of Section 1 in 2016, Sections 1 and 2 in 2017 and Sections 1, 2 and 3A for 2018 until July 14, 2020. The remaining section 3B (with two exits – Sison and Rosario) was opened on July 15, 2020.*

*(3) These reflects AADT for Skyway Stage 3's start of operations on July 12, 2021.*

***Highly experienced technical team***

The infrastructure business is composed of a highly experienced and qualified technical team, with extensive knowledge in the Philippine infrastructure industry. In addition, the technical team has gained further expertise in the regulatory, business development and financial aspect of the infrastructure business during construction and operations of various infrastructure projects. Strong professional relationships have also been developed with key industry participants, such as DOTr, Department of Public Works and Highways of the Philippines ("**DPWH**"), Civil Aviation Authority of the Philippines ("**CAAP**"), Philippine National Construction Company ("**PNCC**") and TRB as well as reputable construction contractors such as Hyundai Rotem, D.M. Consunji, Inc., EEI Corporation and Matiére S.A.S.

***Strong principal shareholder***

With SMC being one of the largest and most diversified conglomerates in the Philippines, SMHC believes that it can increase its leverage and bargaining ability that is vital for the implementation and completion of its projects. SMC has continuously provided the necessary financial support to the capital-intensive infrastructure business.

Under the stewardship of SMC, SMHC has become one of the major players in the industry in a relatively short period of time. On August 14, 2019, SMC, through SMAI, was awarded the Manila International Airport project when no bidders participated in the Swiss Challenge. The Concession Agreement for the project was signed on September 18, 2019. SMHC believes it will continue to benefit from the extensive business networks of SMC, its in-depth understanding of the Philippine economy, and the expertise of its senior managers to identify and capitalize on growth opportunities.

**Strategies**

***Focusing on the improvement of infrastructure in the Philippines***

SMHC believes there are significant opportunities in building and participating in infrastructure projects in the country that has historically under-invested in infrastructure. These infrastructure projects are expected to support and contribute to the continued growth of the Philippine economy. Thus, SMHC believes its long-term concessions and obtaining new long-term concessions from Government's infrastructure projects in the pipeline will provide strong and stable cash flows.

***Potential to extract synergies across businesses***

SMC's push for infrastructure development supports other businesses of SMC. These capital-intensive infrastructure projects propel businesses like cement, oil and energy especially during the construction stage. Completed or operating infrastructure projects on the other hand create an ecosystem for other businesses to operate more efficiently and enhance its strong distribution network.

Areas and projects being developed by the infrastructure business present opportunities for the other businesses of SMC. For example, the TPLEX, Boracay Airport, MRT-7, SMAI, and other road projects are expected to complement and present opportunities for fuel and oil, energy, and other businesses of SMC, as well as further expand the distribution network for food and beverages business of SMC.

Synergies with the other businesses of SMC will also contribute to the growth of SMHC as partnerships with these companies can create additional income for SMHC through the use of service facilities and advertising space rentals.

**Toll Road Concessions**

In 1977, Presidential Decree No. 1112 was signed authorizing the establishment of toll facilities on public improvements, creating a board for the regulation thereof and for other purposes. It is the same decree that states that the resources of the private sector can be tapped to provide certain infrastructure services to the general public who in return would have the right to collect toll fees in order to get a reasonable rate of return. The TRB (under the DOTr) was then established to be the governing authority of all tolled infrastructure facilities in the Philippines. It is also empowered to enter into contracts, determine public improvements that can be operated as tolls, monitor operations and maintenance of tolled facilities, and approve tariff or toll rates for public infrastructure projects.

Currently, there are nine (9) operational toll road facilities in the country recognized by the TRB, which are the TPLEX, Skyway Stages 1, 2 and 3, NAIAx, SLEX, STAR, Subic-Clark-Tarlac Expressway ("**SCTEX**"), North Luzon Expressway ("**NLEX**"), Manila-Cavite Expressway ("**CAVITEX**"), Muntinlupa Cavite Expressway ("**MCX**"), and Cebu-Cordova Link Expressway ("**CCLEX**"). Skyway Stage 3 was completed and received the Notice to Collect Toll last July 12, 2021. Out of these nine (9) operating toll facilities in the country, five (5) are owned and controlled by SMHC namely Skyway Stages 1, 2 and 3, SLEX, STAR, TPLEX and NAIAx. Several projects are still under construction while some are still in the design and planning stage. SMHC has rights to approximately 964.19 kilometers of total road length serving Metro Manila and other fast-growing regions of Luzon, as set out below.

| TOLL ROAD PROJECT | Length (km) | Status |
|---|---|---|
| **SMC** | | |
| Tarlac Pangasinan La Union Expressway (TPLEX) | 89.21 | Section 1, 2 & 3A Operational. Section 3B Ongoing Construction |
| Skyway (Stage 1 and 2) | 29.59 | Operational |
| South Luzon Expressway (SLEX TR1-TR3) | 36.13 | Operational |
| SLEX Elevated | 7.66 | Ongoing Construction |
| Southern Tagalog Arterial Road (STAR) | 41.90 | Operational |
| NAIAx | 5.46 | Operational |
| Skyway Stage 3 (NLEX-SLEX Link SMC) | 17.93 | Operational |
| Skyway Stage 4/SEMME/ C6 Expressway (Phase 1&2) | 56.74 | For Implementation upon delivery of ROW |
| SLEX TR4 | 66.74 | For Implementation upon delivery of ROW |
| SLEX TR5 | 416.81 | Approved by the Office of the President |
| Pasig River Expressway (PAREX) | 19.37 | Approved by the Office of the President |
| Northern Access Link Expressway (NALEX) | 136.00 | Approved by the Office of the President |
| Southern Access Link Expressway (SALEX) | 40.65 | Approved by the Office of the President |
| **TOTAL SMC……………………………………** | **964.19** | **78.27%** |
| **Others** | | |
| Subic Clark Tarlac Expressway (SCTEX) | 93.77 | Operational |
| North Luzon Expressway (NLEX) | 89.12 | Operational |
| CAVITEX | 13.75 | Operational |
| Cavite Laguna Expressway (CALAX) | 45.35 | Awarded by DPWH – Partially Operational |
| Muntinlupa Cavite Expressway (MCX) | 4.00 | Operational |
| NLEX-SLEX Connector Road | 8.00 | Ongoing Construction |
| Cebu-Cordova Link Expressway (CCLEX) | 8.00 | Awarded by City of Cebu and Municipality of Cordova – Ongoing Construction |

| | | |
|---|---|---|
| Harbor Link Segment 10 | 5.70 | Operational |
| **TOTAL OTHERS……………………………..** | **267.69** | **21.73%** |
| **GRAND TOTAL……………………………** | **1,231.88** | **100%** |

***Tarlac-Pangasinan-La Union Expressway ("TPLEX")***

In August 2009, SMC made its first infrastructure investment by acquiring a 35% (currently 70.11%) stake in SMC TPLEX. SMC TPLEX holds the 35-year BTO concession for TPLEX. The TPLEX is an 89.21 km toll expressway that connects the northern part of Luzon to Manila. The TPLEX is expected to be integrated with other major expressways (including the NLEX and SCTEX) for seamless toll system management and for the convenience of motorists.

Project cost for the development of TPLEX is estimated at ₱29,969 million, which is funded by a combination of debt, equity and Philippine government subsidy, which will be available at the start of construction of Section 3 of TPLEX.

Construction commenced in October 2010. Section 1 (from Tarlac to Carmen) was completed in April 2014. Section 2 (from Carmen to Urdaneta) was completed December 2014. Binalonan exit in Section 2 opened in July 2016. Section 3A until Pozzorubio was completed in December 2018. As of July 15, 2020, the remainder of the expressway from Pozzorubio to Rosario was completed. For the year ended December 31, 2019, the AADT of TPLEX was around 24,370 vehicles. For the years ended December 31, 2020 and 2021, the AADT of TPLEX was around 14,757 and 17,484 vehicles, respectively. As of June 30, 2022, the AADT of TPLEX increased to 25,648 vehicles.

Construction from Talogtog to Pozzorubio and the Bued Viaduct is already completed. The last segment from Pozorrubio to Rosario was opened last July 15,2020.

***South Luzon Expressway ("SLEX")***

SMC SLEX is the concessionaire of the SLEX which currently spans 36.1 km from Alabang, Muntinlupa to Sto. Tomas, Batangas. SLEX is composed of four (4) toll road segments, namely TR1, TR2, TR3 and TR4 which are intended to operate as an integrated expressway. Currently operational are TR1, TR2 and TR3. These were classified into four (4) segments to clearly define the scope of work (including rehabilitation and/or construction works) for each.

TR1 involved the rehabilitation and upgrade of the Alabang viaduct which included the widening of the at-grade portion of the roads, retrofitting of the existing structure, and the replacement and expansion of the elevated portion from six (6) to eight (8) lanes.TR2 involved the widening of the SLEX segment between Filinvest exit and Sta. Rosa, Laguna from four (4) to eight (8) lanes and segment between Sta. Rosa, Laguna to Calamba, Laguna from four (4) to six (6) lanes. TR3 involved the construction of a four-lane roadway from Calamba, Laguna to Sto. Tomas Batangas. The construction of this section connected Metro Manila, SLEX, and STAR. For the years ended December 31, 2020, and December 31, 2021 the AADT of SLEX was around 274,931 and 335,901 vehicles, respectively. As of June 30, 2022, the AADT of SLEX increased to 368,683 vehicles.

The Detailed Engineering Designs of Sections A to E of TR4 (from Sto. Tomas, Batangas to Lucena City in Quezon, which were submitted last December 2014, were approved by the TRB in the first quarter of 2019. The SLEX TR4 groundbreaking ceremony was held last March 26, 2019. Updated parcellary plans for Section A (Sto. Tomas Batangas to Makban Laguna) were submitted to the TRB last August 30, 2019. Construction is ongoing within the Escudero Properties in Tiaong, Quezon while coordination with the DPWH to expedite acquisition of ROW likewise remain ongoing. TR4, a 66.74-km, four-lane road that will start from Sto. Tomas, Batangas to Lucena City, in Quezon, is expected to start operation by 2025. This will shorten the travel time to about an hour from the current four (4) hours. It is divided into six (6) sections: Sto. Tomas to Makban in Laguna; Makban to San Pablo City; San Pablo to Tiaong, Quezon; Tiaong to Candelaria, Quezon; Candelaria to Tayabas; and Tayabas to

Lucena City. It will include seven (7) interchanges in Sto. Tomas, Makban, San Pablo City, Tiaong, Candelaria, Sariaya and Lucena City. The whole project is estimated to cost around ₱27,491 million and is expected to start operation by 2025.

On June 29, 2019, the construction of the SLEX Elevated Project (previously known as Skyway-Alabang South Extension) began. This project aims to decongest the existing Skyway System and SLEX by widening the existing lanes approaching Sucat exit, and providing an elevated viaduct running from Susana Heights, connecting it to the existing Alabang Viaduct. This is foreseen to lessen the at-grade traffic through the diversion of motorists from at-grade to elevated.

Currently, the overall completion of SLEX Elevated is more than 90%. The northbound was opened to the public last April 2021 while the southbound is expected to be completed by end of 2022.

***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. This four-lane expressway project will be made up of eight (8) segments: Lucena to Gumaca, Quezon (59.60 kms), Gumaca to Tagkawayan, Quezon (62.40 kms), Tagkawayan to Sipocot, Camarines Sur (59.0 kms), Sipocot to Naga City, Camarines Sur (35.40 kms), Naga City to Polangui, Albay (48.00 kms), Polangui to Legaspi City, Albay (35.00 kms), Legaspi to Sorsogon City, Sorsogon (54.30 kms), and Sorsogon City to Matnog, Sorsogon (62.78 kms).

Centered on the proposal submitted by the JV of the Philippine National Construction Corporation (PNCC) and SMHC, the SLEX TR 5 was officially designated as a certified toll road project in a TRB resolution dated June 29, 2020. On June 3, 2022, the Supplemental Toll Operations Agreement was signed and granted by TRB.

The SLEX TR5 will run parallel to the current Philippine National Railway, Maharlika Highway, and Padre Burgos National Road or Quirino Highway, facilitating the creation of new growth centers in the Quezon and Bicol areas, as well as other southern sections of the country. The project aims to reduce the travel time from Lucena to Matnog from 9 hours to 5.5 hours, and connect major urban centers in Quezon and Bicol, providing access to tourist destinations, roro ports, fish ports, and food production/agriculture areas.

As of June 30, 2022, SMHC has an ownership interest of 90% in the South Luzon Toll-road 5 Expressway, Inc.

***Pasig River Expressway ("PAREX")***

PAREX is a 19.37 km six-lane, all elevated expressway which runs through the entirety of the Pasig River. The project begins at Radial Road 10 (R10) in Manila and ends at Circumferential Road 6 (C6), where it will connect to the South East Metro Manila Expressway. This will link and utilize a 2.7-kilometer section of Skyway Stage 3 between Nagtahan and Plaza Azul. Once finished, the ₱81,528 million project will have the following segments: R-10-Plaza Azul (5.74 km), Plaza Azul-San Juan River via Skyway Stage 3 (2.70 km), San Juan River-C5 Intersection (7.32 km), and C5 Intersection-C6 Intersection (6.30 km).

The Pasig River Expressway is a joint project agreement between PNCC and SMHC. Last September 21, 2021 SMC, through its affiliate Pasig River Expressway Corporation ("**PAREX Corp.**"), together with DPWH, DOTR and TRB signed the Execution of the Supplemental Toll Operations Agreement ("**STOA**") for the financing, construction, operations and maintenance of the ₱81,528 million Pasig River Expressway ("**PAREX**"). Ground breaking ceremony was held last September 24, 2021.

The PAREX will run through Manila, Makati, Mandaluyong, Pasig, Taguig, municipality of Pateros in Metro Manila and Taytay in Rizal province, establishing a direct link between Metro Manila's western and eastern cities through an elevated expressway. It is expected to ease the decongestion of R-10, EDSA, and C-5 by creating a link between Metro Manila's toll roads and freeways. Not only that this will contribute to the Philippine road transportation system's efficiency by delivering safe and dependable infrastructure, but this would also lead a historic endeavor to rehabilitate Metro Manila's main river, the Pasig River.

The ECC application and DED services (subject to STOA conditions) are ongoing. Ongoing activities are limited to site development and dredging activities. The total volume dredged along the Pasig River is 450,790 cubic meters.

As of June 30, 2022, SMHC has an ownership interest of 90% in the PAREX.

***Southern Access Link Expressway***

The Southern Access Link Expressway is a 40.65 km toll elevated expressway network comprising of Section 1: C3-R10 Extension, Section 2 Segment 1: Shoreline Expressway, Section 2 Segment 2: Quirino Extension, and Section 2 Segment 3: Buendia Extension. Section 1 (4.52km) is a 4 -lane elevated structure connecting MMSS3 at Sgt. Rivera in Quezon City to Shoreline Expressway at R-10. Section 2 Segment 1 (25.29km), an elevated 6-lane expressway, is the main spine along Manila Bay that will link MMSS3 and PAREX with Shoreline Expressway. It will begin at a connection with NALEX and runs south until it joins PAREX at Delpan Bridge, where it breaks. It will start again from PAREX at Ayala Bridge until it reaches Manila Cavite Toll Expressway and NAIAX. Section 2 Segment 2, an elevated 4-lane structure, starts from the intersection of Quirino Avenue and Osmena Highway and ends at its connection with the Shoreline Expressway along Roxas Boulevard. Section 2 Segment 3, an elevated 4-lane structure, is a vital link of NAIAx with Shoreline Expressway and Makati Central Business District at Buendia Avenue.

The SALEX is a joint project between PNCC and SMHC. The STOA for the ₱152,394 million project was signed on June 20, 2022.

The SALEX aims to provide vital links and road capacity to deliver the full economic potential of the New Manila International Airport. Moreover, due to congested traffic in NLEX, McArthur Highway, EDSA, SLEX, the project intends to provide alternative routes and road networks that will service passenger traffic.

As of June 30, 2022, SMHC has a 90% ownership interest in the SMC Southern Access Link Expressway Corp., the joint venture company for the SALEX.

***Northern Access Link Expressway***

The NALEX is a 136-km toll expressway that aims to connect New Manila International Airport (“**NMIA**”), Metro Manila, and Central Luzon. The project is composed of two (2) phases: Phase 1, divided into Section 1 (Balintawak – NMIA), and Section 2 (NMIA – Tarlac City and TPLEX), and Phase 2 that runs from Masantol, Pampanga to Tarlac City. The NALEX Phase 1 Section 1 is a 19.4-km elevated toll road that begins at Skyway Stage 3 – Balintawak and ends at NMIA. Meanwhile, the project’s Phase 1 Section 2 is an at-grade expressway that runs from NMIA to Tarlac City and TPLEX. This 117-km toll road is divided into 3 segments: Bulacan-Guagua (41 km), Guagua-Mabalacat (31 km), and Mabalacat-Tarlac (45 km), with 8 interchanges/exits in total. On the other hand, NALEX Phase 2 is a 69.2 km toll road divided into 2 segments: Macabebe-Arayat, and Arayat-Tarlac. This will be a demand-driven expansion that will serve as an alternate route for Phase 1 Section 2. Once constructed, this ₱148,344 million project intends to provide a more accessible and convenient route from Metro Manila and Central Luzon to NMIA, and vice versa.

The Northern Access Link Expressway is a joint venture project between SMHC and PNCC. On March 21, 2022, the Supplemental Toll Operations Agreement for the financing, construction, operation, and maintenance of the NALEX was signed between the TRB and SMHC.

As of June 30, 2022, SMHC has 90% ownership interest in the SMC Northern Access Link Expressway Corp., the joint venture company for the NALEX.

***Skyway System***

*Skyway Stage 1 and 2*

The Republic of Indonesia was invited by the Philippine government to assist in the realization of the infrastructure development of the Philippines in 1994 through an Indonesian company. As a result of this initiative, a Memorandum of Agreement was signed in Jakarta in 1993 between P.T. Citra Lamtoro Gung Persada ("**Citra**") and PNCC in the presence of former President Fidel V. Ramos. In 1995, a Business and Joint Venture Agreement was signed by the said parties to undertake the construction of the Metro Manila Skyway ("**MMS**") and Metro Manila Expressway ("**MME**").

On November 27, 1995, SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) was incorporated as a stock corporation under the laws of the Republic of the Philippines, as a joint venture between Citra and PNCC, with the primary purpose to finance, design and construct (under a BOT scheme with the Philippine government) the Skyway Stage 1 and 2 projects.

Skyway Stage 1 consists of the construction of a 9.30 km elevated road from Bicutan, Parañaque City to the Buendia, Makati City as well as the rehabilitation of the 13.43 km at-grade road from Alabang, Muntinlupa to Magallanes, Makati City. Skyway Stage 1 was first opened to traffic in 1999, with an AADT of 160,000 vehicles, broken down into 25,000 and 135,000 of vehicles on the elevated highway and at-grade road, respectively. Skyway Stage 2 consists of a 6.86 km elevated toll road from Bicutan, Parañaque City to Alabang, Muntinlupa, to be integrated with Skyway Stage 1 and operated as 1 sub-system of the MMS.

Originally scheduled for completion in April 2011, Phase 1 of Skyway Stage 2 was completed on November 2010 and opened to the public in December the same year. Phase 2 of Skyway Stage 2 was completed on March 2011. In 2019, the full year AADT of Skyway Stages 1 and 2 is at 257,052 vehicles. As of June 30, 2020, the AADT for Skyway Stage 1 and 2 decreased to 149,823 vehicles, representing a 41.71% decrease compared to the AADT in 2019. For the years ended December 31, 2020 and December 31, 2021, the AADT of Skyway was around 167,686 and 199,466 vehicles, respectively. As of June 30, 2022, the AADT of Skyway increased to 233,422 vehicles.

As of June 30, 2022, SMC Tollways Corporation, a 95% owned subsidiary of SMC, has an ownership interest of 87.84% in SMC Skyway Corporation ("**SMCSC**").

*Skyway Stage 3*

Skyway Stage 3 is a 17.93 km elevated roadway from Buendia, Makati City to Balintawak, Quezon City. Skyway Stage 3 is a priority infrastructure project of the government meant to decongest major thoroughfares within Metro Manila and stimulate growth of trade and industry in Southern, Central and Northern Luzon. The project covers a concession period of 30 years (from start of operations) with an estimated cost of ₱69,950 million. Partial operations commenced last December 29, 2020. This is open to the public as schedules last January 14, 2021 free of toll fee. The Notice to Collect Toll was received last July 12, 2021.

On November 16, 2012, SMC Skyway Stage 3 Corporation ("**SMC SS3C**") (formerly Citra Central Expressway Corp.) was incorporated as a stock corporation under the laws of the Republic of the Philippines with the primary purpose to finance, design and construct (under a BOT scheme with the Philippine government) the Skyway Stage 3 project. Subsequently, the STOA covering the Skyway Stage 3 project was signed on September 26, 2013 among TRB, PNCC, and SMC SS3C. For the year ended December 31, 2021, the AADT of Skyway Stage 3 was around 78,479. As of June 30, 2022, the AADT of Skyway Stage 3 is 105,997 vehicles.

As of June 30, 2022, Stage 3 Connector Tollways Holdings Corp. ("**S3HC**"), a 100% owned subsidiary of SMHC through SMC Tollways Corporation, has an ownership interest of 90% in SMC SS3C.

*Skyway Stage 4*

Skyway Stage 4 is a 56.74 km roadway from South Metro Manila Skyway to San Jose Del Monte, Bulacan and another spur to Luzon Avenue. Skyway Stage 4 serves as another expressway system that aims to further decongest EDSA, C5 and other major arteries of the Metropolis. Further, it aims to provide faster alternate route and accessibility to the motorist when travelling from the province of Rizal and Calabarzon area to Metropolis. The project covers a concession period of 30 years (from start of operations), with an estimated cost of ₱56,351 million.

On February 17, 2014, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways Inc) was incorporated as a stock corporation under the laws of the Republic of the Philippines to engage in the construction of toll roads, toll road facilities, including but not limited to the Metro Manila Expressway or C6 and any of its stages, linkages and extensions pursuant to a build and transfer or other scheme duly approved by the appropriate Philippine authorities. Subsequently, the STOA covering the Skyway Stage 4 project was executed on July 4, 2014 among TRB, PNCC, and SMCSS4C.

As of June 30, 2022, SMC Infraventures Inc. ("**SMCI**"), a 100% owned subsidiary of SMHC, has an ownership interest of 77.93% in SMC Skyway Stage 4 Corporation ("**SMCSS4C**").

***STAR Tollway***

In 2013, SMHC acquired equity interest in SIDC which holds the concession over the STAR Tollway, through its 58.31% membership interest in Sleep Coop and 50% shares in Wiselink. Sleep Coop and Wiselink own 40% and 60% of Cypress Tree Capital Investments, Inc. ("**CTCII**"), respectively, which owns 100% of SIDC.

STAR Tollway is composed of two (2) stages – Stage 1 which involves the operation and maintenance of the 22.16 km toll road from Sto. Tomas, Batangas to Lipa City, Batangas and Stage 2 which involves the financing, design, construction, operation and maintenance of the 19.74 km toll road from Lipa City, Batangas to Batangas City, Batangas. The entire system had a full year AADT of 62,453 vehicles in 2019.

For the years ended December 31, 2020 and December 31, 2021, the AADT in STAR Tollway were 50,441 and 61,609 vehicles, respectively. As of June 30, 2022, the AADT of Star increased to 68,116 vehicles.

With the acquisition of Sleep Coop and Wiselink by SMHC, CTCII became a 100% owned subsidiary of SMC.

***NAIAx***

SMC NAIAx Corporation (formerly Vertex Tollways Devt. Inc.), a wholly-owned subsidiary of SMHC, was incorporated on May 31, 2013 for the purpose of holding the 30-year concession rights (including a two-year construction period) for the NAIAx project.

The ₱26,540 million NAIAx was the third PPP project awarded under the administration of President Benigno Aquino III. It was awarded by the DPWH through a competitive bidding process to Optimal Infrastructure Development, Inc. ("**Optimal**") in 2013. Eventually, Optimal nominated SMCNC as the concessionaire of the said project. The concession agreement between DPWH and SMCNC was finalized and signed on July 8, 2013.

The project covers the financing, design, construction, operation and maintenance of a new tollway system, approximately 5.46 km in length, serving as interface to the Skyway Stage 1 and 2 and CAVITEX. The NAIAx (i) significantly reduces travel time from Skyway Stage 1 and 2 to Roxas Boulevard; (ii) provides easy access to airports in Metro Manila, linking them to Skyway Stages 1 and 2 and the CAVITEX and (iii) boosts tourism by providing access to and from Entertainment City, paving the way for further developments within the PAGCOR Entertainment City.

Partial operations of Phase 2A commenced in September 2016 and Phase 2B was completed and became fully operational in December 2016, with toll collections starting on January 31, 2017. Ramps 1 and 17 opened in June 2017, with toll collections starting in July 2017.

For the years ended December 31, 2020 and 2021, the AADT was at 44,184 and 52,883 vehicles, respectively. As of June 30, 2022, the AADT of Star increased to 80,526 vehicles.

**Airport Concession**

***Boracay Airport***

In April 2010, SMHC acquired a 93.0% stake in Caticlan International Airport Development Corp. (subsequently renamed TADHC), while the remaining 7% interest was held by Akean Resorts Corporation, a non-affiliated entity.

TADHC holds a 25-year concession for the Boracay Airport, granted by the Republic of the Philippines, through the DOTC (now, DOTr), under a contract, add, operate and transfer scheme under the BOT law. As of October 27, 2020, SMHC owns 99.92% of TADHC.

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. With the influx of tourist during the holidays, the Boracay Island has welcomed 2.0 million tourists by end of 2017. With the closure in 2018, tourists dropped to about 550,000 according to the Department of Tourism. For the six months ended June 30, 2020, approximately 209,477 tourists passed through Boracay Airport, according to data from the Airport Operations and Control Center of Boracay Airport. For the years ended December 31, 2020 and 2021, tourists of Boracay Airport were around 222,110 and 259,848, respectively. As of June 30, 2022, number of tourists decreased to around 591,190 due to slower than expected recovery of Tourism in Boracay with the pandemic.

The planned expansion of the airport is expected to be completed in stages and involves the following: (i) upgrade and extension of the runway, from original scale of 950 meters long and 30 meters wide, to 2,100 meters long and 45 meters wide to accommodate larger international and domestic aircraft; (ii) upgrade of the Boracay Airport and its facilities to comply with International Civil Aviation Organization standards and the Manual of Standards for Aerodromes of the CAAP; (iii) replacement of the old 550 square meter terminal with a new world class passenger and cargo terminal and to commence construction of new terminal in 2016; (iv) improvement of road networks around Boracay Airport and its facilities; and (v) upgrade of air navigational systems.

Construction of the interim arrival hall, the new passenger terminal and the preparation of the extension of the runway from 1.8 km to 2.1 km are being reviewed and updated. SMC is shifting its focus on optimizing the overall masterplan taking into account recent developments due to the COVID-19 pandemic. This includes factoring emerging government guidelines and new design requirements under a New Normal to futureproof the airport project.

***New Manila International Airport***

SMHC was granted the Original Proponent Status by the DOTr for the construction of the NMIA in Bulakan, Bulacan last September 22, 2017. The site of the airport has an aerial distance of 28.5km from NAIA and 61.3km from Clark. Total available area for the airport site and other development, is around 2,500 hectares.

The submission and opening for the Swiss Challenge commenced on July 31, 2019. Since there were no qualified challengers that participated, the Notice of Award was issued on August 14, 2019 and was officially received by SMHC on August 19, 2019. SMAI, the special purpose company incorporated by SMHC to implement to the project, then proceeded with the execution of the Concession Agreement with the DOTr on September 18, 2019.

Land Development Works are ongoing and is on track to be completed by the end of 2024. As of June 30, 2022, site clearing and land filling works are already 93.72% and 19.3% complete, respectively.

On the airport planning side, SMAI is currently working with its consultants with regard to the design and construction of the airport terminal and facilities.

**Mass Rail Transit Concession**

***MRT-7***

In October 2010, SMC acquired a 51% stake in Universal LRT, which holds the 25-year concession for the MRT-7 project, a planned expansion of the Metro Manila mass transit rail system, home to over 10 million inhabitants. MRT-7 is a Build-Gradual Transfer-Operate-Maintain project for the development, financing, operation and maintenance of a 22-km light rail transit that will be linked with the existing MRT-3 Line at SM North EDSA, Quezon City. The construction period for the project is about 42 months. The rail component of the MRT-7 is envisioned to have 14 stations plus a depot and will operate 108 rail cars in a 3-car train configuration, with capacity of 448,000 to as many as 850,000 passengers daily. The project also includes an Intermodal Transport Terminal that can accommodate up to 60 buses and other public utility vehicles, and a 22-km 6-lane access road connecting the Intermodal Transport Terminal to the Bocaue exit of NLEX.

SMC fully acquired 100% stake in Universal LRT, effective July 1, 2016. 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 currently ongoing. As of November 2021, 2 batches of train sets have been installed, with additional train sets to be delivered by the end of the year. The target start of operations is end of 2023 for Stations 1 to 12, and expected to be fully operational, covering all 14 stations, by 1st quarter of 2025.

***Bulacan Bulk Water Supply Project***

The Bulacan Bulk Water Supply Project aims to provide clean and potable water 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.

On December 17, 2015, LCWDC was incorporated as a stock corporation under the laws of the Republic of the Philippines with the primary purpose to finance, design, construct, maintain, and operate water treatment and conveyance facilities. LCWDC and MWSS officially signed the Concession Agreement on January 15, 2016.

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). Phase 1 of this project was completed end of 2018 and Phase 2 of this project was completed in April 2019. The project started supplying potable water to Bulacan municipalities last January 2019.

To address the current and future needs in the other areas of Bulacan, the Bulacan Bulkwater Supply Project Stage 3a will be developed to reach more water districts in Bulacan. The Stage 3a project of LCWDC will be able to cater to 11 more water districts and as of the third quarter of 2021, seven (7) water districts have signed a Memorandum of Agreement with LCDWC and MWSS.

**Ports Concession**

***Manila North Harbor***

MNHPI is the terminal operator of Manila North Harbor, a port facility situated at Tondo, City of Manila. The port 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.

To ensure fast, efficient and effective delivery of port services, MNHPI has increased its cargo handling capacity which now boasts of major equipment such as 6-ship-to-shore quay container cranes and 20 rubber-tyred gantry cranes, all part of the plans and programs of MNHPI to transform Manila North Harbor into a premier and modern port.

On October 19, 2013, MNHPI formally inaugurated the North Passenger Terminal Complex, a passenger terminal facility which boasts of facilities designed to provide utmost safety, security and comfort to passengers and is the first of its kind in the Philippines, able to accommodate 2,000 passengers at any given time.

As of June 30, 2022, the ownership of SMC in MNHPI through SMHC is 50%.

**Competition**

SMC is one of the major players in the infrastructure sector holding investments in companies with long term concession agreements with the Philippine government. It is currently managing and operating various infrastructure projects, namely: (1) TPLEX, (2) Skyway Stages 1 to 3, (3) NAIA Expressway, (4) SLEX TR1 to TR3, (5) STAR, (6) MRT7, (7) Boracay Airport, and (8) Manila North Harbor.

The infrastructure sector is a key investment area in the Philippines that is seen to provide a big potential to facilitate the development of other sectors. This has been a priority of the current Philippine government, which has also attracted other big conglomerates in the Philippines to enter this sector.

Other major players in this sector include Metro Pacific Investment Corporation operating the following: (1) the NLEX, (2) SCTEX, (3) CAVITEX, (4) the Cavite – Laguna (CALA) Expressway, (5) Cebu-Cordova Link Expressway (CCLEX), (6) LRT1 Extension and O&M in partnership with Ayala Corporation and (7) Maynilad; and Ayala Corporation, which was awarded the concession for the Daang Hari Expressway, a 4-kilometer toll road in Cavite in 2011.

Another major player is the Megawide Construction Corporation that operates the following: (1) Mactan-Cebu International Airport (MCIA) and (2) Parañaque Integrated Terminal Exchange (PITX). The GMR-Megawide Cebu Airport Corp. ("**GMCAC**") is a consortium between the Megawide Corporation and India's GMR Group, which was formed to manage and develop MCIA for the next 25 years. MCIA is fully operational, with the Terminal 2 commenced operations on June 30, 2018 and the Terminal 1 rehabilitation works completed on August 31, 2019.

PITX, on the other hand, is an intermodal terminal in southwest Metro Manila to be developed by the MWM Terminals Inc., a consortium led by the Megawide Construction Corporation. The PITX will serve as a hub with departure and arrival bays for buses, jeepneys and taxis, and with a maximum daily capacity of 100,000 passenger.

The Luzon International Premier Airport Development Corporation, which consists of Filinvest Development Corporation, JG Summit Holdings Inc., Philippine Airport Ground Support Solutions Inc. and Changi Airports Philippines (I) Pte. Ltd., was formally awarded the operations and management of the Clark International Airport. The new airport was designed to accommodate 8 million passengers per year, and connects the 9,450-hectare New Clark City. The structure was completed on September 2020 and began its operations last May 2022.

**CEMENT BUSINESS**

The cement business is conducted under San Miguel Equity Investments Inc. ("**SMEII**"), which owns 100% of the common stock of Northern Cement Corporation ("**NCC**"). SMEII also owns 100% of the following companies, namely: Artholand Property Development, Inc. (formerly, Arthocem Concrete Industries Inc.), East Star Cement Phils., Inc., First Stronghold Cement Industries, Inc., Integrated Concrete Consolidated Industries Inc. (and its subsidiary, Dorilag Cement Corporation), Ionic Cementworks Industries Inc., E-Novate Holdings, Inc., Primero Cemento Industries Corporation, Southstrong Cement Industries Corp., and Southern Concrete Industries, Inc. (formerly, Oro Cemento Industries Corporation) ("**SCII**"). As of June 30, 2022, SMC owns 100% of SMEII.

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

**Strengths and Strategies**

**Strengths**

The Cement Group believes that its competitive strengths include the following:

***Strong player in the cement industry***

NCC has an established reputation in the industry with 55 years' experience in cement production and domestic sales. It has a leading and contemporary cement plant in Region I with new integrated production line showcasing sustainable, environment-friendly, world-class and state-of-the art equipment capable of producing high quality cement products with comprehensive strength above and beyond the prescribed specifications.

NCC has a strong market presence and is considered a leading cement player in Northern Luzon with significant growth in other market areas/regions as a result of its improved operations and upgraded production capacity.

***Fully-integrated manufacturing facility with state-of-the art production lines***

NCC operates a fully-integrated cement manufacturing plant consisting of two (2) production lines and is undertaking the construction, development and establishment of additional two (2) integrated state-of-the-art cement production lines from crushing to cement packaging. Its first two (2) integrated cement production lines have an annual rated cement production capacity of approximately 2.2 MTPY of finished cement, while its new and additional integrated production lines are estimated to have an annual rated cement production capacity of 4.73 million MTPY of finished cement. The NCC's production facility is located in proximity with its quarry areas that enables it to maintain end-to-end production of cement from raw material sourcing and processing, clinker production, grinding and mixing, to packaging and cargo loading, thereby providing it with significant process, cost, and quality control and more efficient operations.

The production lines utilize state-of-the-art technology in the production of Type 1, Type 1T, and Type N cement, the major cement products in the industry. The facilities are regularly checked, maintained and upgraded with the latest machinery to consistently achieve improved operating efficiencies. Constant improvement and rehabilitation of the facilities and manufacturing process ensure a high quality of cement produced in the most efficient manner. The plant also has a post-production facility where cement is stored in silos until such time that these are sold and delivered to distributors and/or consumers in 40 kilogram bags, tonner bag and in bulk. The plant maintains nine (9) roto packing machine that can accommodate about 450 trucks per day and two (2) bulk and tonner loading facilities capable of simultaneously loading four (4) bulk carriers.

NCC distributes majority of its cement products through its qualified and accredited dealers that transports the cement products from the plant to various destinations with no additional outlay on the part of NCC for transportation equipment. The rest of the cement products are directly delivered to end consumers through bulk carriers managed by NCC. This enables NCC to distribute to the highest value and fastest growing markets particularly in Northern Luzon.

The end-to-end business model of NCC has enabled it to manage cost and margins in every stage of the cement production and distribution process, allowing for higher efficiency, profitability, and operating synergy.

***Strategic location of plant and access to vast limestone reserves.***

The NCC Plant is strategically located in the Province of Pangasinan that allows it to readily serve key markets in Northern Luzon, specifically in Pangasinan, Ilocos, La Union and the Cordillera Administrative Region. Its location likewise provides a positive outlook on the expansion of its market areas in Regions 2 and 3. These, together with its reliable and established dealership network provide a significant competitive advantage in the distribution of cement in the key markets in its covered areas.

NCC is a holder of a Mineral Production Sharing Agreement ("**MPSA**") granting it the rights to a total of 630.4978 hectares of land in Sison, Pangasinan as a source of raw materials for its plant, with an estimated limestone deposit of approximately 715 million MT. The extensive limestone deposits provide ample supply to support the company's raw material requirements in the long term covering both the current operations and expansion plans.

***Competent management, operating and marketing teams with proven track record in the cement industry***

NCC is managed by professional management team with extensive experience and highly trained technical and marketing workforce composed of goal-oriented young professionals ensuring the company's growth and continued excellence. Its lean organization are responsive and immediately adapts to market changes with a deep knowledge of the operating environment with long standing relationships with customers, suppliers and distributors.

***Unique Sales and Marketing Structure***

NCC has established a highly technical customer service that provides technical assistance and training to customers in the evaluation of concrete raw materials, mix design preparation and trial mix through its own Concrete Academy and Mobile Concrete Laboratory, the first in the industry.

The continuous improvement of the cement products of NCC is likewise made possible through the establishment of an in-house concrete laboratory duly accredited with the government as part of the company's thrust to ensure the quality of its products.

***Well positioned for growth opportunities in the infrastructure industry of the country***

The Philippine cement market grew by 7.3% compound annual growth rate in a period ten (10) years from 2012 to 2021. The cement market showed a strong recovery in 2021 driven by infrastructure and residential projects after COVID-19 pandemic interrupted the growth pattern of the cement market in 2020. It is likewise expected that the cement market will continue to grow until 2026. The government intends to expand the infrastructure modernization initiatives and implement the new "Build, Better, More" program which includes, among others, transportation infrastructure programs, network development program for the expansion of connectivity and road systems across the country and asset preservation program involving maintenance, rehabilitation and reconstruction.

The integrated cement manufacturing plant of NCC, along with the ongoing development and establishment of its additional production lines combined with its annual rated capacity of 6.93 million MTPY of finished cement or 173.3 million bags per annum, will ensure NCC's strong position in the market, taking advantage of this opportunity.

**Strategies**

The strategies of the Cement Group include the following:

***Increase production capacity and grow distribution channels in key growth areas***

NCC continues to develop and improve the plant operations, production and capacity through innovative technology and measures to ensure increase in supply of cost-efficient cement products. It will proceed with its expansion project that involves the construction and completion of its additional two (2) integrated cement production lines. The new lines will ensure a steady supply of cement products that will cater to the existing and new market areas in Northern Luzon, Regions 2 and 3.

With the growing supply of cement products, NCC will tap on additional qualified dealers to become its partner in reaching out to new market areas and increasing its market coverage.

***Expand market presence through development of product portfolio and enhancement of customer proposals***

NCC will continue to offer different varieties of fighting brands that are descriptive of the quality of the products of NCC and are identifiable with the region or area where the products will be distributed.

NCC intends to further enhance its products' visibility and value through various brand-building activities that maximizes on social media and other digital media platforms, and still backed by traditional mass media and extensive below-the-line activations and loyalty programs, by, among others, the "Northern Cement, ang Haligi ng Hilaga!" campaign which aided in achieving strong brand equity in Northern Luzon.

NCC plans to strengthen its partnerships with dealers and distributors through various below-the-line activations and participation in industry-specific events which are aligned with the positioning of its products. To maintain its strong relationships with dealers and distributors, NCC has established (i) the key accounts group which handle the requirements of the large-scale distributors/dealers and institutional clients; and (ii) loyalty programs that provide incentives to dealers and distributors which achieve a certain order volume within a specific period of time.

NCC continues to provide efficient and effective technical solutions, support and resources to the customers to establish and gain market trust and continued partnership. It is also strengthening its existing Concrete Academy and Mobile Concrete Laboratory programs to be able to reach more institutional accounts and customers.

***Further enhance its compliance and corporate social responsibility programs***

NCC's ESG initiatives include environment protection and enhancement programs, promotion of innovative and environment-friendly products, programs geared towards strict monitoring and enforcement of regulatory compliances, strengthening of customer technical and mobile laboratory services, social development and management program and extension of *Malasakit* program to Indigenous Cultural Communities, and employee welfare and development programs that offer continuous holistic personnel development to create a resilient and engaged workforce who fully embrace and live the company values, among others.

***Northern Cement Corporation***

NCC, with 100% of its issued and outstanding common stock owned by SMEII, has more than 50 years of cement production and domestic sales experience, mainly, in the North Luzon (Regions 1 and 2) and Central Luzon (Region 3) markets. It manufactures Type 1, Type 1T, and Type N cement, the major cement products in the industry.

NCC was incorporated and registered with the SEC on February 10, 1967. NCC is a holder of an MPSA granted by, and executed with, the Philippine Government through the Department of Environment and Natural Resources on March 12, 1998, with MPSA No. 106-98-1, covering a contract area of 630.4978 hectares within Sison, Pangasinan. 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. Presently, it owns and operates an integrated cement manufacturing plant composed of two (2) dry-process rotary kilns and two (2) finish mills. The existing production facility has an annual rated capacity of 2.2 million 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 undertook 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, located adjacent to the existing cement facilities and quarry site of NCC. The SMNCI project is projected to 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. The effective date of the merger is July 1, 2021. NCC, as the surviving entity, is now undertaking the SMNCI project.

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).

Selected financial highlights for NCC are provided below for the periods indicated:

| | For the years ended December 31, | | | For the six months ended June 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | (in millions, except percentages) | | | |
| Sales | 8,165 | 6,661 | 7,519 | 5,810 |
| Gross profit | 1,597 | 1,633 | 1,848 | 918 |
| Gross profit margin(1) | 19.6% | 24.5% | 24.6% | 15.8% |
| EBITDA(2) | 1,747 | 1,910 | 1,956 | 884 |
| EBITDA margin(3) | 21.4% | 28.7% | 26.0% | 15.2% |
| Net income (loss) before tax | 999 | 1,182 | 1,295 | 547 |
| Net income (loss) before tax margin(4) | 12.2% | 17.7% | 17.2% | 9.4% |

*Notes:*

*(1) Gross Profit Margin is calculated by sales less cost of sales divided by sales.*

*(2) EBITDA is calculated as net income before income tax expense, net financing charges (interest income net of interest expense), extraordinary or exceptional items, foreign exchange losses (gains), marked-to-market currency losses (gains), and depreciation and amortization and impairment losses.*

*(3) EBITDA margin is calculated by EBITDA divided by sales.*

*(4) Net income before tax margin is calculated by net income before income tax divided by sales.*

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

Southern Concrete Industries Inc. (*formerly*, Oro Cemento Industries Corporation) ("**SCII**"), a wholly owned subsidiary of SMEII, was incorporated and registered with the SEC on June 1, 2016 to engage in the business of manufacturing, developing, processing, exploiting, importing, exporting, buying, selling or otherwise dealing in such goods as cement and other goods of similar nature and/or products derived therefrom. SCII has constructed a cement grinding plant in Santa Cruz, Province of Davao del Sur with world-class equipment capable of producing 2 million MTPY of finished cement while minimizing impact to the environment. SCII is in the process of completing the commissioning stage of its plant simultaneous with its promotional trial campaign and distribution activities. SCII is expected to be on full commercial operations by fourth quarter of 2022.

Below is a list of the major cement subsidiaries as of June 30, 2022:

San Miguel Equity Investments Inc. and subsidiaries including NCC, SCII, 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. (and its subsidiary, Dorilag Cement Corporation), Primero Cemento Industries Corp. and E-Novate Holdings, Inc.

**Competition**

NCC is the 5th largest player in the Philippine cement industry in terms of production capacity. With the completion of its two (2) integrated cement line, market share is expected to increase with a capacity of 4.2

million metric tons per annum combined clinker output. The primary competitors of NCC in its market areas, Regions I, II, III and CAR, include: LafargeHolcim, Republic (CRH/Aboitiz), Philcement, and Eagle Cement.

Taking into account its key strengths and strategies, NCC has the capability to maintain a strong and competitive presence in the market.

**OTHERS**

**Properties Business**

Established in 1990 as the corporate real estate arm of SMC, SMPI is aiming to be one of the major players in the property development sector of the country. SMPI is 99.97% owned by SMC and is primarily engaged in the management, development, sale and lease of conglomerate's real estate assets.

Moving forward, SMPI is considering to venture into integrated township developments and sustainable tourism projects.

For the years 2019, 2020, and 2021 SMPI's total development cost were ₱1,212.69 million, and ₱629.33 million, ₱902.18 million, respectively, which is equivalent to 62.42%, 28.45%, and 49.22% of its revenues for the relevant years.

**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.

***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.

***Bel Aldea***

Bel Aldea, located in General Trias, Cavite, 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 hectares, Maravilla is a mid-range residential community located at General Trias, Cavite, offering Spanish Mediterranean houses, which offered new house models to suit the changing needs of the market.

***Asian Leaf***

Asian Leaf is a seven-hectare premier residential community at the heart of General Trias, Cavite, composed of single attached and single detached house and lots, with floor areas ranging from 88.50 to 108.30 square meters. Fusing modern Asian architecture and vibrant landscaping, Asian Leaf is perfect for homeowners looking for a tranquil and ideal haven.

**Metro Manila Projects**

The first project of SMPI is 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 Business District.

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 thru 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 five-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. Dover Hill also has a swimming pool and playground.

***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 (3) and four (4) bedrooms, with only 23 and eight (8) 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 is a luxury service 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 CBD, 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.

**Bugsuk Island Resort Development**

Located at the southern-most tip of Palawan is the 12,000 hectare Bugsuk Island with a powdery 40-kilometer coastline that intends to be a world-class island resort development with commitment to conserve its natural resources for future generations to enjoy.

**Banking**

SMC, through SMPI, made a series of acquisitions of BankCom shares in 2007 and 2008 representing 39.93% ownership interest, and additional acquisition of BankCom shares in December 2018, through SMC Equivest Corporation, representing 4.69% ownership interest. At the time, BankCom was a commercial bank licensed to engage in banking operations in the Philippines. The Company, through SMC Equivest Corporation, made additional equity investments in BankCom in the form of: (i) subscription of ₱5.5 billion preferred shares in

August 2021; and (ii) an acquisition of common shares comprising 1.40% of the outstanding common shares of BankCom in October 2021.

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 (1) 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.

**Foreign sales**

SMC 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 |

**Research and Development**

The different businesses of the Company are engaged in research and development to enhance productivity and efficiency, reduce costs and strengthen competitiveness. The research and development costs incurred by the SMC Group are further discussed on Note 27 of the Audited Financial Statements of the Company as of December 31, 2021. For further discussion on the research and development activities of the Company's business units kindly refer to pages 166, 172, 179, and 203 of this Prospectus.

**Significant Employees**

While the Company values the contribution of each of its employees, the Company believes that there is no employee as of the date of this Prospectus that, the resignation or loss of whom, would have a material adverse impact on our business.

# DESCRIPTION OF PROPERTY

The general asset description and locations of the various plants and farms owned and leased by the SMC Group are included as Appendix "C" of this Prospectus.

The properties included in Appendix "C" of this Prospectus that are owned by the SMC Group are free of liens and encumbrances.

The properties in Appendix "C" of this Prospectus are in good condition, ordinary wear and tear excepted.

The SMC Group is continuously evaluating available properties for sale the cost or details of which cannot be determined at this time.

# LEGAL PROCEEDINGS

Neither SMC nor any of its subsidiaries is a party to nor its properties subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the issuance of the Bonds and on the results of the financials and the operations of SMC. The Company has not been the subject of any bankruptcy petition, insolvency, receivership, or similar proceedings.

The Company and its subsidiaries are parties to legal proceedings from time to time. The outcome of these proceedings cannot be presently determined or predicted with certainty. This section provides a summary of the legal proceedings involving SMC and its subsidiaries as set out in Note 43 of the audited financial statements of the Company for the period ended December 31, 2021.

**1. SEC Case**

On September 10, 2018, SMC, SMFB and GSMI received from the SEC Special Hearing Panel, a Summons dated September 3, 2018 furnishing SMC, SMFB and GSMI a copy of the Amended Petition filed by Josefina Multi-Ventures Corporation, the Petitioner, against SMC, SMFB and GSMI docketed as SEC Case No. 05-18-468, the Petition. The Petition seeks (i) to declare null and void (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB's capital stock, and (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

On February 19, 2019, the SEC Special Hearing Panel dismissed the Petition for lack of merit. The motion for reconsideration filed by the Petitioner was denied on June 10, 2019.

On July 4, 2019, an appeal memorandum was filed by the Petitioner with the SEC En Banc. SMC, SMFB and GSMI filed their respective comments on the appeal.

The SEC En Banc denied Petitioner's appeal in a decision dated March 12, 2020. It upheld the SEC Special Hearing Panel's ruling that the acquisition by SMFB of 7,859,319,270 common shares of SMC in SMB and 216,972,000 common shares of SMC in GSMI, in exchange for 4,242,549,130 newly issued common SMFB shares, is not subject to the Tender Offer Rule.

The SEC Office of the Commission Secretary has issued an Entry of Judgment certifying that the March 12, 2020 Decision denying the Petitioner's Appeal Memorandum has, on March 04, 2022, become final and executory.

**2. Deficiency Excise Tax/Excess Excise Tax Payments filed by SMC**

In 2004, the Parent Company was assessed of excise taxes by the BIR on "*San Mig Light*" which at that time was one of its products. These assessments were contested by the Parent Company but nonetheless made the corresponding payments. Consequently, the Parent Company filed three (3) claims for refund for overpayments of excise taxes with the BIR which were then elevated to the Court of Tax Appeals ("**CTA**") by way of petition for review. The details of such claims for refunds are as follows:

(a) first claim for refund of overpayments for the period from February 2, 2004 to November 30, 2005 was filed on January 31, 2005 with the CTA First Division docketed as CTA Case No. 7405;

(b) second claim for refund of overpayments for the period of December 31, 2005 to July 31, 2007 was filed on July 24, 2009 with the CTA Third Division docketed as CTA Case No. 7708; and

(c) third claim for refund of overpayments for the period of August 1, 2007 to September 30, 2007 filed on July 24, 2009 with the CTA Third Division docketed as CTA Case No. 7953.

In the meantime, effective October 1, 2007, the Parent Company spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on "*San Mig Light*" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

On the First Claim for Refund. On October 18, 2011, the CTA (1st Division) rendered its joint decision in CTA Case Nos. 7052, 7053 and 7405, cancelling and setting aside the deficiency excise tax assessments against the Parent Company, granting the latter's claim for refund and ordering the BIR Commissioner to refund or issue a tax credit certificate in its favor in the amount of ₱782 million, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "*San Mig Light*" during the period from February 1, 2004 to November 30, 2005. After unsuccessfully having the decision reconsidered, the BIR represented by the Office of the Solicitor General elevated the cases to the Supreme Court ("**SC**") by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045.

On the Second Claim for Refund. On January 7, 2011, the CTA (3rd Division) under CTA Case No. 7708 rendered its decision in this case, granting the Parent Company's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of the Parent Company in the amount of ₱926 million, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "*San Mig Light*" during the period from December 1, 2005 up to July 31, 2007. This decision was elevated by the BIR Commissioner to the CTA En Banc and the appeal was denied in the case docketed as CTA EB No. 755. The Office of the Solicitor General filed with the SC a Petition for Review which was docketed as G.R. No. 205045.

On January 25, 2017, the SC, consolidating the First and Second Claims for Refund, decided in the consolidated cases of G.R. Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of ₱926 million for the period of December 1, 2005 to July 31, 2007, and ₱782 million for the period of February 2, 2004 to November 30, 2005. The motions for reconsideration filed by the Office of the Solicitor General were denied and the decision became final. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

On September 8, 2020, the BIR issued TCC Nos. 121-20-00012 and 121-20-00013 amounting to ₱782 million and ₱926 million, respectively, in favor of the Parent Company. As at December 31, 2020, the TCC was not yet applied in any of the Parent Company's tax obligations.

On the Third Claim for Refund. CTA Case No. 7953 was consolidated with CTA Case No. 7973 filed by SMB, which consolidated cases were subsequently decided in favor of the Parent Company and SMB by the CTA Third Division, ordering the BIR to refund to them the joint amount of ₱934 million.

On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to ₱105 million in favor of the Parent Company. ₱61 million and ₱44 million was applied to the Parent Company's tax obligations in 2021 and 2020, respectively.

As of the date of this Prospectus, there have been no further developments on the case.

**3. Lease Agreements with PNOC**

On October 20, 2017, Petron filed a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots. Thus, PNOC and Petron executed lease agreements covering said properties, all with an initial lease term of 25 years, with a provision for automatic renewal for another 25 years. In 2009, the lease agreement for the refinery lots was renewed for an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites, and the renewed lease agreement for the refinery lots, on the alleged ground that said agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

After issuing a writ of preliminary injunction which prevented the ouster of Petron from the subject properties until the case is decided, the trial court granted Petron's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance relating to Petron's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993; (ii) the reconveyance by PNOC to Petron of said properties; and (iii) the payment by Petron to PNOC of the amount of ₱143million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the CA dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. Both Petron and PNOC field their respective motions for reconsideration. As of August 31, 2022, the motions were still pending with the CA.

### 4. Swakaya Sdn. Bhd. ("Swakaya") Dispute

The dispute arose from the supply by Petron Oil (M) Sdn. Bhd. ("**POMSB**") of diesel to Swakaya. In 2013, POMSB entered into an agreement with Swakaya to supply it with diesel. Swakaya had agreements to supply power plants operator with diesel for power generation. Later, due to a government investigation, Swakaya's bank accounts were frozen and that affected its ability to supply the power plants. Swakaya and the power plants operator agreed to ask POMSB to supply the power plants operator directly and for the said operator to pay POMSB directly for diesel supplied. Unknown to POMSB, however, Swakaya had a financing arrangement with Sabah Development Bank ("**SDB**") and the power plants operator were obliged to remit payments due to Swakaya to SDB. Due to some administrative issues, the moneys due to POMSB were remitted by power plants operator into a joint Swakaya/SDB Bank account. SDB then, despite its earlier promise to POMSB to remit the moneys due to POMSB, refused and utilized the moneys to set off against Swakaya's debt to SDB. POMSB sued Swakaya and SDB before the Kota Kinabalu High Court and judgment was awarded in favor of POMSB and against Swakaya amounting to RM28 million (₱343 million). The Court of Appeal re-affirmed the decision of the Kota Kinabalu High Court.

In June 2017, SDB filed a Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal, which was granted in April 2018. After hearing the appeal, in February 2020, the Federal Court allowed the appeal by SDB and set aside the Court of Appeal's decision. POMSB filed an application for a review by the Federal Court (to set aside its own decision). On August 2, 2021, the Federal Court disallowed the review. No further action was taken by POMSB and the case has attained finality.

Considering the length of time of litigation matters, a discount of RM8 million (₱95 million) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 million (₱20 million) was unwound in 2019 and recognized as interest income. The balance amounting to RM23 million (₱282 million) was provided full impairment in 2019.

### 5. Generation Payments to PSALM

South Premiere Power Corp. ("**SPPC**") and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015 and called on SPPC's Performance Bond.

On September 8, 2015, SPPC filed a Complaint with the RTC requesting that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld.

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

PSALM filed with the CA a Petition for Review on Certiorari assailing the RTC's order of denial. The CA ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor. PSALM filed a Motion for Reconsideration to the 2017 CA Decision but it was denied by the CA in its resolution dated July 12, 2019.

On September 4, 2018, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction before the SC praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the SC in its resolution dated March 4, 2019 (the "**March 4, 2019 SC Resolution**"). PSALM filed a Motion for Reconsideration thereof and was denied by the SC in a resolution dated August 5, 2019, which became final and executory on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself from the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018.

On July 26, 2019, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction with the CA, seeking the reversal of the orders of the RTC dated September 24, 2018 and April 29, 2019 (CA-G.R. SP No. 161706). Although the CA dismissed the PSALM 2019 CA Petition in a resolution dated August 23, 2019, the CA subsequently reconsidered its decision, granted the Motion for Reconsideration filed by PSALM and reinstated the PSALM 2019 CA Petition in its resolution dated February 24, 2020, after PSALM filed a Motion for Reconsideration of the dismissal of its petition.

On April 7, 2022, the CA promulgated a Decision dismissing the PSALM 2019 CA Petition. PSALM filed a Motion for Reconsideration dated April 29, 2022. SPPC filed a Motion for Leave to File Opposition to the Motion for Reconsideration with an Opposition to the said Motion for Reconsideration on July 15, 2022.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam. On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. On January 29, 2021, PSALM filed a Motion for Reconsideration of the November 27, 2020 RTC Order.

In an Order dated March 23, 2021, the RTC denied PSALM's Motion for Reconsideration of the November 27, 2020 RTC Order. In the same Order, the RTC also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

On May 21, 2021, SPPC filed a Motion for Reconsideration of the March 23, 2021 RTC Order. PSALM filed an Opposition to the Motion for Reconsideration and SPPC filed a Motion for Leave to File a Reply to the Opposition with an incorporated Reply.

In June 2021, PSALM also filed a Petition for Certiorari under Rule 65 of the Rules of Court to annul the November 27, 2020 RTC Order and the March 23, 2021 RTC Order with the CA, which was denied by the CA in its Decision dated May 30, 2022. PSALM filed a Motion for Reconsideration dated June 23, 2022. SPPC filed a Motion for Leave to File Opposition to the Motion for Reconsideration with an Opposition to the said Motion for Reconsideration on July 29, 2022.

The mediation scheduled on April 19, 2021 did not push through, in view of the restrictions imposed by the enhanced community quarantine and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled the portion of the March 23, 2021 RTC Order, where it set the case for mediation, given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case.

Pre-trial proceeded on November 19, 2021, and the parties filed the Joint Stipulation of Facts on April 6, 2022.

SPPC filed a Motion to Amend Pre-trial Order and Minutes of the Pre-trial issued by the RTC on April 7, 2022 and the RTC accordingly issued an Amended Pre-trial Order. SPPC presented its first witness on July 29, 2022 and its second witness on August 19, 2022.

Although the proceedings before the RTC remain pending, the Ilijan Power Plant was turned over by PSALM to SPPC pursuant to the IPPA Agreement and the Deed of Sale executed between PSALM and SPPC dated June 3, 2022.

**6. Temporary Restraining Order ("TRO") Issued to Meralco**

SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction (the "**SC Petition**") filed in the Supreme Court ("**SC**") by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. The approval of the ERC in its December 9, 2013 Order on the staggered imposition by Meralco of its generation rate for November 2013 from its consumers prompted the filing of these consolidated petitions. On December 23, 2013, the SC issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of ₱5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition which prayed, among others, for the inclusion of SMEC, SPPC, MPPCL and several generators as respondents to the case. On January 10, 2014, the SC issued an Order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SMEC, SPPC, SPDC and MPPCL as respondents in the Petition.

On February 18, 2014, the SC extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a Resolution dated April 22, 2014, the SC extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014.

In the Petition filed by special interest groups, the SC was made aware of the order of the ERC dated March 3, 2014 (as defined and discussed under "*ERC Order Voiding WESM Prices"*), in which the ERC declared void the WESM prices during the November and December 2013 supply months and imposed regulated prices in their stead. The March 3, 2014 ERC Order likewise directed PEMC to: (a) calculate these "regulated prices" based on a formula identified by the ERC as representative of 2013 market prices under normalized conditions and (b) to collect the same from the WESM participants involved.

A decision was promulgated by the Supreme Court En Banc on August 3, 2021 (the "**SC Decision**") affirming the December 9, 2013 ERC Order and declaring as null and void the March 3, 2014 ERC Order. SMEC, SPPC, and SPDC however received a copy of the SC Decision through their counsels only on July 5, 2022, while MPPCL received the same on July 6, 2022.

On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the SC Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

It is highly likely that the SC will deny the Motions for Reconsideration and the Motion for Partial Consideration filed by the petitioners and the ERC, respectively. In that instance, the SC Decision will become final and executory, and SMEC, SPPC, and MPPCL can proceed with the collection of the deferred generation charges for the November 2013 billing period from Meralco under their respective power supply agreements.

**7. GSMI Intellectual Property Rights**

The following cases were ordered to be consolidated by the SC considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of Tanduay Distillers, Inc.'s ("**TDI**") and GSMI before the Intellectual Property Office of the Philippines ("**IPOPHL**"), namely:

G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the IPOPHL. The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation, which decision was affirmed by the CA and SC. However, the SC ruled to reinstate the petition in view of GSMI's Manifestation with Motion for Relief from Judgment which invoked the case of "League of Cities vs. Commission of Elections" (G.R. Nos. 176951, 177499 and 178056).

G.R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against TDI, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint. Hence, GSMI filed a Petition for Review and an appeal with the CA. The CA reversed, set aside the RTC's Decision. It ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that TDI knew fully well that GSMI has been using the mark/word

"GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" had already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI. The CA likewise ruled that "GINEBRA" is not a generic term, there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word 'GINEBRA' in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel". TDI filed separate Petitions for Review on Certiorari with the SC.

G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL. GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark. The IPOPHL ruled in favor of TDI. On appeal, the Court of Appeals reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI. TDI then filed a Petition for Review on Certiorari with the SC.

The SC *En Banc*, acting on the consolidation of the aforementioned cases, on March 10, 2020, resolved to transfer the consolidated cases to the En Banc. Furthermore, the SC *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019, which rejected TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device," for use on gin products, on the ground that the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the SC Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

**8. ERC Order Voiding WESM Prices**

On December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of ₱32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, issued an order declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices, and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "**March 3, 2014 Order**").

SMEC, SPPC, SPDC, and MPPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the Supreme Court to stop the implementation of the March 3, 2014 Order.

On June 26, 2014, SMEC, SPPC and SPDC filed with the CA a Petition for Review assailing the March 3, 2014 Order and other related ERC orders (the "**2014 ERC Orders**"). On the other hand, MPPCL filed its Petition for Review with the CA on December 12, 2014.

After consolidating the cases, the CA, in its decision dated November 7, 2017 (the "**November 7, 2017 Decision**"), granted the Petition for Review filed by SMEC, SPPC, SPDC, and MPPCL, declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

After the filing of several motions for reconsideration of the various intervenors, the CA, on March 29, 2019, issued an Omnibus Resolution affirming the November 7, 2017 Decision.

The intervenors thereafter filed petitions for certiorari before the Supreme Court, First Division, but each was denied by the SC.

MPPCL, SMEC, SPPC, and SPDC filed their respective Comments on the Petition for Review filed by the ERC. In its petition, the ERC appealed the nullification of the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

On February 10, 2020, the SC directed the respondents to file their respective Comments on the Petition for Review filed by Meralco ("**Meralco Petition**"). SMEC, SPPC, SPDC and MPPCL filed on July 16, 2020, their respective Comments on the Meralco Petition, all within the period of extension granted by the SC.

On July 9, 2020, AP Renewables Inc. ("**APRI**") filed a Motion to Consolidate praying for the SC to direct the consolidation of the foregoing case with ERC v. SMEC, et. al. (SC-G.R. Nos. 246621-30, First Division).

On July 21, 2020, Meralco filed a Motion for Leave to File and Admit the Attached Manifestation with Manifestation, (collectively, "**Meralco Manifestation**"), praying that the SC apply the ruling in the case of PSALM v. PEMC (G.R. No. 190199, March 11, 2020) in resolving the instant case. On September 22, 2020, SMEC, SPPC and SPDC filed motions to admit their Comment on the Meralco Manifestation.

In a Resolution dated November 4, 2020, the SC directed the consolidation of the separate petitions filed by the ERC and Meralco and the transfer of the Meralco Petition to the third division of the SC handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

On August 3, 2021, a decision was rendered by the SC En Banc on a separate case declaring the March 3, 2014 ERC Order as null and void. Considering that this decision of the SC En Banc ("**SC Decision**") covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SMEC, SPPC, SPDC, SMELC and MPPCL will have to be settled with the IEMOP.

Upon finality of the SC Decision, a claim for refund may be made by the relevant subsidiaries with IEMOP in the aggregate amount of up to ₱2,321,785.

# OWNERSHIP AND CAPITALIZATION

**Share Capital**

As of June 30, 2022, the Company had the following outstanding capital stock:

| Title of Each Class | Number of Shares of Common and Preferred Stock Outstanding as of June 30, 2022 | |
|---|---|---|
| Common Shares | 2,383,896,588 | |
| SUB-TOTAL (Common Shares) | | 2,383,896,588 |
| Series 1 Preferred Shares | 0 | |
| Series "2-A" Preferred Shares | 0 | |
| Series "2-B" Preferred Shares | 0 | |
| Series "2-C" Preferred Shares[17] | 0 | |
| Series "2-D" Preferred Shares | 0 | |
| Series "2-E" Preferred Shares[18] | 0 | |
| Series "2-F" Preferred Shares | 223,333,500 | |
| Series "2-G" Preferred Shares[19] | 0 | |
| 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 | |
| SUB-TOTAL (Preferred Shares) | | 1,007,238,467 |
| **TOTAL Outstanding Shares** | | **3,391,135,055** |

**List of Top 20 Stockholders**

The top 20 common and preferred stockholders of the Company as of June 30, 2022 are as follows:

| | Stockholder Name | Common | Preferred S2 | Total Shares | % to Total Outstanding Capital Stock |
|---|---|---|---|---|---|
| 1. | Top Frontier Investment Holdings, Inc. | 1,573,100,340 | 0 | 1,573,100,340 | 46.39% |
| 2. | PCD Nminee Corporation (Filipino) | 218,269,647 | 811,024,497 | 1,029,294,144 | 30.35% |
| 3. | Privado Holdings, Corp. | 368,140,516 | 0 | 368,140,516 | 10.86% |
| 4. | Lucena Holdings Corporation | 0 | 88,532,000 | 88,532,000 | 2.61% |
| 5. | Gingoog Holdings Corporation | 1,830,082 | 48,540,000 | 50,370,082 | 1.49% |
| 6. | PCD Nominee Corporation (Non-Filipino) | 38,603,374 | 8,168,290 | 46,771,664 | 1.38% |
| 7. | PCGG in Trust for the Comprehensive Agrarian Reform Program | 27,636,339 | 0 | 27,636,339 | 0.81% |
| 8. | San Miguel Brewery Inc. Retirement Plan | 0 | 14,153,600 | 14,153,600 | 0.42% |
| 9. | Petron Corporation Employees' Retirement Plan | 12,237,100 | 0 | 12,237,100 | 0.36% |
| 10. | Millennium Energy, Inc. | 10,807,380 | 0 | 10,807,380 | 0.32% |
| 11. | San Miguel Corporation Retirement Plan FIP | 0 | 9,346,900 | 9,346,900 | 0.28% |
| 12. | Social Security System | 0 | 7,328,500 | 7,328,500 | 0.22% |
| 13. | Sysmart Corporation | 5,100,607 | 0 | 5,100,607 | 0.15% |
| 14. | Eduardo M. Cojuangco, Jr. | 3,828,702 | 0 | 3,828,702 | 0.11% |
| 15. | Marine Shore Investment Holdings, Inc. | 2,089,660 | 0 | 2,089,660 | 0.06% |
| 16. | Everett Steamship Corporation | 1,903,330 | 0 | 1,903,330 | 0.06% |
| 17. | Metroplex Holdings Corporation | 0 | 1,578,000 | 1,578,000 | 0.05% |

17 The Series "2-C" Preferred Shares were redeemed on September 21, 2021.
18 The Series "2-E" Preferred Shares were redeemed on September 21, 2021.
19 The Series "2-G" Preferred Shares were redeemed on March 30, 2021.

| | | | | | |
|---|---|---|---|---|---|
| 18. | Ramon S. Ang | 1,345,429 | 0 | 1,345,429 | 0.04% |
| 19. | Knights of Columbus Fraternal Association of the Phils., Inc. | 0 | 1,260,250 | 1,260,250 | 0.04% |
| 20. | Macrina Leyson | 1,144,752 | 0 | 1,144,752 | 0.03% |
| | **TOTAL** | **2,266,037,258** | **989,932,037** | **3,255,969,295** | **96%** |

**Foreign Ownership by Nationality as of June 30, 2022**

| **# OF STOCKHOLDERS** | | | | | | |
|---|---|---|---|---|---|---|
| **Nationality** | **SMC-Common** | **SMC2F** | **SMC2H** | **SMC2I** | **SMC2J** | **SMC2K** |
| American | 595 | - | - | - | - | - |
| Australian | 23 | - | - | - | - | - |
| Austrian | 4 | 1 | - | - | - | - |
| Belgian | 1 | - | - | - | - | - |
| British | 36 | - | - | - | - | - |
| Canadian | 39 | 1 | 1 | - | - | - |
| Chinese | 430 | 2 | 1 | 1 | - | - |
| Chinese/Hong Kong | 2 | - | - | - | - | - |
| Danish | 6 | - | - | - | - | - |
| Dutch | 3 | - | - | - | - | - |
| Filipino | 32,378 | 131 | 152 | 93 | 26 | 17 |
| French | 3 | - | - | - | - | - |
| German | 19 | - | - | - | - | - |
| Indian | 5 | 1 | - | - | - | - |
| Irish | 3 | - | - | - | - | - |
| Israeli | 3 | - | - | - | - | - |
| Italian | 1 | - | - | - | - | - |
| Jamaican | 1 | - | - | - | - | - |
| Japanese | 15 | - | - | - | - | - |
| Korean | 5 | - | - | - | - | - |
| Lithuanian | 1 | - | - | - | - | - |
| Malaysian | 5 | - | - | - | - | - |
| New Zealand | 3 | - | - | - | - | - |
| Others | 14 | 1 | 1 | 1 | 1 | 1 |
| Pakistani | 1 | - | - | - | - | - |
| Portuguese | 5 | - | - | - | - | - |
| Singaporean | 3 | - | - | - | - | - |
| Spanish | 118 | - | - | - | - | - |
| Swedish | 3 | - | - | - | - | - |
| Swiss | 8 | - | - | - | - | - |
| Taiwanese | 6 | - | - | - | - | - |
| Ukrainian | 1 | - | - | - | - | - |
| **TOTAL** | **33,740** | **137** | **155** | **95** | **27** | **18** |

**Security Ownership of Directors and Officers**

The owners of more than 5% of the Company's voting[20] securities (both common and preferred shares) as of June 30, 2022 are 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.[21]<br>5th Floor, ENZO Bldg.,<br>No. 339 Sen. Gil Puyat,<br>Makati City | Iñigo U. Zobel, Filipino, Director of the Company; and Ramon S. Ang, Filipino, the President and Chief Executive Officer of the Company, are beneficial owners of 59.96% and 26.03%[22] of the outstanding common stock of Top Frontier Investment Holdings, Inc., respectively. | Filipino | 1,573,100,340 | 46.39% |
| Common | PCD Nominee Corporation (Filipino)<br>Makati City | Various individuals/ Entities | Filipino | 218,269,647 | 30.35% |
| Series "2" Preferred Shares | PCD Nominee Corporation (Filipino)<br>Makati City | Various individuals/ Entities | Filipino | 811,024,497 | |
| Common | Privado Holdings, Corp.<br>Room 306 Narra Building,<br>2776 Pasong Tamo Extension, Makati City | Ramon S. Ang, Filipino, as beneficial owner of 100% of the outstanding capital stock of Privado Holdings, Corp. | Filipino | 373,623,796[23] | 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, and key officers of the Company as of June 30, 2022:

| Name of Owner | Amount and Nature of Ownership | | Citizenship | Total No. of Shares and Percent to Total Outstanding Capital Stock |
|---|---|---|---|---|
| | Common | Preferred | | |
| Ramon S. Ang | 1,345,429 (D)<br>368,140,516 (I)[24]<br>5,483,280 (I)[25]<br>235,336,423 (I)[26]<br>174,180,260 (I)[27]<br>358,615 (I)[28] | | Filipino | 784,844,523 (23.14%) |
| John Paul L. Ang | 5,000 (D) | | Filipino | 5,000 (0%) |

[20] 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.

[21] The shares owned by Top Frontier Investment Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of June 30, 2022, Top Frontier Investment Holdings, Inc. has voting rights to a total of 1,573,100,340 common shares of the Company which represent about 65.99% of the outstanding common stock of the Company.

[22] Through Privado Holdings, Corp. and Master Year Limited, both stockholders of record of Top Frontier Investment Holdings, Inc.

[23] Inclusive of Privado Holdings, Corp.'s 5,483,280 common shares lodged with the PDTC.

[24] Through his 100% shareholdings in Privado Holdings, Corp., relating to its certificated common shares.

[25] Through his 100% shareholdings in Privado Holdings, Corp., relating to its common shares lodged with the PDTC.

[26] Through his 100% shareholdings in Master Year Limited, which is a shareholder of Top Frontier Investment Holdings, Inc.

[27] Through his 100% shareholdings in Privado Holdings, Corp., which is a shareholder of Top Frontier Investment Holdings, Inc.

[28] Through his direct shareholdings in Top Frontier Investment Holdings, Inc.

| | | | | |
|---|---|---|---|---|
| Aurora T. Calderon | 22,600 (D) | | Filipino | 22,600 (0%) |
| Joselito D. Campos, Jr. | 9,149 (D) | | Filipino | 9,149 (0%) |
| Teresita J. Leonardo-De Castro | 5,000 (D) | | Filipino | 5,000 (0%) |
| Jose C. De Venecia | 5,000 (D) | | Filipino | 5,000 (0%) |
| Menardo R. Jimenez | 5,000 (D) | | Filipino | 5,000 (0%) |
| Estelito P. Mendoza | 31,972 (D) | | Filipino | 31,972 (0%) |
| Alexander J. Poblador | 5,000 (D) | | Filipino | 5,000 (0%) |
| Reynato S. Puno | 5,000 (D) | | Filipino | 5,000 (0%) |
| Thomas A. Tan[25] | 5,000 (D) | 200,000 (I) | Filipino | 205,000 (0.01%) |
| Margarito B. Teves | 5,000 (D) | | Filipino | 5,000 (0%) |
| Ramon F. Villavicencio | 35,000(D)<br>9,000 (I) | | Filipino | 44,000 (0%) |
| Iñigo U. Zobel | 16,171 (D)<br>943,245,006 (I)[26] | | Filipino | 943,261,177 (27.82%) |
| Diosdado M. Peralta | 5,000 (D) | | Filipino | 5,000 (0%) |
| Ferdinand K. Constantino | 477,692 (D) | | Filipino | 477,692 (0.01%) |
| Virgilio S. Jacinto | 180,830 (D) | | Filipino | 180,830 (0%) |
| Joseph N. Pineda | 62,715 (I) | | Filipino | 62,715 (0%) |
| Lorenzo G. Formoso III | 20,000 (D) | | Filipino | 20,000 (0%) |

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 June 30, 2022, is 1,729,199,658 or approximately 50.99% of the outstanding capital stock of the Company.

**Voting Trust of Holders of 5% and more**

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 of control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

25 Mr. Tomas A. Tan resigned as Director effective July 31, 2022, and Director Ernesto M. Pernia was elected on August 04, 2022.
26 Through his 59.96% shareholdings in the common stock of Top Frontier Investment Holdings, Inc.

# MARKET PRICE OF AND DIVIDENDS ON THE EQUITY OF SMC AND RELATED SHAREHOLDER MATTERS

The common equity of SMC is listed on the PSE. The high and low sales prices for each period are indicated in the table below.

The common, Series "1," and Series "2" preferred equity of SMC are traded on the PSE.

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

| Class of Shares | 2022 | | | |
|---|---|---|---|---|
| | 1st | | 2nd | |
| | High | Low | High | Low |
| Common | 115.00 | 98.95 | 110.00 | 100.00 |
| Preferred – 2F | 79.75 | 75.05 | 78.20 | 75.00 |
| Preferred – 2H | 77.40 | 75.20 | 76.70 | 74.50 |
| Preferred – 2I | 79.60 | 76.00 | 80.00 | 76.00 |
| Preferred – 2J | 78.00 | 76.20 | 76.50 | 70.50 |
| Preferred – 2K | 77.00 | 74.25 | 76.00 | 72.15 |

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

| Class of Shares | 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 – 2D | 76.05 | 73.00 | 76.15 | 73.40 | 75.90 | 75.00 | -- | -- |
| 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 |

**Dividends and Dividend Policy**

Cash dividends declared by the Board of Directors of SMC and paid to common shareholders amounted to ₱1.40 per share in 2021.

Cash dividends declared by the Board of Directors of SMC and paid to all Series "2" – Subseries "2C," Subseries "2D," Subseries "2E," Subseries "2F," Subseries "2G," Subseries "2H," Subseries "2I," Subseries "2J," and

Subseries "2K" preferred shareholders amounted to ₱4.50, ₱0.00, ₱3.55809375, ₱5.1054, ₱1.23361875, ₱4.74165, ₱4.751625, ₱3.5625, and ₱3.375 per share, respectively, in 2021.

Dividends may be declared at the discretion of the Board of Directors and will depend upon the future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations and other factors the Board of Directors may deem relevant.

The table below sets forth the amount of dividends declared and paid since 2019.

**Common Shares**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 | Cash | 0.35 | March 14 | April 5 | May 3 |
| | Cash | 0.35 | June 11 | July 5 | July 30 |
| | Cash | 0.35 | September 12 | October 11 | October 31 |
| | Cash | 0.35 | December 5 | January 3, 2020 | January 24, 2020 |
| **Total:** | | **1.40** | | | |
| 2020 | Cash | 0.35 | March 12 | April 3 | April 30 |
| | Cash | 0.35 | June 30 | July 15 | July 31 |
| | Cash | 0.35 | September 10 | October 9 | October 30 |
| | Cash | 0.35 | December 3 | January 4, 2021 | January 22, 2021 |
| **Total:** | | **1.40** | | | |
| 2021 | Cash | 0.35 | March 11 | April 5 | April 30 |
| | Cash | 0.35 | June 8 | July 2 | July 28 |
| | Cash | 0.35 | September 9 | October 8 | October 29 |
| | Cash | 0.35 | December 2 | January 4, 2022 | January 21, 2022 |
| **Total:** | | **1.40** | | | |
| 2022 | Cash | 0.35 | March 10 | April 1 | April 29 |
| | Cash | 0.35 | June 14 | July 1 | July 27 |
| **Total:** | | **0.70** | | | |

**Preferred Shares - Series 1**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 | Cash | 1.0565625 | January 24 | March 22 | April 5 |
| | Cash | 1.0565625 | May 9 | June 21 | July 5 |
| | Cash | 1.0565625 | August 8 | September 20 | October 4 |
| | Cash | 1.0565625 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **4.22625** | | | |
| 2020 | Cash | 1.0565625 | January 23 | March 20 | April 3 |
| **Total:** | | **1.0565625** | | | |

**Preferred Shares - Series 2B**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 | Cash | 1.4296875 | January 24 | March 22 | April 5 |
| | Cash | 1.4296875 | May 9 | June 21 | July 5 |
| | Cash | 1.4296875 | August 8 | September 20 | October 4 |
| **Total:** | | **4.2890625** | | | |

**Preferred Shares - Series 2C**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 ................ | Cash | 1.50 | January 24 | March 22 | April 5 |
| | Cash | 1.50 | May 9 | June 21 | July 5 |
| | Cash | 1.50 | August 8 | September 20 | October 4 |
| | Cash | 1.50 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **6.00** | | | |
| 2020 ................ | Cash | 1.50 | January 23 | March 20 | April 3 |
| | Cash | 1.50 | May 28 | June 19 | July 3 |
| | Cash | 1.50 | August 6 | September 21 | October 5 |
| | Cash | 1.50 | November 5 | December 18 | January 8, 2021 |
| **Total:** | | **6.00** | | | |
| 2021 ................ | Cash | 1.50 | January 21 | March 19 | April 5 |
| | Cash | 1.50 | May 6 | June 21 | July 2 |
| | Cash | 1.50 | August 5 | September 21 | October 1 |
| **Total:** | | **4.50** | | | |

**Preferred Shares - Series 2D**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 ................ | Cash | 1.11433125 | January 24 | March 22 | April 5 |
| | Cash | 1.11433125 | May 9 | June 21 | July 5 |
| | Cash | 1.11433125 | August 8 | September 20 | October 4 |
| | Cash | 1.11433125 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **4.457325** | | | |
| 2020 ................ | Cash | 1.11433125 | January 23 | March 20 | April 3 |
| | Cash | 1.11433125 | May 28 | June 19 | July 3 |
| | Cash | 1.11433125 | August 6 | September 21 | October 5 |
| **Total:** | | **3.34299375** | | | |

**Preferred Shares - Series 2E**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 ................ | Cash | 1.18603125 | January 24 | March 22 | April 5 |
| | Cash | 1.18603125 | May 9 | June 21 | July 5 |
| | Cash | 1.18603125 | August 8 | September 20 | October 4 |
| | Cash | 1.18603125 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **4.744125** | | | |
| 2020 ................ | Cash | 1.18603125 | January 23 | March 20 | April 3 |
| | Cash | 1.18603125 | May 28 | June 19 | July 3 |
| | Cash | 1.18603125 | August 6 | September 21 | October 5 |
| | Cash | 1.18603125 | November 5 | December 18 | January 8, 2021 |

| | | | | | |
|---|---|---|---|---|---|
| **Total:** | | **4.744125** | | | |
| 2021................ | Cash | 1.18603125 | January 21 | March 19 | April 5 |
| | Cash | 1.18603125 | May 6 | June 21 | July 2 |
| | Cash | 1.18603125 | August 5 | September 21 | October 1 |
| **Total:** | | **3.55809375** | | | |

**Preferred Shares - Series 2F**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 ................ | Cash | 1.27635 | January 24 | March 22 | April 5 |
| | Cash | 1.27635 | May 9 | June 21 | July 5 |
| | Cash | 1.27635 | August 8 | September 20 | October 4 |
| | Cash | 1.27635 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **5.1054** | | | |
| 2020 ................ | Cash | 1.27635 | January 23 | March 20 | April 3 |
| | Cash | 1.27635 | May 28 | June 19 | July 3 |
| | Cash | 1.27635 | August 6 | September 21 | October 5 |
| | Cash | 1.27635 | November 5 | December 18 | January 8, 2021 |
| **Total:** | | **5.1054** | | | |
| 2021................ | Cash | 1.27635 | January 21 | March 19 | April 5 |
| | Cash | 1.27635 | May 6 | June 21 | July 2 |
| | Cash | 1.27635 | August 5 | September 21 | October 1 |
| | Cash | 1.27635 | November 11 | December 21 | January 7, 2022 |
| **Total:** | | **5.1054** | | | |
| 2022................ | Cash | 1.27635 | February 10 | March 21 | April 1 |
| | Cash | 1.27635 | May 5 | June 21 | July 4 |
| **Total:** | | **2.5527** | | | |

**Preferred Shares - Series 2G**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 | Cash | 1.23361875 | January 24 | March 22 | April 5 |
| | Cash | 1.23361875 | May 9 | June 21 | July 5 |
| | Cash | 1.23361875 | August 8 | September 20 | October 4 |
| | Cash | 1.23361875 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **4.934475** | | | |

| | | | | | |
|---|---|---|---|---|---|
| 2020 | Cash | 1.23361875 | January 23 | March 20 | April 3 |
| | Cash | 1.23361875 | May 28 | June 19 | July 3 |
| | Cash | 1.23361875 | August 6 | September 21 | October 5 |
| | Cash | 1.23361875 | November 5 | December 18 | January 8, 2021 |
| **Total:** | | **4.934475** | | | |
| 2021 ................ | Cash | 1.23361875 | January 21 | March 19 | April 5 |
| **Total:** | | 1.23361875 | | | |

**Preferred Shares - Series 2H**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 ................ | Cash | 1.1854125 | January 24 | March 22 | April 5 |
| | Cash | 1.1854125 | May 9 | June 21 | July 5 |
| | Cash | 1.1854125 | August 8 | September 20 | October 4 |
| | Cash | 1.1854125 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **4.74165** | | | |
| 2020 ................ | Cash | 1.1854125 | January 23 | March 20 | April 3 |
| | Cash | 1.1854125 | May 28 | June 19 | July 3 |
| | Cash | 1.1854125 | August 6 | September 21 | October 5 |
| | Cash | 1.1854125 | November 5 | December 18 | January 8, 2021 |
| **Total:** | | **4.74165** | | | |
| 2021 ................ | Cash | 1.1854125 | January 21 | March 19 | April 5 |
| | Cash | 1.1854125 | May 6 | June 21 | July 2 |
| | Cash | 1.1854125 | August 5 | September 21 | October 1 |
| | Cash | 1.1854125 | November 11 | December 21 | January 7, 2022 |
| **Total:** | | **4.74165** | | | |
| 2022................ | Cash | 1.1854125 | February 10 | March 21 | April 1 |
| | Cash | 1.1854125 | May 5 | June 21 | July 4 |
| **Total:** | | **2.370825** | | | |

**Preferred Shares - Series 2I**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2019 ................ | Cash | 1.18790625 | January 24 | March 22 | April 5 |
| | Cash | 1.18790625 | May 9 | June 21 | July 5 |
| | Cash | 1.18790625 | August 8 | September 20 | October 4 |
| | Cash | 1.18790625 | November 7 | December 20 | January 10, 2020 |
| **Total:** | | **4.751625** | | | |

| | | | | | |
|---|---|---|---|---|---|
| 2020 ................ | Cash | 1.18790625 | January 23 | March 20 | April 3 |
| | Cash | 1.18790625 | May 28 | June 19 | July 3 |
| | Cash | 1.18790625 | August 6 | September 21 | October 5 |
| | Cash | 1.18790625 | November 5 | December 18 | January 8, 2021 |
| **Total:** | | **4.751625** | | | |
| 2021................ | Cash | 1.18790625 | January 21 | March 19 | April 5 |
| | Cash | 1.18790625 | May 6 | June 21 | July 2 |
| | Cash | 1.18790625 | August 5 | September 21 | October 1 |
| | Cash | 1.18790625 | November 11 | December 21 | January 7, 2022 |
| **Total:** | | **4.751625** | | | |
| 2022................ | Cash | 1.18790625 | February 10 | March 21 | April 1 |
| | Cash | 1.18790625 | May 5 | June 21 | July 4 |
| **Total:** | | **2.3758125** | | | |

**Preferred Shares - Series 2J**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2020 ................ | Cash | 0.890625 | November 5 | December 18 | January 8, 2021 |
| **Total:** | | **0.890625** | | | |
| 2021 ................ | Cash | 0.890625 | January 21 | March 19 | April 5 |
| | Cash | 0.890625 | May 6 | June 21 | July 2 |
| | Cash | 0.890625 | August 5 | September 21 | October 1 |
| | Cash | 0.890625 | November 11 | December 21 | January 7, 2022 |
| **Total:** | | **3.5625** | | | |
| 2022................ | Cash | 0.890625 | February 10 | March 21 | April 1 |
| | Cash | 0.890625 | May 5 | June 21 | July 4 |
| **Total:** | | **1.78125** | | | |

**Preferred Shares - Series 2K**

| Year | Type | Per Share Amount (₱) | Date Declared | Record Date | Payment Date |
|---|---|---|---|---|---|
| 2021 ................ | Cash | 0.84375 | January 21 | March 19 | April 5 |
| | Cash | 0.84375 | May 6 | June 21 | July 2 |
| | Cash | 0.84375 | August 5 | September 21 | October 1 |
| | Cash | 0.84375 | November 11 | December 21 | January 7, 2022 |
| **Total**: | | **3.375** | | | |

| | | | | | |
|---|---|---|---|---|---|
| 2022................. | Cash | 0.84375 | February 10 | March 21 | April 1 |
| | Cash | 0.84375 | May 5 | June 21 | July 4 |
| **Total:** | | **1.6875** | | | |

Similarly, the subsidiaries of SMC may declare dividends at the discretion of their respective boards of directors and will depend upon the future results of operations and general financial condition, capital requirements, their ability to receive dividends and other distributions and payments from their respective subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations, and other factors their respective boards of directors may deem relevant.

For the years 2019, 2020, and 2021 the Company received the following dividends on its common shares from its various subsidiaries:

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| | *(In Millions)* | | |
| **Dividends on Common Shares from various subsidiaries** | ₱ 3,337 | ₱ 3,337 | ₱ 3,337 |

**Sale of Unregistered or Exempt Including Securities Constituting an Exempt Transaction**

There were no securities sold by SMC within the past three (3) years which were not registered under the SRC, except for the following:

| Name of Security Sold | Underwriters | Date of Sale | Amount of Securities | Basis for Exemption | Underwriting Fee |
|---|---|---|---|---|---|
| U.S.$3,000,000,000 Medium Term Note Programme | BofA Securities<br>DBS Bank Ltd.<br>Standard Chartered Bank | July 29, 2020 | U.S.$500,000,000.00 | Section 10.1 (l) of the SRC | 0.38% |
| Redeemable Perpetual Securities – Peso and U.S. Dollar | N/A | Various dates | ₱14,810,000,000.00<br>U.S.$100,000,000.00 | Section 10.1 (k) of the SRC | N/A |

**Foreign Equity Holders**

As of June 30, 2022, the percentage of the total outstanding capital stock of SMC held by foreigners is 1.73%.

| Class of Shares | Foreign Shares | % of Foreign Owned |
|---|---|---|
| **Common Shares** | 50,193,496 | 1.48% |
| **Series "2F" Preferred Shares** | 1,866,402 | 0.05% |
| **Series "2H" Preferred Shares** | 1,578,774 | 0.05% |
| **Series "2I" Preferred Shares** | 1,931,730 | 0.06% |
| **Series "2J" Preferred Shares** | 740,960 | 0.02% |
| **Series "2K" Preferred Shares** | 2,380,040 | 0.07% |
| **TOTAL** | 58,691,402 | 1.73% |

# MANAGEMENT

The overall management and supervision of SMC is undertaken by the board of directors (the "**Board**"). The executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning SMC's business operations, financial condition and results of operations for its review.

**Board of Directors**

Currently, the Board consists of the following members, four (4) of whom are independent directors. The table below sets forth certain information regarding the members of the Board:

| Name | Age | Citizenship | Position |
|---|---|---|---|
| Ramon S. Ang | 68 | Filipino | Vice Chairman, President and Chief Executive Officer |
| John Paul L. Ang | 42 | Filipino | Director |
| Aurora T. Calderon | 68 | Filipino | Director |
| Joselito D. Campos, Jr. | 71 | Filipino | Director |
| Jose C. De Venecia, Jr. | 85 | Filipino | Director |
| Menardo R. Jimenez | 89 | Filipino | Director |
| Estelito P. Mendoza | 92 | Filipino | Director |
| Ernesto M. Pernia | 78 | Filipino | Director |
| Alexander J. Poblador | 69 | Filipino | Director |
| Iñigo U. Zobel | 65 | Filipino | Director |
| Ramon F. Villavicencio | 81 | Filipino | Director |
| Teresita J. Leonardo-De Castro | 73 | Filipino | Independent Director |
| Reynato S. Puno | 82 | Filipino | Independent Director |
| Margarito B. Teves | 79 | Filipino | Independent Director |
| Diosdado M. Peralta | 70 | Filipino | Independent Director |

Fifteen (15) members of the Board of Directors were elected during the Annual Stockholders' Meeting of the Company on June 14, 2022. Director Thomas A. Tan resigned as Director of the Company effective on July 31, 2022. Director Ernesto M. Pernia was elected during the regular meeting of the Board of Directors, while still constituting a quorum, held on August 4, 2022. Director Ernesto M. Pernia has all the qualifications, and none of the disqualifications to fill the vacancy in the Board of Directors due to the resignation of Mr. Thomas A. Tan.

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

Board and Chief Executive Officer of SMC Asia Car Distributors Corp.; Chairman of the Board of San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc. and SEA Refinery Corporation; President and Chief Executive Officer of Northern Cement Corporation. He is also the sole director and shareholder of Master Year Limited and the Chairman of the Board of Privado Holdings, Corp. He formerly held the following positions: Chairman of the Board of Liberty Telecoms Holdings, Inc. and Cyber Bay Corporation, President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; and Vice Chairman of the Board and Director of Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of the Company in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on October 29, 2021.

***John Paul L. Ang*** was elected as a director of the Company on January 21, 2021 and has been a member of the Board of Directors for more than a year. Mr. Ang holds directorships in other listed companies namely, Petron Corporation (since 2021), and Top Frontier Investment Holdings, Inc. (since 2021). He is also the President and Chief Executive Officer of Eagle Cement Corporation since 2008, and Southwestern Cement Corporation since 2017. He is also the Vice Chairman of SMC Global Power Holdings Corp. since 2021. He is also a director of KB Space Holdings, Inc. Mr. Ang graduated with a degree in Bachelor of Arts Major in Interdisciplinary Studies at the Ateneo de Manila University. As a director of a number of companies including listed companies, Mr. Ang has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on August 17, 2021.

***Aurora T. Calderon*** has been a director of the Company since June 10, 2014. She has been a member of the Board of Directors of the Company for 8 years. She is also Senior Vice President and the Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011. In line with the change in designation of the office of the "President and Chief Operating Officer" to "President and Chief Executive Officer," on December 2, 2021 her designation is now Senior Executive Assistant to the President and Chief Executive Officer. She is a member of the Corporate Governance Committee of the Company. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of San Miguel Food and Beverage, Inc., Ginebra San Miguel, Inc., Petron Corporation and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia). She is also a member of the Board of Directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, San Miguel Equity Investments Inc., SMC Asia Car Distributors Corp., San Miguel Yamamura Packaging Corp., and San Miguel Aerocity Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries. As a director of a number of companies including listed companies, Ms. Calderon has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 23, 2021.

***Joselito D. Campos, Jr.*** has been a Director since May 31, 2010. He has been a member of the Board of Directors of the Company for 12 years. He is a member of the Related Party Transactions Committee of the Company. He is the Managing Director and Chief Executive Officer of Del Monte Pacific Ltd., President and Chief Executive Officer of Del Monte Philippines, Inc. He is also the Chairman of the Board and Chief Executive Officer of the NutriAsia Group of Companies, Chairman of the Board of Fort Bonifacio Development Corp. and Vice Chairman of the Board of Ayala Greenfield Development Corp. He is also a Director of FieldFresh Foods (P) Ltd. He was the former Chairman of the Board and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and a member of the WWF (World Wildlife Fund) for Nature - Philippines. He graduated with a degree in BS Commerce, Major in International Business from the University of Santa Clara, California and a Masters in Business Administration degree from Cornell University, New York. As a director of a number of companies including listed companies, Mr. Campos has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global and Best Practices on October 29, 2021.

***Jose C. De Venecia, Jr.*** is a Director of the Company since March 16, 2017. He has been a member of the Board of Directors of the Company for 5 years. He was former Speaker of the House of Representatives (from 1992 to 1998, and from 2001 to 2008). Before joining politics, he was an international entrepreneur, engaged in the business of port operations in Saudi Arabia, agriculture in Africa, mass housing in Iraq and oil exploration in the United Arab Emirates. He has a Bachelor of Arts degree in Journalism from the Ateneo de Manila University. He completed his secondary education at De La Salle College, Manila. As a director of a number of companies including listed companies, Mr. De Venecia has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on October 15, 2021.

***Menardo R. Jimenez*** has been a Director of the Company since February 27, 2002 and a Member of the Executive Committee and Corporate Governance Committee of the Company. He has been a member of the Board of Directors of the Company for 20 years. He is also a Director of San Miguel Food and Beverage, Inc., a publicly listed company, and Magnolia, Inc. He is the Chairman of Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Majent Management and Development Corporation, Meedson Properties Corporation, Menarco Holdings, Inc., Next Century Building Systems, Inc., Television International Corporation and the Table Group, Inc. He is also Chairman Emeritus of Majent Agro Industrial Corporation, and Nuvoland Philippines, Inc. He is also a director of Cunickel Mining & Industrial Corporation, Dasoland Corporation, Menarco Development Corporation, Menarco Property Development & Management Corporation, Modesto Holdings Philippines, Inc., and Unicapital Equities Ventures Inc. He is a graduate of Far Eastern University with a degree of Bachelor of Science in Commerce and is a certified public accountant. As a director of a number of companies including listed companies, Mr. Jimenez has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 3, 2021.

***Estelito P. Mendoza*** was first elected as a Director of the Company on October 30, 1991 and served until April 21, 1993. He was re-elected as Director of the Company on April 21, 1998 up to the present. He has been a member of the Board of Directors of the Company for a total of 30 years. He is a Member of the Executive Committee and the Audit and Risk Oversight Committee of the Company. He is also a Director of Petron Corporation and Philippine National Bank. He was formerly a director of the Manila Electric Company and Philippine Airlines Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office, and was also formerly Chairman of the Board of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank. He graduated from the University of the Philippines College of Law *cum laude*. He also holds a Master of Laws degree from Harvard Law School. As a director of a number of companies including listed companies, Atty. Mendoza has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 3, 2021.

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

***Alexander J. Poblador*** has been a Director of the Company since September 1, 2009 and a Member of the Related Party Transactions Committee of the Company. He has been a member of the Board of Directors of the Company for 13 years. He is the Founding Partner and Chairman of the Executive Committee of Poblador

Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization. He also sits as a member of the Board of Directors of Alpha Aviation Group (Phil), Inc., Alsa Industries, Inc., Delfi Foods Inc., Delfi Marketing Inc., Xytron International, Inc. and B-Light Universal Trading, Inc. He is a graduate of the University of the Philippines with a degree in Bachelor of Laws *cum laude*, class valedictorian, and Bachelor of Arts in Political Science *cum laude*. He also holds a Master of Laws degree from the University of Michigan, at Ann Arbor, School of Law (De Witt Fellow). As a director of a number of companies including listed companies, Atty. Poblador has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on October 29, 2021.

***Ramon F. Villavicencio*** is a Director of the Company since March 15, 2018. He has been a member of the Board of Directors of the Company for 4 years. Prior to his election as director of the Company, he owns the ICVI Financial Consultancy Services, has ownership interests in JoyToAll Amusement Corporation and is a consultant of Petro Finance Services, Inc. He graduated from De La Salle College with a degree in Bachelor of Science in Commerce and a Masters in Business Administration. As a director of a number of companies including listed companies, Mr. Villavicencio has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on October 29, 2021.

***Iñigo U. Zobel*** has been a Director of the Company since October 2009 and was an Independent Director of the Company from May 5, 1999 until October 2009. He has been a member of the Board of Directors of the Company for 23 years. He is a Member of the Executive Committee of the Company. He holds the position of Chairman of the Board of Top Frontier Investment Holdings, Inc., 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. As a director of a number of companies including listed companies, Mr. Zobel has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on October 29, 2021.

***Teresita J. Leonardo-de Castro*** was elected as an Independent Director of the Company on August 6, 2020. She has been a member of the Board of Directors of the Company for 2 years. She is also the Chairman of the Related Party Transactions Committee of the Company and a Member of the Audit and Risk Oversight Committee of the Company. She is currently an independent director of Top Frontier Investment Holdings, Inc. since July 9, 2019. She also sits as an independent director of the Philippine Stock Exchange, Inc. 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. As a director of a number of companies including listed companies, Madame De Castro has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. on October 15, 2021.

***Diosdado M. Peralta*** was elected as an Independent Director of the Company on June 8, 2021 and was appointed as a member of the Audit and Risk Oversight Committee and Corporate Governance Committee. He has been a member of the Board of Directors of the Company for 1 year. He was the Chief Justice of the Supreme Court from October 23, 2019 until his early retirement on March 27, 2021. He joined the Supreme Court as an Associate Justice in 2011 and was previously Associate Justice of the Sandiganbayan since 2002 prior to his appointment to the Supreme Court. He was previously a judge at the Regional Trial Court of Quezon City, and prosecutor in the City of Manila and Laoag City, Ilocos Norte. He completed his Bachelor of Laws degree from the University of Santo Tomas in 1979 and his undergraduate degree from Colegio de San Juan de Letran in 1974. He was admitted to the Bar in 1980. As a director of a number of companies including listed companies, Mr. Peralta has attended various trainings and seminars on Corporate Governance, the most recent of which is the training conducted by Center for Global Best Practices on October 29, 2021.

***Reynato S. Puno*** was elected to the Board as an Independent Director of the Company on January 20, 2011 and is the Chairman of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee of the Company. He has been a member of the Board of Directors of the Company for 11 years. He is also an independent director of San Miguel Brewery Hong Kong Ltd. (a company publicly listed in the Hong Kong Stock Exchange) and Union Bank of the Philippines, Inc., and a member of the Board of Commissioners of PT Delta Djakarta Tbk (a company listed in the Indonesia Stock Exchange). He is also the Chairman of the Environmental Heroes Foundation and World Vision; Vice Chairman of the Board of the GMA Kapuso Foundation; and Director of The New Standard newspaper. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Supreme Court as an Associate Justice on June 1993 and was previously Associate Justice of the Court of Appeals (1980, 1986 to 1993), Appellate Justice of the Intermediate Appellate Court (1983), Assistant Solicitor General (1974-1982) and City Judge of Quezon City (1972-1974). He also served as Deputy Minister of Justice from 1984-1986. He completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern Methodist University, Dallas, Texas (1967). As a director of a number of companies including listed companies, Mr. Puno has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by Center for Global Best Practices on October 29, 2021.

***Margarito B. Teves*** was elected as an Independent Director of the Company on June 14, 2012 and is the Chairman of the Audit and Risk Oversight Committee and a Member of the Corporate Governance Committee and Related Party Transactions Committee of the Company. He has been a member of the Board of Directors of the Company for 10 years. He is also an Independent Director of Petron Corporation, a publicly listed company, SMC Tollways Corporation (*formerly,* Atlantic Aurum Investments Philippine Corporation), AB Capital Investment Corp., Alphaland Corporation, Alphaland Balesin Island Club, Inc., Alphaland Marina Club, Inc., The City Club at Alpahaland Makati Place, Inc., and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of the Board of Think Tank Inc. and a director of Pampanga Sugar Development Co. He was Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics. As a director of a number of companies including listed companies, Mr. Teves has attended various trainings and seminars on Corporate Governance in the past five (5) years, the most recent of which is the training conducted by SGV & Co. on September 23, 2021.

**Senior Management**

The table below sets forth the executive officers of the SMC Group as of the date of this Prospectus.

| Name | Age | Citizenship | Position |
|---|---|---|---|
| Ferdinand K. Constantino | 70 | Filipino | Senior Vice President - Chief Finance Officer and Treasurer |
| Virgilio S. Jacinto | 65 | Filipino | Senior Vice President, General Counsel, Corporate Secretary and Compliance Officer |
| Joseph N. Pineda | 59 | Filipino | Senior Vice President – Deputy Chief Finance Officer and Head of Treasury |
| Aurora T. Calderon | 68 | Filipino | Senior Vice President and Senior Executive Assistant to the Office of the President and Chief Executive Officer |
| Lorenzo G. Formoso III | 61 | Filipino | Senior Vice President and Head of SMC Infrastructure Business |

As of the date of this Prospectus, the position of Chairman of the Board remains vacant.

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

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

***Joseph N. Pineda*** is the Senior Vice President and Deputy Chief Finance Officer. Effective June 1, 2021, he was also appointed Head of Treasury of SMC. On September 3, 2021, he attended the corporate governance training conducted by SGV & Co. He was formerly Vice President prior to his promotion on July 27, 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since January 2005. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries. On September 3, 2021, he attended the corporate governance training conducted by SGV & Co.

***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. On December 3, 2021, he attended the corporate governance training conducted by SGV & Co. 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. On December 3, 2021, he attended the corporate governance training conducted by SGV & Co.

**Committees of the Board of Directors**

The Company's Board of Directors appoint directors to the four (4) Board committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified. The four (4) committees are: (i) the Executive Committee; (ii) the Audit and Risk Oversight Committee; (iii) the Related Party Transactions Committee; and (iv) the Corporate Governance Committee. The attendance of a majority of its members will constitute a quorum for the committee to transact business. The committee will act only on the affirmative vote of at least a majority of the members present at a meeting at which there is a quorum.

***Executive Committee***

The Executive Committee is tasked to help and assist the officers in the management and direction of the affairs of the Company. It acts within the powers and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of the power to appoint any entity as general managers or management or technical consultants, to guarantee obligations of other corporations in which the Company has lawful interest, to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests, and to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.

The Executive Committee is currently composed of four (4) directors that includes the President. The acting Chairman of the Executive Committee is the Vice Chairman, Mr. Ramon S. Ang. The members of the committee are Messrs. Estelito P. Mendoza, Menardo R. Jimenez, and Iñigo U. Zobel.

***Audit and Risk Oversight Committee***

The Audit and Risk Oversight Committee is responsible for assisting the Board in the performance of its oversight responsibility on financial reports and financial reporting process, internal control system, audit process and plans, directly interfacing with internal and external auditors, and in monitoring and facilitating compliance with both the internal financial management manual and pertinent accounting standards, including regulatory requirements, elevating to international standards the accounting and auditing processes, practices and methodologies of the Company. The committee performs financial oversight management functions, specifically in the areas of credit management, markets liquidity, operational, legal and other risks, as well as crisis management. The Audit and Risk Oversight committee has primary responsibility for recommending the appointment and removal of the Company's external auditor. Presently, the Company's external auditor is R.G. Manabat & Co.

The Audit and Risk Oversight Committee is composed of five (5) members, four (4) of whom are non-executive and independent directors. All committee members have relevant background, knowledge, skills or experience in the areas of accounting, auditing and finance. The members of the committee are Mr. Reynato S. Puno

(Independent), Teresita J. Leonardo-de Castro (Independent), Mr. Diosdado M. Peralta (Independent), and Mr. Estelito P. Mendoza. The chairperson of the Audit Committee is Mr. Margarito B. Teves (Independent).

***Related Party Transactions Committee***

The Related Party Transactions Committee is tasked to review all material related party transactions ("**RPTs**") of the Company to make certain that these are entered into, as a matter of policy, on an arms-length basis and at market rates. It shall evaluate existing relations between and among businesses and counterparties to ensure the identification of all related parties, including changes in relationships of counterparties, and that RPTs are monitored. The committee is responsible for ensuring that appropriate disclosures are made relating to the Company's RPT exposures and policies on conflict of interest. It shall also oversee the periodic review of RPT policies and procedures.

The Related Party Transactions Committee is composed of five (5) members. The members of the committee are Messrs. Margarito B. Teves (Independent), Joselito D. Campos, Jr., Alexander J. Poblador, and Reynato S. Puno (Independent). The Chairman of the Related Party Transactions Committee is Ms. Teresita J. Leonardo-de Castro (Independent).

***Corporate Governance Committee***

The Corporate Governance Committee is tasked to ensure the Company's compliance and proper observance of corporate governance principles and practices. It oversees the implementation of the Company's corporate governance framework and the performance evaluation of the Board and its committees, as well as top management, to ensure that management's performance is at par with the standards set by the Board. The committee advises the Board on the establishment of a formal and transparent procedure for developing policy on remuneration of directors and senior management that is aligned with the long-term interests of the Company, ensuring that compensation is consistent with the Company's culture and strategy, as well as the business environment in which it operates. It likewise reviews and oversees the implementation of policies relating to business interest disclosures and conflict of interest, appointments and promotions of officers, and succession planning. Further, the committee determines the nomination and election process for the Company's Board of Directors, and screens and shortlists candidates to the Board in accordance with the qualifications and disqualifications for directors defined in the Company's by-laws, Manual on Corporate Governance, and applicable laws and regulations.

The Corporate Governance Committee is composed of five (5) directors of the Company, three (3) of whom are Independent Directors. The Corporate Governance Committee chairperson is Mr. Reynato S. Puno (Independent). The members of the committee are Messrs. Margarito B. Teves (Independent), Menardo R. Jimenez, Diosdado M. Peralta (Independent) and Ms. Aurora T. Calderon.

**Corporate Governance**

The Company recognizes that good governance helps the business to deliver strategy, generate and sustain shareholder value, and safeguard shareholders' rights and interests. The Company's Board of Directors, management and employees adhere to the highest standards of corporate governance as a vital component of sound business management.

The Company's Board of Directors, led by Vice Chairman Ramon S. Ang, believes in conducting the business affairs of the Company in a fair and transparent manner and in maintaining the highest ethical standards in all the Company's business dealings.

***Manual on Corporate Governance***

The first Manual on Corporate Governance of the Company was approved by the Board of Directors on June 27, 2002. On May 10, 2017, the Board of Directors approved a new Manual on Corporate Governance (the "**Manual**") to align with the Code of Corporate Governance for Publicly-Listed Companies issued by the SEC under SEC Memorandum Circular No. 19, series of 2016. The Manual is available for examination in the Company's corporate website at *https://www.sanmiguel.com.ph/disclosures/manual-of-corporate-governance*.

The Company's monitoring of the implementation of the evaluation system to measure and determine the level of compliance of the Board of Directors and top-level management with the Manual is vested by the Board of Directors in the Compliance Officer.

***Amendments to the By-laws of the Company***

On November 2, 2021, the SEC approved the amendments to the By-Laws of the Company, which amendments were approved by a majority of the stockholders of the Company on June 8, 2021. Said amendment of the By-laws of the Company defined the role, functions and duties of the Chairman of the Board, formerly the "*Chairman and Chief Executive Officer*" and the President and Chief Executive Officer, formerly the "*President and Chief Operating Officer".*

Specifically, the amendments are as follows: (a) the roles, functions and duties of the Chairman of the Board are separated from the President and Chief Executive Officer such that the scope of the role and duties of the Chairman are focused on the non-executive functions; and (b) the roles, functions and duties of the President and Chief Executive Officer are unified in the position of the President. This change is in accordance with the recommended best practices in corporate governance on the separate functions of the Chairman and the President.

***Compliance and Monitoring System***

To ensure adherence to corporate governance principles and best practices, the Board of Directors has appointed a Compliance Officer for the Company, Atty. Virgilio S. Jacinto. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of the Manual, as may be amended from time to time, applicable laws and the rules and regulations of the relevant regulatory agencies. The Compliance Officer holds the position of Senior Vice President and has direct reporting responsibilities to the Chairman of the Board.

In the regular board meeting held on August 10, 2017, the Board approved the adoption by the Corporate Governance Committee, and the Related Party Transactions Committee of their respective Charters, as reviewed and endorsed by each Committee. The approval of the adoption by the Audit and Risk Oversight Committee of its Charter was approved by the Board on August 13, 2012 upon the endorsement of the Audit Committee. The Charters of the Audit and Risk Oversight Committee, the Corporate Governance Committee, and the Related Party Transactions Committee each outline the purpose, membership and qualifications, structure and operations, duties and responsibilities, reporting process and performance evaluation of the said Board Committees, and the procedures which shall guide the conduct of its functions, to ensure adherence by the Company to the best practices of good corporate governance. The full texts of said Charters may be viewed at the Company's corporate website at *https://www.sanmiguel.com.ph/page/company-policy*.

The Company submits its Integrated Annual Corporate Governance Reports (I-ACGR) in accordance with SEC Memorandum Circular No. 15, series of 2017. Such I-ACGRs are posted in the Company's corporate website at *https://www.sanmiguel.com.ph/disclosures/annual-corporate-governance-report-acgr* for the guidance of the investing public.

The Company encourages its directors and officers to attend continuous professional education programs.

The Company organizes an annual seminar or program on Corporate Governance for directors and key officers, in accordance with SEC regulations.

Pursuant to the Company's commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of the Company and its stockholders.

**Shareholder and Investor Relations**

The Company responds to information request from the investing community and keeps shareholders informed through timely disclosures to the PSE and SEC, annual shareholders meeting, investors briefing and conferences, the website of the Company and responses to email and telephone queries. The disclosures of the Company and other filings with the PSE and SEC are available for viewing and download from the website of the Company.

The Company through the Investor Relations Group under Corporate Finance holds regular briefings and meetings with investment and financial analysts.

**Family Relationships**

Mr. John Paul L. Ang is the son of Mr. Ramon S. Ang. There are no other family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

**Involvement in Certain Legal Proceedings**

None of the directors, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their 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 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 date that is material to the evaluation of his or her ability or integrity to hold the relevant position in the Company.

**Compensation of Directors and Executive Officers**

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 four (4) 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[28] | 2022 (estimated) | ₱174.3 million | ₱42.9 million | ₱15.6 million | ₱232.8 million |
| | 2021 | ₱171.7 million | ₱21.6 million | ₱30.8 million | ₱224.1 million |
| | 2020 | ₱182.4 million | ₱15.6 million | ₱37.6 million | ₱235.6 million |
| All other officers and directors as a group unnamed | 2022 (estimated) | ₱233.5 million | ₱55.2 million | ₱60.0 million | ₱338.7 million |
| | 2021 | ₱232.9 million | ₱35.7 million | ₱64.6 million | ₱333.2 million |
| | 2020 | ₱257.8 million | ₱33.9 million | ₱66.3 million | ₱358.0 million |
| Total | 2022 (estimated) | ₱397.8 million | ₱98.1 million | ₱75.6 million | ₱571.5 million |
| | 2021 | ₱404.6 million | ₱57.3 million | ₱95.4 million | ₱557.3 million |
| | 2020 | ₱440.2 million | ₱49.5 million | ₱103.9 million | ₱593.6 million |

The following are the directors' fees received by the directors, and the respective per diems for 2021 received for their attendance in Board and Committee meetings:

| Name of Director | Per Diems | Directors Fees | Total |
|---|---|---|---|
| 1. Ramon S. Ang | ₱470,000.00 | ₱4,826,031.70 | ₱5,296,031.70 |
| 2. Leo S. Alvez | ₱290,000.00 | ₱1,608,677.23 | ₱2,008,667.23 |
| 3. John Paul L. Ang | ₱400,000.00 | ₱4,826,031.70 | ₱5,376,031.70 |
| 4. Aurora T. Calderon | ₱550,000.00 | ₱4,826,031.70 | ₱5,116,031.70 |
| 5. Joselito D. Campos, Jr. | ₱490,000.00 | ₱4,826,031.70 | ₱5,316,031.70 |
| 6. Teresita L. De Castro | ₱510,000.00 | ₱3,619,523.70 | ₱4,129,523.70 |
| 7. Jose C. De Venecia, Jr. | ₱470,000.00 | ₱4,826,031.70 | ₱5,296,031.70 |
| 8. Menardo R. Jimenez | ₱550,000.00 | ₱4,826,031.70 | ₱5,396,031.70 |
| 9. Estelito P. Mendoza | ₱480,000.00 | ₱4,826,031.70 | ₱5,306,031.70 |
| 10.Diosdado M. Peralta | ₱280,000.00 | - | ₱280,000.00 |
| 11.Alexander J. Poblador | ₱490,000.00 | ₱4,826,031.70 | ₱5,316,031.70 |
| 12.Reynato S. Puno | ₱650,000.00 | ₱4,826,031.70 | ₱5,476,031.70 |
| 13.Thomas A. Tan | ₱470,000.00 | ₱4,826,031.70 | ₱5,296,031.70 |
| 14.Margarito B. Teves | ₱650,000.00 | ₱4,826,031.70 | ₱5,476,031.70 |
| 15.Ramon F. Villavicencio | ₱470,000.00 | ₱4,826,031.70 | ₱5,296,031.70 |
| 16.Inigo U. Zobel | ₱470,000.00 | ₱4,826,031.70 | ₱5,296,031.70 |
| **TOTAL** | **₱7,690,000.00** | **₱67,966,613.11** | **₱75,656,613.11** |

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. In 2021 and 2020, the members of the Board of Directors of the Company were paid an aggregate amount of P72.39 million.

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 March 1, 2007, the Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and 26, 2008, the 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.

As of March 31, 2022, there are no more outstanding options under the LTIP held by the Chief Executive Officer and Senior Executive Officers of the Company, and officers and middle managers as a group. There are no more outstanding, exercised and cancelled options to date.

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.

**Other Arrangements**

There are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

**Employment Contract**

In lieu of an employment contract, the directors are elected at the annual meeting of stockholders for a one (1) year term. Any director elected in the interim will serve for the remaining term until the next annual meeting.

**Warrants or Options**

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

**Related Party Transactions**

SMC, certain subsidiaries and their shareholders and associates and joint ventures, in the ordinary course of business, have entered into transactions with affiliates and other related parties, principally consisting of advances and sale and purchase of services and/or products.

Transactions with related parties are entered into on an arm's length basis.

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 consolidated total 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 June 30, 2022 and December 31, 2021 *(Amounts in Millions)*:

| | Year | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | **June 30, 2022** | **P3** | **P -** | **P3,937** | **P551** | On demand; | Unsecured; |
| | December 31, 2021 | 8 | - | 3,652 | 551 | non-interest bearing | no impairment |
| | **June 30, 2022** | **-** | **-** | **3,037** | **-** | To be settled on the | Unsecured; |
| | December 31, 2021 | - | - | 3,037 | - | first anniversary of commercial operations of the Nonoc Project; interest bearing | no impairment |
| Retirement Plans | **June 30, 2022** | **10** | **-** | **4,523** | **-** | On demand; | Unsecured; |
| | December 31, 2021 | 23 | - | 4,433 | - | non-interest bearing | no impairment |
| | **June 30, 2022** | **122** | **-** | **4,398** | **-** | On demand; | Unsecured; |
| | December 31, 2021 | 266 | - | 4,371 | - | interest bearing | no impairment |
| Associates | **June 30, 2022** | **512** | **8** | **971** | **33** | On demand; | Unsecured; |
| | December 31, 2021 | 2,045 | 46 | 1,245 | 30 | non-interest bearing | no impairment |
| | **June 30, 2022** | **4** | **-** | **114** | **20,932** | Less than 1 | Unsecured and |
| | December 31, 2021 | 9 | - | 140 | 18,817 | to 10 years; interest bearing | secured; no impairment |
| Joint Ventures | **June 30, 2022** | **242** | **179** | **225** | **68** | On demand; | Unsecured; |
| | December 31, 2021 | 321 | 1,681 | 81 | 177 | non-interest bearing | no impairment |
| | **June 30, 2022** | **-** | **-** | **621** | **-** | On demand; | Unsecured; |
| | December 31, 2021 | - | - | 621 | - | interest bearing | with impairment |
| | **June 30, 2022** | **29** | **-** | **1,134** | **-** | Less than 1 | Unsecured; |
| | December 31, 2021 | 24 | - | 1,170 | - | to 10.5 years; interest bearing | no impairment |
| Shareholders in Subsidiaries | **June 30, 2022** | **160** | **385** | **111** | **2,658** | On demand; | Unsecured; |
| | December 31, 2021 | 79 | 1,757 | 123 | 2,454 | non-interest bearing | no impairment |
| Others | **June 30, 2022** | **2,747** | **1,257** | **889** | **161** | On demand; | Unsecured; |
| | December 31, 2021 | 3,178 | 2,649 | 837 | 61 | non-interest bearing | no impairment |
| **Total** | **June 30, 2022** | **P3,829** | **P1,829** | **P19,960** | **P24,403** | | |
| Total | December 31, 2021 | P5,953 | P6,133 | P19,710 | P22,090 | | |

Receivables from related parties totalled ₱19,960 million and ₱19,710 million as of June 30, 2022 and December 31, 2021, respectively.

There were no known transactions with parties that fall outside the definition "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.

# SELECTED FINANCIAL INFORMATION AND OTHER DATA

*The summary historical consolidated statement of financial position data as of December 31, 2019, December 31, 2020 and December 31, 2021, and for the six months ended June 30, 2022, and summary historical consolidated statement of income and cash flow data for the years ended December 31, 2019, December 31, 2020 and December 31, 2021 and for the six months ended June 30, 2022, set forth below, have been derived from, and should be read in conjunction with, the audited consolidated financial statements of SMC, including the notes thereto, included elsewhere in this Prospectus.*

*The consolidated financial statements of SMC as of and for the years ended December 31, 2019, 2020, and 2021 were audited by R.G. Manabat & Co.*

*Unless otherwise stated, SMC has presented its consolidated financial results following the PFRS.*

*Potential investors should read the following data together with the more detailed information contained in "Management's Discussion and Analysis of Results of Operations" and the consolidated financial statements and related notes included elsewhere in this Prospectus. The following data is qualified in its entirety by reference to all of that information.*

**Consolidated Statement of Income Data**

| | For the years ended December 31, | | | For the six months ended June 30, | |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2021** | **2022** |
| | | **(Audited) (in millions)** | | **(Unaudited) (in millions)** | |
| | ₱ | ₱ | ₱ | ₱ | ₱ |
| Sales.................................................. | 1,020,502 | 725,797 | 941,193 | 410,124 | 711,416 |
| Cost of sales...................................... | 818,815 | 576,449 | 746,050 | 312,595 | 587,427 |
| Gross Profit....................................... | 201,687 | 149,348 | 195,143 | 97,529 | 123,989 |
| Selling and Administrative expenses.. | (85,972) | (77,872) | (77,991) | (36,513) | (38,131) |
| Interest expense and other financing charges ..................................................... | (56,019) | (52,035) | (49,265) | (23,539) | (25,633) |
| Interest income ................................ | 10,675 | 6,182 | 3,591 | 1,674 | 2,313 |
| Equity in net earnings of associates and joint ventures ...................................... | 105 | 417 | 1,040 | 320 | 725 |
| Gain (loss) on sale of property and equipment.................................. | (237) | (491) | 167 | 129 | 2 |
| Other income (charges) - net ............ | 6,848 | 11,861 | (6,733) | (1,908) | (32,386) |
| Income before income tax ................ | 77,087 | 37,410 | 65,952 | 37,692 | 30,879 |
| Income tax expense........................... | 28,513 | 15,531 | 17,793 | 8,122 | 11,074 |
| **Net income**...................................... | 48,574 | 21,879 | 48,159 | 29,570 | 19,805 |
| **Attributable to:** | | | | | |
| Equity holders of SMC ...................... | 21,329 | 2,973 | 13,925 | 13,070 | (1,341) |
| Non-controlling interests .................. | 27,245 | 18,906 | 34,234 | 16,500 | 21,146 |
| | 48,574 | 21,879 | 48,159 | 29,570 | 19,805 |
| Earnings (loss) per common share attributable to equity holders of SMC Basic and Diluted ............................. | 5.93 | (1.66) | 2.48 | 3.68 | (1.90) |

| | As of December 31 | | | For the six months ended June 30 |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | | (Audited) | | (Unaudited) |
| | | (in millions) | | (in millions) |
| | ₱ | ₱ | ₱ | ₱ |
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | 286,457 | 347,209 | 300,030 | 302,944 |
| Trade and other receivables - net | 136,488 | 124,369 | 161,808 | 222,189 |
| Inventories | 127,463 | 102,822 | 141,209 | 183,802 |
| Current portion of biological assets - net | 4,151 | 3,401 | 3,106 | 3,405 |
| Prepaid expenses and other current assets | 86,585 | 94,610 | 108,689 | 119,028 |
| **Total Current Assets** | 641,144 | 672,411 | 714,842 | 831,368 |
| **Noncurrent Assets** | | | | |
| Investments and advances — net | 52,861 | 50,495 | 55,002 | 57,293 |
| Investment in equity and debt instruments | 42,055 | 41,766 | 41,966 | 42,028 |
| Property, plant and equipment — net | 463,614 | 511,624 | 567,609 | 645,000 |
| Rights-of-use assets — net | 173,604 | 169,208 | 163,364 | 114,055 |
| Investment property — net | 51,779 | 60,678 | 69,825 | 70,627 |
| Biological assets — net of current portion | 2,808 | 2,352 | 2,244 | 2,592 |
| Goodwill — net | 130,073 | 129,733 | 130,081 | 130,492 |
| Other intangible assets — net | 149,014 | 169,532 | 190,979 | 209,078 |
| Deferred tax assets | 18,052 | 20,946 | 17,141 | 19,295 |
| Other noncurrent assets — net | 92,730 | 83,462 | 98,600 | 100,073 |
| **Total Noncurrent Assets** | 1,176,590 | 1,239,796 | 1,336,811 | 1,390,533 |
| **Total Assets** | **1,817,734** | **1,912,207** | **2,051,653** | **2,221,901** |
| **LIABILITIES AND EQUITY** | | | | |
| **Current Liabilities** | | | | |
| Loans payable | 169,492 | 140,645 | 190,779 | 242,147 |
| Accounts payable and accrued expenses | 176,037 | 153,249 | 194,579 | 243,347 |
| Lease liabilities — current portion | 24,979 | 25,759 | 23,423 | 20,204 |
| Income and other taxes payable | 21,185 | 20,998 | 23,102 | 33,251 |
| Dividends payable | 4,116 | 4,231 | 4,296 | 4,261 |
| Current maturities of long-term debt — net of debt issue costs | 43,808 | 74,502 | 88,857 | 133,193 |
| **Total Current Liabilities** | 439,617 | 419,384 | 525,036 | 676,403 |
| **Noncurrent Liabilities** | | | | |
| Long-term debt — net of current maturities and debt issue costs | 638,996 | 692,407 | 725,108 | 747,909 |
| Deferred tax liabilities | 25,265 | 27,749 | 28,742 | 63,886 |
| Lease liabilities — net of current portion | 117,269 | 91,278 | 71,569 | 30,653 |
| Other noncurrent liabilities — net of current portion | 22,192 | 26,301 | 19,959 | 20,387 |
| **Total Noncurrent Liabilities** | 803,722 | 837,735 | 845,378 | 862,835 |
| **Total Liabilities** | 1,243,339 | 1,257,119 | 1,370,414 | 1,539,238 |
| **Equity** | | | | |
| **Equity Attributable to Equity Holders of SMC** | | | | |
| Capital stock — common | 16,443 | 16,443 | 16,443 | 16,443 |
| Capital stock — preferred | 10,187 | 10,187 | 10,187 | 10,187 |
| Additional paid-in capital | 177,938 | 177,719 | 177,719 | 177,719 |
| Capital Securities | — | 28,171 | 28,171 | 28,171 |
| Equity reserves | 14,390 | 10,131 | 14,136 | 15,577 |

| | As of December 31 | | | For the six months ended June 30 |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | | (Audited) | | (Unaudited) |
| | | (in millions) | | (in millions) |
| | ₱ | ₱ | ₱ | ₱ |
| Retained earnings: | | | | |
| Appropriated | 56,689 | 60,155 | 66,630 | 63,437 |
| Unappropriated | 173,092 | 162,204 | 157,707 | 154,383 |
| Treasury stock | (116,283) | (110,146) | (144,363) | (144,363) |
| | 332,456 | 354,864 | 326,630 | 321,554 |
| Non-controlling interest | 241,939 | 300,224 | 354,609 | 361,109 |
| **Total Equity** | 574,395 | 655,088 | 681,239 | 682,663 |
| | **1,817,734** | **1,912,207** | **2,051,653** | **2,221,901** |

**Consolidated Statement of Cash Flows Data**

| | For the years ended December 31, | | | For the six months ended June 30 | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | (Audited) (in millions) | | (Unaudited) (in millions) | |
| | ₱ | ₱ | ₱ | ₱ | ₱ |
| Net cash provided by (used in): | | | | | |
| Operating activities | 93,487 | 52,932 | 50,138 | 36,320 | 7,072 |
| Investing activities | (113,332) | (84,707) | (127,572) | (41,610) | (65,915) |
| Financing activities | 66,756 | 101,979 | 21,096 | 2,313 | 53,195 |
| Effect of exchange rates changes in cash and cash equivalents | (3,604) | (9,452) | 9,159 | 2,880 | 8,562 |
| Net increase in cash and cash equivalents | 43,307 | 60,752 | (47,179) | (97) | 2,914 |
| Cash and cash equivalents at beginning of period | 243,150 | 286,457 | 347,209 | 347,209 | 300,030 |
| Cash and cash equivalents at end of period | 286,457 | 347,209 | 300,030 | 347,112 | 302,944 |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

*The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended June 30, 2022 (with comparative figures as of December 31, 2021 and for the period ended June 30, 2021). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of June 30, 2022, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.*

## I. 2022 SIGNIFICANT TRANSACTIONS

**AVAILMENT OF LONG-TERM DEBT**

**PESO TERM LOANS**

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

  On various dates in 2022, SSHCI availed of a total of ₱10,000 million term loan from the ₱20,000 million term loan facility agreement executed on December 3, 2021 with various local banks. The loan is subject to a floating interest rate and will mature on January 3, 2025. The proceeds of the loan will be used for capital projects and investments.

- **Petron Corporation (Petron)**

  On May 19, June 15 and 16, 2022, Petron availed of a total of ₱15,000 million term loans for the: (a) partial financing of Refinery's Solid Fuel-Fired Boiler Power Plant project, (b) payment of the remaining U.S.$142 million balance of the U.S.$1,000 million term loan facility which matured on June 28, 2022, and (c) payment of the principal amortizations of the ₱10,000 million loan facility and other existing loans due in July 2022. The ₱15,000 million term loan is divided into three ₱5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and 16, 2027, respectively.

**FOREIGN-CURRENCY DENOMINATED LOANS**

- **SMC Global Power Holdings Corp. (SMC Global)**

  a. On January 21, 2022, SMC Global availed of a U.S.$200 million term loan from the loan facility agreement with a foreign bank executed on September 8, 2021. Proceeds of the loan were used mainly for capital expenditures in connection with the expansion projects of SMC Global. The loan is subject to a floating interest rate and will mature in September 2024.

  b. On May 24, 2022, SMC Global availed of a U.S.$100 million term loan from the loan facility agreement with a group of foreign banks executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of the Battery Energy Storage Systems (BESS) and Liquefied Natural Gas (LNG) Projects and for general corporate requirements. The loan is subject to a floating interest rate and will mature in May 2025.

- **SMC**

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

  b. On June 28, 2022, SMC availed of a U.S.$50 million term loan from the U.S.$700 million loan facility agreement executed on March 28, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on March 24, 2027.

**ISSUANCE OF FIXED RATE PESO-DENOMINATED BONDS**

**Issuance of ₱30,000 Million Fixed Rate Bonds by SMC**

On March 4, 2022, SMC issued and listed on the Philippine Dealing & Exchange Corporation (PDEx) ₱17,440 million Series J and ₱12,560 million Series K Fixed Rate Peso-denominated Bonds from the ₱60,000 million Shelf Registered Fixed Rate Bonds. The bonds are due in March 2027 and 2029 with interest rates per annum of 5.2704% and 5.8434%, 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.

**PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **SMC**

  On March 1 and April 7, 2022, SMC paid its Series A and D Fixed Rate Peso-denominated Bonds amounting to ₱6,683 million and ₱10,000 million, respectively. The Series A Bonds which form part of the ₱20,000 million Series ABC Bonds and the Series D Bonds issued by SMC in 2017 also matured on their respective payment dates.

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

- **SMC Global**

  On April 25, 2022, SMC Global paid its ₱13,845 million Series H Fixed Rate Peso-denominated Bonds which matured on the same date. The Series H Bonds, which form part of the ₱30,000 million Series HIJ Fixed Rate Bonds were issued in 2019 by SMC Global.

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

- **San Miguel Brewery Inc. (SMB)**

  On April 4, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to ₱7,000 million, which matured on the same day. The Series F Bonds, which form part of the ₱20,000 million Series DEF Fixed Rate Bonds were issued in 2012 by SMB.

  The payment was funded by the proceeds from the ₱7,000 million term loan availed on April 1, 2022, from a local bank. The loan is subject to a fixed interest rate and will mature in 2025 and 2027.

- **SMC SLEX Inc. (SMC SLEX)**

  On May 22, 2022, SMC SLEX paid its Series B Fixed Rate Peso-denominated Bonds amounting to ₱2,400 million, which matured on the same day. The Series B Bonds form part of the ₱7,300 million fixed rate bonds issued by SMC SLEX in 2015.

  The Series B Bonds were paid using internally generated funds.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

During the first semester of 2022, the Group paid a total of ₱13,285 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Petron, Energy, Infrastructure, Packaging, Food and Beverage and SMC paid a total of ₱4,031 million, ₱3,900 million, ₱3,733 million, ₱1,447 million, ₱94 and ₱80 million, respectively, of their maturing obligations.

**EVENT AFTER THE REPORTING DATE**

On July 26, 2022, SMC Global issued and listed with the PDEx a total of ₱40,000 million Fixed Rate Peso-denominated Bonds, the first tranche of the ₱60,000 million shelf registered fixed rate bonds approved by the Securities and Exchange Commission on July 11, 2022.

The bonds comprised of ₱5,000 million Series K Bonds due 2025, ₱25,000 million Series L Bonds due 2028 and ₱10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

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

## II. FINANCIAL PERFORMANCE

**2022 vs. 2021**

| | June | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **Amount** | **%** | **2022** | **2021** |
| | *(In Millions)* | | | | | |
| Sales | **₱711,416** | ₱410,124 | ₱301,292 | 73% | **100%** | 100% |
| Cost of Sales | **587,427** | 312,595 | 274,832 | 88% | **83%** | 76% |
| Gross Profit | **123,989** | 97,529 | 26,460 | 27% | **17%** | 24% |
| Selling and Administrative Expenses | **(38,131)** | (36,513) | (1,618) | (4%) | **(5%)** | (9%) |
| Operating Income | **85,858** | 61,016 | 24,842 | 41% | **12%** | 15% |
| Interest Expense and Other Financing Charges | **(25,633)** | (23,539) | (2,094) | (9%) | **(4%)** | (6%) |
| Interest Income | **2,313** | 1,674 | 639 | 38% | **0%** | 0% |
| Equity in Net Earnings of Associates and Joint Ventures | **725** | 320 | 405 | 127% | **0%** | 0% |
| Gain on Sale of Property and Equipment | **2** | 129 | (127) | (98%) | **0%** | 0% |
| Other Charges - Net | **(32,386)** | (1,908) | (30,478) | (1597%) | **(4%)** | (0%) |
| Income Before Income Tax | **30,879** | 37,692 | (6,813) | (18%) | **4%** | 9% |
| Income Tax Expense | **11,074** | 8,122 | 2,952 | 36% | **1%** | 2% |
| Net Income | **P19,805** | P29,570 | (P9,765) | (33%) | **3%** | 7% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net Income (Loss) Attributable to Equity Holders of the Parent Company | **(P1,341)** | P13,070 | (P14,411) | (110%) | **(0%)** | 3% |
| Net Income Attributable to Non-controlling Interests | **21,146** | 16,500 | 4,646 | (28%) | **3%** | 4% |
| Net Income | **₱19,805** | ₱29,570 | (₱9,765) | (33%) | **3%** | 7% |

The Group's consolidated sales for the first half of 2022 rose by 73% to ₱711,416 million from ₱410,124 million of the same period last year, backed by continuous volume growth and better selling prices across all businesses.

The Group's cost of sales increased by 88% mainly due to: (a) higher cost per liter of fuel products and significant increase in sales volume of Petron, (b) higher cost of coal and higher power purchases of the Energy business, and (c) higher sales volumes and increase in prices of raw materials of the Food and Beer and Non-alcoholic Beverages (NAB) Divisions of the Food and Beverage business.

Consolidated operating income rose by 41% to ₱85,858 million compared to last year due significantly to the improved performance of Petron together with the sustained performance during the second quarter of the Food and Beverage, Infrastructure and Packaging businesses. This was however tempered by the impact of high coal prices for the Energy business.

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

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

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of Manila North Harbour Port Inc. ("**MNHPI**") and BankCom and the lower net loss of Angat Hydropower Corporation ("**Angat Hydro**").

The lower gain on sale of property and equipment was mainly due to the gain on the disposal of properties by San Miguel China Investment Co. Ltd. ("**SMCIC**") which was recognized in 2021.

Other charges — net increased primarily due to the: (a) higher loss on foreign exchange from the revaluation of foreign-currency denominated net liabilities of the Group, as a result of the higher depreciation of the Philippine Peso against the US Dollar in June 2022, and (b) higher loss on commodity hedging, partly offset by the gain on currency hedging of Petron.

The higher income tax expense, which is higher by 36% compared to last year, of the Group in 2022 was primarily due to the: (a) adjustment made in the first quarter of 2021 for the impact of the CREATE Act in 2020 which reduced income tax expense by ₱3,607 million in the first quarter of 2021 and (b) the higher taxable income from the improved performance of Petron and the Beer and NAB division under the Food and Beverage business. This was partly offset by the recognition of deferred tax benefit by SMC from unrealized foreign exchange loss in 2022 compared to an income tax expense in 2021.

Consolidated net income amounted to ₱19,805 million, lower by 33% versus last year, mainly due to higher foreign exchange losses. Excluding the effect of foreign exchange movement this year and the impact of CREATE Act for 2020 reflected in 2021, consolidated net income would have been ₱32,489 million, 24% higher than the comparable amount last year.

The share of non-controlling interests (NCI) on the Group's net income increased in the first semester of 2022 compared to the same period in 2020 mainly due to the higher net income of Petron and the Food and Beverage business and higher amount of distribution on SMC Global's Senior Perpetual Capital Securities (SPCS).

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

## 1. FOOD AND BEVERAGE

SMFB for the first half posted consolidated sales of ₱172,122 million, a 17% increase over the same period last year, mainly driven by volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income reached ₱26,567 million, 15% higher than the same period in 2021. Net income rose by 8% to ₱18,758 million.

### a) Beer and NAB Division

SMB's first half volumes rose 11% reaching 108.2 million cases, mainly driven by the positive impact of relaxed mobility, and rapid reopening of markets in both domestic and international operations. Consolidated sales amounted to ₱64,985 million, up 20% from the same period last year.

Operating income and net income ended at ₱14,726 million and ₱10,656 million, higher by 22% and 12% from the same period of the previous year, respectively.

**Domestic Operations**
Domestic operation's volumes for the first six months ended at 95.9 million cases, up 10% on the back of more relaxed restrictions and expanded mobility beginning end of March, paving the way to the reopening of on-premise and penetration outlets. The second quarter saw a big recovery, posting 28% growth versus the 6% decline in the first quarter.

Sales and operating income amounted to ₱58,409 million and ₱13,652 million, 18% and 19% higher from last year, respectively.

Increase in outdoor activities of consumers, volume generating activities in traditional and modern trade channels further boosted sales. This was supported by the continued new thematic campaigns from core brands such as Pale Pilsen's *"Beer Call Tawanan Special"* television episodes, backed by the ongoing *"Gintong Dagat"* and *"Beer Call"* campaigns and new digital materials for *"Sarap Laging Kasama,"* Red Horse' sustained airing of *"Guzzle"* and *"Spirit Horse"* campaigns, with a new campaign for entry point drinkers called *"Una,"* and San Mig Light's newly released *"Speakeasy"* podcast episodes supported by ongoing *"Bright Side"* campaign and online content buckets.

**International Operations**
International operations meanwhile continue to record robust performance during the first six months of the year, with volumes posting 24% growth. Consistent volume gains were recorded from Thailand, Indonesia and Export businesses, while Hong Kong, South China and Vietnam continue to face challenges.

### b) Spirits Division

Ginebra San Miguel Inc. (GSMI) sustained its consistent growth during the first half of the year. Consolidated sales reached ₱23,148 million, 14% higher than the same period last year. This was achieved by higher volumes which ended at 22 million cases, 9% better than last year's level, mainly driven by on-ground selling efforts and GSMI's successful *"Hanggang Huling Patak"* thematic campaign which continue to resonate well with consumers, and GSM Blue's ongoing *"Choose What's True,"* coupled with Vino Kulafu's *"Kusog Kulafu Buenas Grasya"* consumer promo.

While challenged by logistics and material cost hikes, operating income grew 25% to ₱3,271 million, helped by higher selling price, better operational efficiencies and fixed cost management. Net income amounted to ₱2,483 million, 19% higher from same period in 2021.

### c) Food Division

The Food division sustained its topline performance during the first six months of 2022, posting consolidated revenues of ₱83,993 million, growing by 16% versus the previous year's comparative period despite a very challenging environment. Rising raw material costs triggered by supply chain constraints made it imperative to increase prices, yet volumes in most businesses continued to post growth.

Topline gains mitigated the impact of skyrocketing costs of raw materials, fuel and power, and were supported by cost containment measures and optimum utilization of company owned facilities. Thus, operating income amounted to ₱8,610 million, surpassing last year's performance by 3%. This was brought about by a 16% improvement during the second quarter compared to the 8% decline in the first quarter.

Net income stood at ₱6,052 million, down 2% compared to last year's level, largely affected by the impact of peso depreciation, as well as interest expenses related to its expansion projects.

The Animal Nutrition and Health segment posted revenues of ₱21,045 million, 31% higher than the first half last year, on account of sustained volume growth and higher selling prices. While global commodity supplies remained tight and drove raw material costs to unprecedented highs, internal supply flexibility and a commitment to maintain quality feeds through new company owned facilities, allowed the business to protect and expand market share.

The Protein segment, consisting of Poultry and Meats businesses, delivered revenues of ₱34,223 million, up 3% from last year. Poultry's sales grew 7% from same period last year, driven by record high selling prices triggered by a tight supply situation. A confluence of factors such as erratic weather conditions and a longer growing period led to shortage of chicken supply in June, while the reopening of the economy triggered a surge in demand, specifically in food service. Available supply was channeled to Magnolia branded chicken to protect share while also promoting the *Timplados* line of marinated chicken to enhance sales mix. Meats revenues meanwhile remained lower given the deliberate move to downsize hog operations due to the African Swine Fever.

Prepared and Packaged Food segment's consolidated sales grew by 13% to ₱21,369 million from the same period in 2021, mainly driven by consistent growth from the processed meats business led by its flagship products - *Tender Juicy* Hotdogs, *Purefoods* Chicken Nuggets, *Purefoods* Native Line, *Veega* and its canned products. Magnolia dairy, spreads and Coffee also saw a strong rebound during the second quarter.

The Flour segment sustained its strong revenue delivery posting a 48% growth at ₱8,171 million versus the same period last year. Volume achievement was notable in spite of considerable price increase implemented to recover the high cost of wheat.

## 2) PACKAGING

The Packaging business maintained its growth momentum during the first six (6) months of the year as consolidated sales rose 10%, at ₱16,080 million. This was driven by better performances from its metal crowns, cans, plastics, logistics services and beverage filling operations on the back of sustained volumes from food and beverage companies, coupled with high packaging requirements from its Malaysia, Australia and New Zealand markets.

With this, operating income ended at ₱959 million, 56% higher compared to the same period last year.

## 3) ENERGY

SMC Global's offtake volumes for the first half of 2022 reached 14,336 Gwh, a 6% growth versus same period last year mainly driven by improvements in Manila Electric Company (Meralco) nominations, increase in demand from distribution utilities and contestable customers, and the commencement of its 20MW Kabankalan BESS' commercial operations. Consolidated sales grew by 70% to ₱102,581 million, from ₱60,279 million in the previous year mainly brought about by the increase in average bilateral rates attributable to higher fuel prices driven by rising coal prices as well as improvement in offtake volumes.

As coal prices continue to remain high, power purchases cost also increased during the period due to exposure to high WESM prices, particularly in January when there were simultaneous multiple plant shutdowns in Luzon and the deration of Ilijan Power Plant due to gas supply restriction and its shutdown for inspection, minor repairs and upgrades following the expiration of the IPPA Agreement with PSALM last June 4, 2022. In addition, SMC Global also has absorbed the significant increase in coal prices. Consequently, operating income has declined by 26% to ₱12,750 million from last year's ₱17,158 million.

With lower margin and recognition of foreign exchange losses, SMC Global incurred a net loss of ₱1,880 million, down by 115% from the previous year.

**4) FUEL AND OIL**

Petron continues its strong performance in the first half of the year posting higher sales amounting to ₱398,517 million, surpassing last year's ₱174,131 million by 129%. Consolidated sales volume from its Philippine and Malaysian operations grew 34% to 51.4 million barrels on the back of strong recovery in demand and fading pandemic concerns. Sales volumes grew across all trades, with commercial sales posting the highest increase as more industries, including aviation travel, rebounded from the impacts of the pandemic. Petron's retail business also grew by almost 30% driven by strong sales of its premium gasoline and diesel fuels. In addition, sales of lubricant products, Jet-A1, liquefied petroleum gas, and petrochemicals similarly showed strong growth compared to the same period last year.

From January to June, Dubai crude oil prices averaged U.S.$102.00 per barrel as supply concerns persisted due to geopolitical conflicts.

Refining margins and subsequently finished product prices, likewise surged in the second quarter as Petron increased production from the refinery. This is combined with significant improvements from its Malaysian operations. Gains however were partly offset by lower marketing margins resulting from escalating price competition in the market. In addition, higher financing costs were incurred due to increase in working capital requirements.

Operating income grew by 79% to ₱16,016 million while net income doubled to ₱7,706 million compared to last year's ₱3,873 million. This has already surpassed full year 2021 profit.

**5) INFRASTRUCTURE**

The Infrastructure business' traffic volumes grew 37% in the first half, as travel and mobility are almost at pre-pandemic level and outdoor activities increased since the end of March. With this, consolidated revenues ended at ₱13,425 million, 58% higher than last year's levels.

Operating income rose by 160% to ₱6,018 million, as a result of sustained double-digit volume growth of all operating toll roads and better margins.

**<u>2021 vs. 2020</u>**

| | **June** | | **Horizontal Analysis Increase (Decrease)** | | **Vertical Analysis** | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **Amount** | **%** | **2021** | **2020** |
| | *(In Millions)* | | | | | |
| Sales | **₱410,124** | ₱352,796 | ₱57,328 | 16% | **100%** | 100% |
| Cost of Sales | **312,595** | 299,682 | 12,913 | 4% | **76%** | 85% |
| Gross Profit | **97,529** | 53,114 | 44,415 | 84% | **24%** | 15% |
| Selling and Administrative Expenses | **(36,513)** | (38,186) | 1,673 | 4% | **(9%)** | (11%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Operating Income | **61,016** | 14,928 | 46,088 | 309% | **15%** | 4% |
| Interest Expense and Other Financing Charges | **(23,539)** | (26,571) | 3,032 | 11% | **(6%)** | (8%) |
| Interest Income | **1,674** | 3,794 | (2,120) | (56%) | **0%** | 1% |
| Equity in Net Earnings (Losses) of Associates and Joint Ventures | **320** | (54) | 374 | 693% | **0%** | (0%) |
| Gain (Loss) on Sale of Property and Equipment | **129** | (404) | 533 | 132% | **0%** | (0%) |
| Other Income (Charges) - Net | **(1,908)** | 6,309 | (8,217) | (130%) | **(0%)** | 2% |
| Income (Loss) Before Income Tax | **37,692** | (1,998) | 36,690 | 1986% | **9%** | (1%) |
| Income Tax Expense | **8,122** | 1,990 | 6,132 | 308% | **2%** | 0% |
| Net Income (Loss) | **₱29,570** | (₱3,988) | ₱33,558 | 841% | **7%** | (1%) |
| Net Income (Loss) Attributable to Equity Holders of the Parent Company | **₱13,070** | (₱7,593) | ₱20,663 | 272% | **3%** | (2%) |
| Net Income Attributable to Non-controlling Interests | **16,500** | 3,605 | 12,895 | 358% | **4%** | 1% |
| Net Income (Loss) | **₱29,570** | (₱3,988) | ₱33,588 | 841% | **7%** | (1%) |

The Group's consolidated sales increased by 16% for the first semester of 2021, at ₱410,124 million mainly driven by higher sales from Petron and the Energy business combined with higher volumes, favorable selling prices and better sales mix of the Food and Beverage business.

Consolidated gross profit increased by 84% to ₱97,529 million in the first semester of 2021 compared to ₱53,114 million of the same period in 2020 mainly attributable to the turnaround of Petron to a gross profit in 2021 from a gross loss in 2020. Dubai crude prices significantly improved from an average of U.S.$50 per barrel in December 2020 to an average of U.S.$72 per barrel in June 2021, resulting to net inventory gains in 2021 compared to substantial inventory losses in 2020. The resumption of Bataan refinery operations at the back of favorable prices also contributed to the improved performance of Petron. The increase in the Group's gross profit was also attributable to the higher sales of the Food and Beverage business.

Consolidated operating income surged by 309% to ₱61,016 million, from the comparable period in 2020 of ₱14,928 million brought about by improved margins, effective Group-wide cost savings initiatives and continuous improvement in operational efficiencies.

The decrease in interest expense and other financing charges was mainly due to the lower average interest rate and borrowing level of Petron and SMC.

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 (losses) of associates and joint ventures was mainly due to the lower share in the net loss of Angat Hydro and higher share in the net income of MNHPI. The increase was partly offset by the share in the net income of Northern Cement Corporation (NCC) in 2020.

The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by SMCIC. The loss in 2020 mainly represents the retirement by San Miguel Yamamura Packaging Corporation of the fixed assets in its Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020. The loss represents a 7% addition in the Group's total net loss for the first semester of 2020.

Other charges - net in 2021 was mainly due to the commodity hedging loss of Petron, partly offset by San Miguel Energy Corporation's recognition of income from PSALM fixed fee reduction for the extended outages of Sual Power Plant's Units 1 and 2. Other income — net in 2020 consists mainly of the 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 the gain on foreign exchange from the revaluation of foreign-currency denominated net liabilities of the Group.

The increase in income tax expense was due to higher income tax expense of the Group in 2021 as a result of the turnaround of Petron resulting to an income tax expense in June 2021 compared to income tax benefit in the same period of 2020. The increase was also due to the higher taxable income of the Food and Beverage business. This was partly offset by the impact of the adoption of CREATE Act in 2021 and 2020, which reduced income tax rate from 30% to 25%.

The Group has sustained its growth momentum throughout the first six months of 2021, registering a net income of ₱29,570 million, 841% higher and a significant turnaround from the ₱3,988 million net loss in the same period of 2020, as all major businesses posted robust recoveries amid the continuing Coronavirus Disease 2019 restrictions nationwide.

The share of NCI on the Group's net income increased in the first semester of 2021 compared to the same period in 2020 mainly due to the: (a) net income of Petron in 2021 compared to net loss in 2020, (b) higher net income of the Food and Beverage business, and (c) 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 generated consolidated sales of ₱146,791 million in the first half of 2021, a 20% improvement from ₱122,815 million of the same period in 2020, on account of continuous volume improvements and better selling prices from the Food and Beer and NAB divisions and sustained all-time high volumes from the Spirits division.

Consolidated operating income rose 103% to ₱23,042 million, while net income grew by 137% to ₱17,363 million.

**a) Beer and NAB Division**

SMB posted a strong volume growth in the second quarter of 2021, resulting in a 15% increase in consolidated volumes to 97.4 million cases for the first half of 2021. Correspondingly, consolidated revenues grew 27% to ₱54,332 million.

Combined with effective cost management initiatives, operating income grew 64% to ₱12,077 million. Net income rose 89% to ₱9,507 million.

**Domestic Operations**

Domestic operations registered a very encouraging second quarter in 2021, posting almost 82% volume growth versus same period in 2020, reversing its 13% volume decline in the first quarter of 2021. This led volume for first half of 2021 to grow 16% to 87.5 million cases, despite the ongoing various community lockdowns and liquor bans throughout the National Capital Region and neighboring provinces and stricter quarantine protocols from end-March to mid-May of 2021. Revenues amounted to ₱49,422 million, up by 29% while operating income grew by 60% to ₱11,450 million versus the comparable period in 2020.

Marketing campaigns such as "*Beer Call Muna Tayo*" for SMB Pale Pilsen, "*Lakas*" for Red Horse and "*Imagine*" for San Mig Light boosted sales further, pushed further by penetration programs which helped drive Domestic Operations' topline sales and likewise protected market share.

**International Operations**

International operations likewise posted higher revenues in the first half of 2021, mainly driven by higher volumes particularly in Indonesia, South China and the Exports business. Average net selling prices also improved on account of favorable product and channel mix. Operating income also grew 230% from the comparable period in 2020.

**b) Spirits Division**

GSMI further solidified its growth momentum with domestic volumes reaching 20.1 million cases, surpassing first half of 2020 level by 21%. Consolidated revenues were likewise up 36% to ₱20,228 million. GSMI continued its focus on delivering relevant marketing campaigns and consumer promos, expanding distribution, and sustaining efficiencies across its supply chain.

Consolidated operating income rose by 45% in the first half of 2021 to ₱2,614 million, while net income ended at ₱2,087 million, a 66% improvement from the comparable period in 2020.

**c) Food Division**

The Food division delivered a strong first half in 2021, posting consolidated revenues of ₱72,236 million, an 11% increase from the same period in 2020. Growth was driven by the robust performance of the Protein and Animal Health and Nutrition segments boosted by positive pricing and volume gains.

Consolidated operating income grew 272% to ₱8,359 million from 2020.

The Protein segment, comprised of the Magnolia Chicken and Monterey Meats businesses, sustained its strong recovery with revenues accelerating by 20% to ₱33,104 million in the first half of 2021. Volumes grew as supermarkets and lechon manok outlets maintained normal operations. Sales to food service accounts have also increased since the re-opening of more than 90% of food service outlets. Moreover, incremental sales from community resellers continued, contributing average daily sales of 185 Metric Tons, a 15-fold increase from the start of the program in April 2020. Meanwhile, favorable chicken prices continued to enhance poultry revenues, with average selling prices tracking above pre-pandemic levels.

The Animal Nutrition and Health segment sustained its growth trend as revenues grew by 11% to ₱16,101 million, owing to strong demand for free-range fowl, layer feeds and duck and aquatic feeds. Volumes continued to grow double digit levels, which was boosted by increased breeding activities of free-range fowl, launch of Integra 3000 Plus, and increased requirements from directly served farm accounts. This was further fueled by aggressive market penetration efforts, market share grab from competition and superior product quality from the new feedmills.

The Prepared and Packaged Food segment's consolidated revenues of ₱18,979 million was relatively flat for the first half of 2021 versus 2020, following pantry loading induced growth in 2020. Nevertheless, *Tender Juicy* hotdogs continued to grow double-digit while total industry volume of hotdogs declined. Other categories such as nuggets, native line and bacon also experienced growth vis-à-vis the industry during the period. Meanwhile, dairy products sales declined due to lesser home baking occasions, as consumers returned to work, softening demand for butter, margarine and cheese. Leading brands, Magnolia butter, Star margarine, Dari Crème, Cheezee and Magnolia pancake mixes however continued to deliver growth as compared to declining industry volumes based on Nielsen's 2021 data.

The Flour segment maintained its growth momentum, registering revenues of ₱5,517 million, up by 9% as dealers sustained double-digit sales growth, mainly driven by new accounts and recovery in existing customers' operations.

**2) PACKAGING**

The Packaging business' consolidated revenues for the first half of 2021 totaled ₱14,617 million, slightly higher than ₱14,512 million reported in the same period of 2020 which was lifted by higher sales from the Metal crown, two-piece aluminum cans and flexibles businesses offset by reduced sales from the glass and plastics businesses due to lower demand from key beverage customers and challenges in Australia, Malaysia and Vietnam which again imposed lockdowns in June 2021.

Operating income amounted to ₱614 million for the first six months of 2021, a notable improvement of 93% versus the ₱318 million from the same period in 2020, primarily due to focus on cost reduction and rationalization of workforce initiatives.

**3) ENERGY**

SMC Global recorded off-take volumes of 13,552 Gwh and consolidated revenues amounting to ₱60,279 million in the first half of 2021, both representing a 5% growth over the same period in 2020, driven by higher spot volumes and improved nominations from customers.

Operating income declined 5% to ₱17,158 million due to higher purchase volumes resulting from gas supply restrictions for the Ilijan Power Plant and outages in the Sual Power Plant. Net income rose 35% to ₱12,219 million.

**4) FUEL AND OIL**

Petron achieved a consolidated net income of ₱3,873 million in the first half of 2021, an outstanding improvement from the ₱14,236 million net loss reported in the same period of 2020. With continued price recovery, consolidated revenues rose 14% to ₱174,131 million. Consolidated sales volumes were still down by 7% to 38.9 million barrels from 41.9 million barrels in 2020, as fuel consumption in the commercial sector, particularly the aviation industry, remained restrained.

Consolidated operating income increased by 162% to ₱8,948 million from a loss of ₱14,543 million in 2020. Domestic operations contributed ₱5,595 million, while Malaysia was at ₱3,353 million.

**5) INFRASTRUCTURE**

The Infrastructure business generated revenues of ₱8,485 million for the first half of 2021, up 27% from 2020. Average daily traffic flow in all operating toll roads continue to improve. Operating income grew 144% to ₱2,319 million.

The Skyway Stage 3 project, which was opened to the public on January 14, 2021, started collecting toll fees only on July 12, 2021.

## III. FINANCIAL POSITION

**<u>2022 vs. 2021</u>**

| | **June** | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Amount | % | **2022** | 2021 |
| | | *(In Millions)* | | | | |
| Cash and cash equivalents | **₱302,944** | ₱300,030 | ₱2,914 | 1% | **14%** | 15% |
| Trade and other receivables - net | **222,189** | 161,808 | 60,381 | 37% | **10%** | 8% |
| Inventories | **183,802** | 141,209 | 42,593 | 30% | **8%** | 7% |
| Current portion of biological assets - net | **3,405** | 3,106 | 299 | 10% | **0%** | 0% |
| Prepaid expenses and other current assets | **119,028** | 108,689 | 10,339 | 10% | **5%** | 5% |
| **Total Current Assets** | **831,368** | 714,842 | 116,526 | 16% | **37%** | 35% |
| Investments and advances - net | **57,293** | 55,002 | 2,291 | 4% | **3%** | 3% |
| Investments in equity and debt instruments | **42,028** | 41,966 | 62 | 0% | **2%** | 2% |
| Property, plant and equipment - net | **645,000** | 567,609 | 77,391 | 14% | **29%** | 28% |
| Right-of-use assets - net | **114,055** | 163,364 | (49,309) | (30%) | **5%** | 8% |
| Investment property - net | **70,627** | 69,825 | 802 | 1% | **3%** | 3% |

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Amount | % | **2022** | 2021 |
| | | *(In Millions)* | | | | |
| Biological assets - net of current portion | **2,592** | 2,244 | 348 | 16% | **0%** | 0% |
| Goodwill - net | **130,492** | 130,081 | 411 | 0% | **6%** | 6% |
| Other intangible assets - net | **209,078** | 190,979 | 18,099 | 9% | **9%** | 9% |
| Deferred tax assets | **19,295** | 17,141 | 2,154 | 13% | **1%** | 1% |
| Other noncurrent assets - net | **100,073** | 98,600 | 1,473 | 1% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,390,533** | 1,336,811 | 53,722 | 4% | **63%** | 65% |
| **Total Assets** | **₱2,221,901** | ₱2,051,653 | ₱170,248 | 8% | **100%** | 100% |
| Loans payable | **P242,147** | P190,779 | P51,368 | 27% | **11%** | 9% |
| Accounts payable and accrued expenses | **243,347** | 194,579 | 48,768 | 25% | **11%** | 10% |
| Lease liabilities - current portion | **20,204** | 23,423 | (3,219) | (14%) | **1%** | 1% |
| Income and other taxes payable | **33,251** | 23,102 | 10,149 | 44% | **1%** | 1% |
| Dividends payable | **4,261** | 4,296 | (35) | (1%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue cost | **133,193** | 88,857 | 44,336 | 50% | **6%** | 4% |
| **Total Current Liabilities** | **676,403** | 525,036 | 151,367 | 29% | **30%** | 25% |
| Long-term debt - net of current maturities and debt issue costs | **₱747,909** | ₱725,108 | ₱22,801 | 3% | **34%** | 35% |
| Lease liabilities - net of current portion | **63,886** | 71,569 | (7,683) | (11%) | **3%** | 4% |
| Deferred tax liabilities | **30,653** | 28,742 | 1,911 | 7% | **1%** | 1% |
| Other noncurrent liabilities | **20,387** | 19,959 | 428 | 2% | **1%** | 2% |
| **Total Noncurrent Liabilities** | **862,835** | 845,378 | 17,457 | 2% | **39%** | 42% |
| Capital stock - common | **₱16,443** | ₱16,443 | - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **8%** | 9% |
| Capital securities | **28,171** | 28,171 | - | 0% | **1%** | 1% |
| Equity reserves | **15,577** | 14,136 | 1,441 | 10% | **1%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **63,437** | 66,630 | (3,193) | (5%) | **3%** | 3% |
| Unappropriated | **154,383** | 157,707 | (3,324) | (2%) | **7%** | 8% |
| Treasury stock | **(144,363)** | (144,363) | - | 0% | **(6%)** | (7%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **321,554** | 326,630 | (5,076) | (2%) | **15%** | 16% |
| Non-controlling Interests | **361,109** | 354,609 | 6,500 | 2% | **16%** | 17% |
| **Total Equity** | **682,663** | 681,239 | 1,424 | 0% | **31%** | 33% |
| **Total Liabilities and Equity** | **₱2,221,901** | ₱2,051,653 | ₱170,248 | 8% | **100%** | 100% |

Consolidated total assets as at June 30, 2022 amounted to about ₱2,221,901 million, ₱170,248 million higher than December 31, 2021. The increase was primarily due to higher balance of trade and other receivables, inventories, property, plant and equipment and other intangible assets, partly offset by the decrease in right-of-use assets.

The increase in trade and other receivables — net by ₱60,381 million was mainly attributable to the higher receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia and higher trade customer balances of Petron and the Energy business.

The increase in inventories by ₱42,593 million was mainly due to the: (a) higher prices of both crude oil and finished products of Petron and higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by ₱647 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by ₱10,339 million was primarily due to the:

(a) additional restricted cash funding for the payment of long-term debt of Energy and Infrastructure businesses,

(b) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron, and

(c) higher input taxes of the Energy business from vatable purchases for the period.

The increase in property, plant and equipment by ₱77,391 million and the decrease in right-of-use assets of ₱49,309 million were mainly due to the reclassification by South Premiere Power Corporation (SPPC) of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with PSALM and subsequent acquisition in June 2022, including direct attributable costs. The increase in property, plant and equipment was also due to the costs of the ongoing projects of the Energy and Cement businesses and the Food and Beer and NAB divisions of the Food and Beverage business.

The increase in other intangible assets by ₱18,099 million was mainly due to additions to concession rights for the MIA Project and the costs of the various ongoing projects of the infrastructure business, partly offset by the total amortization for the period.

The increase in deferred tax assets by ₱2,154 million was mainly due to the recognition by SMC of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign-currency denominated long-term debt.

The increase in loans payable by ₱51,368 million was mainly due to the net availment by Petron for working capital requirements and SMC Global for the payment of Series H Bonds and general corporate requirements.

The increase in accounts payable and accrued expenses by ₱48,768 million was mainly due to: (a) higher liabilities for crude oil and petroleum products of Petron and purchases of power and coal of Energy business on account of the increase in prices as of June 30, 2022 versus December 31, 2021, and (b) higher outstanding liabilities to contractors and vendors for services purchased by Petron.

The increase in income and other taxes payable by ₱10,149 million was mainly due to higher Value Added Tax and withholding tax payable of the Energy business, higher excise tax liability of Petron Philippines and higher taxable income of Petron Malaysia.

The increase in total long-term debt, net of debt issue costs by ₱67,137 million was primarily due to the issuance of ₱30,000 million fixed rate Peso-denominated bonds by SMC, availment of Peso and foreign term loans and translation adjustments by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds of SMC, SMC Global and SMC SLEX and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by ₱10,902 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized for the period by the Energy business' entities under the IPPA Agreements.

The increase in deferred tax liabilities by ₱1,911 million was mainly 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.

The increase in equity reserves by ₱1,441 million pertains mainly to the currency translation adjustments for the period resulting from the depreciation of the Philippine Peso against the US Dollar.

The decrease in appropriated retained earnings by ₱3,193 million was due to the reversal of appropriation by SMB for the payment of Series F Bonds which matured in April 2022 and SPPC for the portion of paid fixed monthly payments to PSALM. The decrease was partly offset by the appropriation by SMC Shipping and Lighterage Corporation for the acquisition of new bulk carriers and vessel.

**2021 vs. 2020**

| | June 2021 | December 2020 | Horizontal Analysis Increase (Decrease) Amount | % | Vertical Analysis 2021 | 2020 |
|---|---|---|---|---|---|---|
| | | *(In Millions)* | | | | |
| Cash and cash equivalents | **₱347,112** | ₱347,209 | (₱97) | (0%) | **18%** | 18% |
| Trade and other receivables - net | **127,869** | 124,369 | 3,500 | 3% | **6%** | 7% |
| Inventories | **115,408** | 102,822 | 12,586 | 12% | **6%** | 5% |
| Current portion of biological assets - net | **3,428** | 3,401 | 27 | 1% | **0%** | 0% |
| Prepaid expenses and other current assets | **96,041** | 94,610 | 1,431 | 2% | **5%** | 5% |
| **Total Current Assets** | **689,858** | 672,411 | 17,447 | 3% | **35%** | 35% |
| Investments and advances - net | **49,225** | 50,495 | (1,270) | (3%) | **3%** | 3% |
| Investments in equity and debt instruments | **41,787** | 41,766 | 21 | 0% | **2%** | 2% |
| Property, plant and equipment - net | **529,551** | 511,624 | 17,927 | 4% | **27%** | 27% |
| Right-of-use assets - net | **166,501** | 169,208 | (2,707) | (2%) | **9%** | 9% |
| Investment property - net | **67,739** | 60,678 | 7,061 | 12% | **3%** | 3% |
| Biological assets - net of current portion | **2,060** | 2,352 | (292) | (12%) | **0%** | 0% |
| Goodwill - net | **129,651** | 129,733 | (82) | (0%) | **7%** | 7% |
| Other intangible assets - net | **172,965** | 169,532 | 3,433 | 2% | **9%** | 9% |
| Deferred tax assets | **17,251** | 20,946 | (3,695) | (18%) | **1%** | 1% |
| Other noncurrent assets - net | **86,120** | 83,462 | 2,658 | 3% | **4%** | 4% |
| **Total Noncurrent Assets** | **1,262,850** | 1,239,796 | 23,054 | 2% | **65%** | 65% |
| **Total Assets** | **₱1,952,708** | ₱1,912,207 | ₱40,501 | 2% | **100%** | 100% |
| Loans payable | **P161,356** | P140,645 | P20,711 | 15% | **8%** | 8% |
| Accounts payable and accrued expenses | **156,340** | 153,249 | 3,091 | 2% | **8%** | 8% |
| Lease liabilities - current portion | **26,722** | 25,759 | 963 | 4% | **1%** | 1% |
| Income and other taxes payable | **19,774** | 20,998 | (1,224) | (6%) | **1%** | 1% |
| Dividends payable | **4,282** | 4,231 | 51 | 1% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue cost | **90,895** | 74,502 | 16,393 | 22% | **5%** | 4% |
| **Total Current Liabilities** | **459,369** | 419,384 | 39,985 | 10% | **23%** | 22% |
| Long-term debt - net of current maturities and debt issue costs | **₱659,641** | ₱692,407 | (₱32,766) | (5%) | **34%** | 36% |
| Lease liabilities - net of current portion | **78,741** | 91,278 | (12,537) | (14%) | **4%** | 5% |
| Deferred tax liabilities | **26,238** | 27,749 | (1,511) | (5%) | **1%** | 2% |
| Other noncurrent liabilities | **26,784** | 26,301 | 483 | 2% | **2%** | 1% |
| **Total Noncurrent Liabilities** | **791,404** | 837,735 | (46,331) | (6%) | **41%** | 44% |
| Capital stock - common | **16,443** | 16,443 | - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **1%** | 1% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **9%** | 9% |
| Capital securities | **28,171** | 28,171 | - | 0% | **1%** | 1% |
| Equity reserves | **8,864** | 10,131 | (1,267) | (13%) | **1%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **68,263** | 60,155 | 8,108 | 13% | **3%** | 3% |
| Unappropriated | **160,954** | 162,204 | (1,250) | (1%) | **8%** | 8% |
| Treasury stock | **(115,146)** | (110,146) | (5,000) | (5%) | **(6%)** | (6%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **355,455** | 354,864 | 591 | 0% | **18%** | 18% |
| Non-controlling Interests | **346,480** | 300,224 | 46,256 | 15% | **18%** | 16% |
| **Total Equity** | **701,935** | 655,088 | 46,847 | 7% | **36%** | 34% |

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | Amount | % | **2021** | 2020 |
| | | *(In Millions)* | | | | |
| **Total Liabilities and Equity** | **₱1,952,708** | ₱1,912,207 | ₱40,501 | 2% | **100%** | 100% |

Consolidated total assets as of June 30, 2021 amounted to about ₱1,952,708 million, ₱40,501 million or 2% higher than December 31, 2020. The slight increase was primarily due to increase in inventories, property, plant and equipment and investment property.

The increase in inventories by ₱12,586 million was due to higher prices of crude oil and finished products of Petron Philippines and Malaysia offset by the lower volume of Petron Philippines.

The increase in investment property by ₱7,061 million was mainly due to the acquisition of various properties by San Miguel Properties, Inc. and San Miguel Holdings Corp.

The decrease in total biological assets by ₱265 million was mainly due to the decrease in poultry inventory caused by the amortization of farms already in the laying stage and lower unit cost for newly loaded flocks.

The decrease in deferred tax assets by ₱3,695 million was mainly due to the lower income tax rates on net operating loss carry-over, allowance for impairment of receivables and inventory losses and unrealized gross profit and foreign exchange losses as a result of the implementation of CREATE Act.

The increase in loans payable by ₱20,711 million was mainly due to the net availments by SMC and Petron for general corporate requirements and refinancing of long-term debt.

The decrease in income and other taxes payable by ₱1,224 million was mainly due to the lower income tax payable of the Beer and NAB division under the Food and Beverage business as a result of lower taxable income in June 2021 versus December 2020 coupled with the decrease in income tax rate from 30% to 25%.

The decrease in total long-term debt, net of debt issue costs, by ₱16,373 million was mainly due to (a) prepayment of the remaining U.S.$516 million out of the U.S.$800 million Notes by SMC, (b) prepayment of a total of U.S.$371 million term loans by Petron, and (c) payment of maturing obligations by the Energy business and Petron. This was partly offset by the (d) total drawdown of ₱12,900 million long-term corporate notes by SMC Tollways Corporation, (e) availment of P5,000 million and a total of U.S.$150 million term loans by SMC Global, and (f) drawdown of ₱7,075 million term loan by San Miguel Northern Cement, Inc. which was subsequently transferred to NCC following the merger on July 1, 2021.

The decrease in deferred tax liabilities by ₱1,511 million was mainly attributable to the reduction of applicable tax rates as a result of the implementation of the CREATE Act partly offset by the upward movement of temporary differences arising from finance lease-related expenses recognized by the Energy business' entities under the IPPA Agreements.

The decrease in total lease liabilities by ₱11,574 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by ₱1,267 million was mainly due to the redemption of the U.S.$300 million Undated Subordinated Capital Securities ("**USCS**") by SMC Global and the impact of the CREATE Act on the Group's deferred tax on reserve for retirement plan.

The increase in appropriated retained earnings by ₱8,108 million was mainly due to the appropriation for the period by (a) SSHCI to fund the construction of the SLEX Toll Road 4 project, (b) SMC SLEX for funding of capital expenditures, and (c) Magnolia, Inc. to fund its Butter, Margarine and Cheese Plant expansion projects, net of Petron's reversal of appropriation for capital projects that were already completed.

The increase in treasury stock by ₱5,000 million represents the redemption by SMC of the Subseries "2-G" Preferred Shares.

The increase in NCI by ₱46,256 million was mainly due to the (a) issuance of U.S.$600 million and U.S.$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 by the redemption by SMC Global of its U.S.$300 million USCS.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In millions)* | June 30 | |
|---|---|---|
| | **2022** | 2021 |
| Net cash flows provided by operating activities | **₱7,072** | ₱36,320 |
| Net cash flows used in investing activities | **(65,915)** | (41,610) |
| Net cash flows provided by financing activities | **53,195** | 2,313 |

Net cash flows provided by operating activities for the period 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 included the following:

| *(In millions)* | June 30 | |
|---|---|---|
| | **2022** | 2021 |
| Additions to property, plant and equipment | **(₱33,465)** | (₱27,205) |
| Additions to intangible assets | **(19,881)** | (4,800) |
| Increase in other noncurrent assets and others | **(6,971)** | (763) |
| Additions to advances to contractors and suppliers | **(5,140)** | (6,674) |
| Additions to investments and advances | **(1,529)** | (1,111) |
| Additions to investment property | **(1,523)** | (3,846) |
| Additions to investments in equity and debt instruments | **(479)** | (145) |
| Interest received | **1,628** | 1,454 |
| Dividends received | **1,049** | 544 |
| Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of | **307** | - |
| Proceeds from sale of property and equipment | **89** | 936 |

Net cash flows provided by (used in) financing activities included the following:

| *(In millions)* | June 30 | |
|---|---|---|
| | **2022** | 2021 |
| Proceeds from short-term loans - net | **₱50,328** | ₱20,755 |
| Proceeds from (payment of) long-term debt - net | **39,871** | (21,862) |
| Payment of cash dividends and distributions | **(20,008)** | (18,309) |
| Payment of lease liabilities | **(15,976)** | (12,990) |
| Net proceeds from issuance of capital securities of subsidiaries | - | 54,550 |
| Redemption of capital securities of a subsidiary | - | (14,582) |
| Redemption of preferred shares | - | (5,000) |

The effect of exchange rate changes on cash and cash equivalents amounted to ₱8,562 million and ₱2,880 million in June 2022 and 2021, respectively.

## 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” for the discussion of certain Key Performance Indicators.

| | June 2022 | December 2021 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.23** | 1.36 |
| Quick Ratio | **0.78** | 0.88 |
| | | |
| Solvency: | | |
| Debt to Equity Ratio | **2.25** | 2.01 |
| Asset to Equity Ratio | **3.25** | 3.01 |
| | | |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(0.15%)** | 4.09% |
| Interest Rate Coverage Ratio | **2.20** | 2.34 |
| Return on Assets | **1.80%** | 2.43% |

| | Period Ended June 30 | |
|---|---|---|
| | **2022** | 2021 |
| Operating Efficiency: | | |
| Volume Growth | **22%** | 2% |
| Revenue Growth | **73%** | 16% |
| Operating Margin | **12%** | 15% |

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 | $\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$ |

* *Annualized for quarterly reporting.*

## VI. OTHER MATTERS

- Commitments

  The outstanding purchase commitments of the Group amounted to ₱263,135 million and ₱154,461 million as of June 30, 2022 and December 31, 2021, respectively.

  These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- There 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 events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

- There were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 43 (a) of the 2021 Audited Consolidated Financial Statements, that remain outstanding as of June 30, 2022. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

- 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, except those discussed in Item II — Financial Performance.

- 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.

# EXTERNAL AUDIT FEES AND SERVICES

The Parent Company paid the external auditor Audit Fees amounting to ₱8 million in 2021, ₱17 million in 2020 and ₱9 million in 2019. Said fees include compensation for audit services and other related services such as audit review and research work. There were no fees paid to the external auditor for tax accounting, compliance, advice, planning, and any other form of tax services. There were no other fees paid to the auditors other than the above-described services.

The stockholders approve the appointment of the external auditors of the Company. The Audit and Risk Oversight Committee reviews the audit scope and coverage, strategy and results for the approval of the Board of Directors and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. Likewise, the Audit and Risk Oversight Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with External Auditors' duties as such or threaten its independence.

There are no disagreements with the external auditors of the Company on accounting and financial disclosure.

# INTEREST OF NAMED EXPERTS AND COUNSEL

**Legal Matters**

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos ("**Picazo Law**"), the Company's legal counsel, and SyCip Salazar Hernandez & Gatmaitan Law Offices ("**SyCip Law**"), legal counsel to the Joint Lead Underwriters and Bookrunners. Each of the foregoing legal counsel has neither our shareholdings nor any right, whether legally enforceable or not, to nominate persons or to subscribe to our securities. None of the legal counsel will receive any direct or our indirect interest in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

Picazo Law and SyCip Law may from time to time be engaged to advise in the transactions of the Company and perform legal services on the basis that Picazo Law and SyCip Law provide such services to its other clients.

**Independent Auditors**

The consolidated financial statements of the Company as at and for the years ended December 31, 2019, 2020, and 2021 have been audited by R.G. Manabat & Co., a member firm of KPMG, independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The Audit and Risk Oversight Committee of the Company, reviews and monitors, among others, the integrity of all financial reports and ensures compliance with both internal financial management manual and pertinent accounting standards, including regulatory requirements. The Audit Committee and Risk Oversight also performs the following duties and responsibilities relating to the services of the Company's external auditors:

- Assess and monitor the (i) external auditor's professional qualifications, competence, independence and objectivity and require the external auditor to make the statements necessary under applicable auditing standards as regards its relationship and services to the Company, discussing any relationship or services which may derogate its independence or objectivity; and (ii) the effectiveness of the audit process in accordance with applicable standards.

- Obtain objective assurance from the external auditor that the conduct of the audit and the manner of the preparation of the financial statements comply with applicable auditing standards and rules of regulatory bodies, including exchanges on which the securities of the Company are listed.

- Review and approve the nature and scope of the audit plans of the external auditor, including scope, audit resources and expenses, and reporting obligations before the audit commences.

- Review the reports or communications of the external auditor and ensure that management or the Board will provide a timely response to the issues raised in such reports or communications.

- Ensure the development and implementation of policies on the engagement of an external auditor to supply non-audit work, including the fees payable therefor, and evaluate any non-audit work undertaken by the external auditor to ensure that the same does not conflict with its audit functions.

There is no arrangement that experts and independent counsels will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

# TAXATION

*The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.*

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

*As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non- Philippine corporation not engaged in trade or business within the Philippines.*

*The term "non-resident holder" means a holder of the Bonds:*

- *who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Bonds is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

***Philippine Taxation***

On January 1, 2018, Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" Act (or the TRAIN Act), took effect. The TRAIN Act amended provisions of the Tax Code including provisions on documentary stamp tax ("**DST**"), capital gains tax, tax on interest income and other distributions, estate tax, and donor's tax.

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises bill was signed into law as Republic Act No. 11534, otherwise known as the CREATE Act. The CREATE Act serves as a follow-up to Package 1 of the CTRP. The main amendment of CREATE Act is the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. For domestic corporations, the regular corporate income tax rate may be further reduced to 20% depending on the net taxable income and total assets of such domestic corporation. In addition to the reduction of the regular corporate income tax, the rate of the MCIT was lowered to 1%, effective July 1, 2020 to June 30, 2023.

***Taxation of Interest***

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident alien individuals from the Bonds is subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax ("**FWT**") while that received by non-resident aliens not engaged in trade or business is subject to a FWT rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a FWT of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% FWT. However, in the context of the bonds, interest income from foreign loans derived by non-resident foreign corporations is subject to a 20% FWT.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% on interest from public issue of bonds in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

***Tax-Exempt Status or Entitlement to Preferential Tax Rate***

The Philippine tax authorities have prescribed a certain procedure for claiming tax treaty benefits for interest income of non-resident income earners. Under Revenue Memorandum Order ("**RMO**") No. 14-2021, withholding agents/income payors may withhold tax on interest income payable to the non-resident income earner at the regular rate or at the applicable preferential tax rate depending on the documents submitted by the non-resident income earner to the withholding agent/income payor.

In accordance with RMO No. 14-2021, as further clarified by Revenue Memorandum Circular ("**RMC**") Nos. 77-2021 and 20-2022, non-resident income earner intending to avail of treaty benefits should submit to the withholding agent/income payor, prior to the payment of income for the first time, a Tax Residency Certificate ("**TRC**") duly issued by the foreign tax authority, an Application Form for Treaty Purposes on Interest ("**BIR Form 0901-I**"), and the relevant provision of the applicable tax treaty. Failure to provide the said documents may lead to withholding using the regular withholding tax rates, and not the treaty rate.

When the preferential tax rates have been applied by the withholding agent/income payor on the income earned by the non-resident income earner, the withholding agent/income payor shall file with the International Tax Affairs Division ("**ITAD**") of the Bureau of Internal Revenue ("**BIR**") a Request for Confirmation ("**RFC**") on the propriety of the withholding tax rates applied on that item of income. Such RFC shall be supported by the documentary requirements set out in RMO No. 14-2021 which also includes the TRC and BIR Form 0901-I mentioned above.

If the regular withholding tax rate on interest have been imposed by the withholding agent/income payor, the concerned non-resident income earner shall file a Tax Treaty Relief Application with ITAD. If the regular withholding tax rate on interest imposed by the withholding agent/income payor is higher than the rate that should have been applied, the non-resident income earner may file a claim for refund from the Philippine taxing authorities on the basis of a tax exemption or applicable tax treaty.

For claims of tax exemption, RMC No. 8-2014 mandates withholding agents/income payors to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from imposition of withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate or ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

***Value-Added Tax***

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold.

***Gross Receipts Tax***

Banks and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax ("**GRT**") on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

| | |
|---|---|
| Maturity period is five years or less | 5% |
| Maturity period is more than five years | 1% |

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to GRT. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

| | |
|---|---|
| Maturity period is five years or less | 5% |
| Maturity period is more than five years | 1% |

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

***Documentary Stamp Tax***

A DST is imposed upon the original issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one (1) year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable DST on the original issue shall be paid by the Issuer for its own account

***Taxation on Sale or Other Disposition of the Bonds***

**Income Tax**

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income, which will then be subjected to the following tax rates:

| Type of Bondholder | Rate | Effectivity |
|---|---|---|
| Philippine citizen (whether resident or non-resident),<br>resident alien, and<br>non-resident alien engaged in trade or business in the Philippines | 20% - 35% | January 1, 2018 – December 31, 2022 |
| | 15% - 35% | January 1, 2023 onwards |
| Non-resident alien not engaged in trade or business in the Philippines | 25% | Not Applicable |
| Domestic corporation, in general | 25% | July 1, 2020 |

| | | |
|---|---|---|
| Domestic corporation with net taxable income not exceeding ₱5 Million and total assets not exceeding ₱100 Million (excluding the land on which the particular business entity's office, plant and equipment are situated) | 20% | July 1, 2020 |
| Resident Foreign Corporation | 25% | July 1, 2020 |
| Non-resident Foreign Corporation | 25% | January 1, 2021 |

If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five (5) years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

**Estate and Donor's Tax**

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at 6%. For transfers through donation, the Bondholder shall be subject to donor's tax of 6% computed on the basis of the total gifts in excess of ₱250,000.00 exempt gift made during the calendar year.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor'staxes. However, the transfer of the Bonds made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth.

**Documentary Stamp Tax**

No DST is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange, provided that such sale or disposition does not constitute a renewal or extension of maturity of the Bonds or carried with it a renewal or issuance of new instruments in the name of the transferee to replace the old ones. However, if the transfer constitutes a renewal or extension of the maturity of the Bonds, DST is payable anew.

**Taxation Outside the Philippines**

The tax treatment of non-resident holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation.

This Prospectus does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines.

# REGULATORY FRAMEWORK

*The statements herein are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the regulatory and environmental considerations that may be relevant to the Company or the offering.*

**GENERAL BUSINESS REGULATORY FRAMEWORK**

**Revised Corporation Code**

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the notable amendments in the Revised Corporation Code are as follows: (i) corporations are now generally granted perpetual existence; (ii) a new section on one-person corporation was added; (iii) the requirement that at least 25% of the authorized capital stock must be subscribed, and at least 25% of the subscribed shares must be paid-up upon incorporation was removed; (iv) stockholders can now vote *in absentia*; (v) incorporators now include any person, partnership, association or corporation; and (vi) the powers of the SEC to prosecute and investigate offenses under the Revised Corporation Code has been expanded.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

**The Philippine Competition Act**

Republic Act No. 10667, otherwise known as the Philippine Competition Act ("**PCA**"), was signed into law on July 21, 2015 and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines and it provides the competition framework in the country. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities. It prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission ("**PCC**"), an independent quasi-judicial agency to be composed of five (5) commissioners. Among the PCC's powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

On June 3, 2016, the PCC issued the implementing rules and regulations ("**IRR**") of the Philippine Competition Act. Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1.0 billion ("**Size of Party**") and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR ("**Size of Transaction**"); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The Size of Party and Size of Transactions have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019 and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the

Philippine Statistics Authority of the nominal GDP growth for the previous calendar year rounded up to the nearest hundred million.

Under Commission Resolution No. 02-2020, effective March 1, 2020, the threshold in relation to the Size of Person was increased to ₱6,000,000,000.00, and the threshold for the Size of Transaction was increased to ₱2,400,000,000.00.

On September 11, 2020, in response to the COVID-19 pandemic, President Rodrigo Duterte signed into law Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act" which became effective on September 15, 2020. Under the Bayanihan to Recover as One Act, all mergers and acquisitions entered into within a period of two (2) years from its effectivity, with transaction values below ₱50 billion shall be exempt from compulsory notification under the PCA. In addition, the PCC's power to review mergers and acquisitions motu proprio shall be suspended for one (1) year from effectivity of the Bayanihan to Recover as One Act. The PCC issued Memorandum Circular No. 20-003 reiterating the foregoing exemptions and clarified that mergers and acquisitions entered into prior to the Bayanihan to Recover as One Act which exceed the following thresholds: (a) Size of Party exceeds ₱6.0 billion; and (b) Size of Transaction exceeds ₱2.4 billion, are still subject to compulsory notification under the PCA, and all mergers and acquisitions entered into prior to the effectivity of the Bayanihan to Recover as One Act may still be subject to the *motu proprio* review of the PCC. On October 5, 2020, the PCC issued the Rules for the Implementation of Section 4 (eee) of Republic Act No. 11494, Otherwise Known as the "Bayanihan to Recover as One Act," Relating to the Review of Mergers and Acquisitions.

On September 16, 2022, and with the expiration of the 2-year moratorium under the Bayanihan to Recover as One Act, the PCC provisionally set the thresholds in relation to the Size of Person and Size of Transaction by increasing these to ₱6,100,000,000.00 and ₱2,500,000,000.00, respectively.

**Foreign Investments Act of 1991**

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 ("**FIA**"), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the 12th Regular Foreign Investment Negative List (the "**Negative List**"). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40.0%. A corporation with more than 40.0% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources, which covers the utilization of natural resources for the operation of renewable energy power plants.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or

- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. A petition for certiorari questioning the constitutionality of SEC Memorandum Circular No. 8 dated May 20, 2013 was filed in June 2013. In *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, the Supreme Court affirmed the validity of SEC Memorandum Circular No. 08 dated May 20, 2013.

In the Narra Nickel Case and its corresponding motions for reconsideration, the Supreme Court affirmed that the Grandfather Rule, wherein shares owned by corporate shareholders are attributed either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also such corporate shareholders' own shareholders, until the nationality of shareholder individuals is taken into consideration, is to be used jointly and cumulatively with the Control Test, which merely takes into account the nationality of the listed shareholders of the corporation. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below 60.0%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

**Advertising Regulations**

The Ad Standards Council, a non-stock, non-profit organization, established by the Kapisanan ng mga Brodkaster ng Pilipinas, Philippine Association of National Advertisers, and Association of Accredited Advertising Agencies, issues circulars in the advertising industry and handles the screening of all broadcast, out-of-home and print advertising and settlement of disputes regarding advertising content.

**Land Ownership**

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Pursuant to Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter V of Commonwealth Act No. 141, as amended, no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

**Intellectual Property Code**

Under the Intellectual Property Code of the Philippines, as amended, the rights to a trademark are acquired through the registration with the Bureau of Trademarks of the Intellectual Property Office, which is the principal government agency involved in the registration of brand names, trademarks, patents and other registrable intellectual property materials.

Upon registration, the Intellectual Property Office shall issue a certificate of registration to the owner of the mark, which shall confer the right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs or containers for goods or services which are identical or similar to those in respect of which the mark is registered. The said certificate of registration shall also serve as prima facie evidence of the validity of registration and the registrant's ownership of the mark. A certificate of registration shall remain in force for an initial period of ten (10) years and may be renewed for periods of ten (10) years at its expiration.

**Data Privacy Act of 2012**

Republic Act No. 10173 or the Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission ("**Privacy Commission**").

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its IRR took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the Privacy Commission. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

**Electronic Commerce Act**

Republic Act No. 8792 or the Electronic Commerce Act of 2000 ("**R.A. No. 8792**") aims to facilitate domestic and international dealings, transactions, arrangement agreements, contracts and exchanges and storage of information through the utilization of electronic, optical and similar medium to promote the universal use of electronic transaction in the government and general public.

R.A. No. 8792 restricts access to an electronic file, or an electronic signature of an electronic data message or electronic document only in favor of the individual or entity having a legal right to the possession or the use of plaintext, electronic signature or file and solely for the authorized purposes. The law also ensures confidentiality and prohibits any person who obtains access to any electronic key, electronic data message, electronic document, book, register, correspondence, information, or other material pursuant to any powers conferred under the said law, from convening to or sharing the same with any other person, except for purposes expressly authorized by law. The implementing rules of the law provides that the electronic key for identity or integrity shall not be made available to any person or party without the consent of the individual or entity in lawful possession of that electronic key.

The law clarifies that violations of the Consumer Act of the Philippines or Republic Act No. 7394, as amended, and other related laws through transactions covered by or using electronic data messages or electronic documents shall be penalized with the same penalties as provided therein.

**Registration under the BOI**

Under the Executive Order No. 226, otherwise known as the Omnibus Investments Code, as amended, a BOI-registered enterprise enjoy certain incentives, both financial and non-financial, provided such enterprise invests in preferred areas of investment enumerated in the Investment Priorities Plan annually prepared by the Government. However, prior to registration with the BOI, the enterprise must first satisfy the minimum equity required to finance the project applied equivalent to 25.0% of the estimated project cost, or as may be prescribed by the BOI. Such incentives include: (i) income tax holiday, (ii) exemption from taxes and duties on imported spare parts; (iii) exemption from wharfage dues and export tax, duty, impost and fees; (iv) reduction of the rates of duty on capital equipment, spare parts and accessories; (v) tax exemption on breeding stocks and genetic materials; (vi) tax credits; (vii) additional deductions from taxable income; (viii) employment of foreign nationals; (ix) simplification of customs procedure; and (x) unrestricted use of consigned equipment.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under Executive Order No. 226, as amended, and any other applicable laws for ten (10) years from the effectivity of the Act. Said energy efficiency projects shall also be exempt from the requirements provided under Article 32 (1) of Executive Order No. 226. Energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

In view of the effectivity of the CREATE Act, registered business enterprises with incentives granted prior to the effectivity of the CREATE Act shall be subject to the following rules:

(i) registered business enterprises whose projects or activities were granted only an income tax holiday prior to the effectivity of the law shall be allowed to continue to avail of the income tax holiday for the remaining period specified in the terms and conditions of their registration, provided that enterprises that have been granted the income tax holiday but have not yet availed of such incentive upon the effectivity of the law may use the income tax holiday for the period specified in the terms and conditions of their registration;

(ii) registered business enterprises whose projects or activities were granted an income tax holiday prior to the effectivity of the law and that are entitled to 5% tax on gross income earned incentive after the income tax holiday shall be allowed to avail of the 5% tax on gross income incentive subject to the ten-year limit under the CREATE Act; and

(iii) registered business enterprises currently availing of the 5% gross income earned incentive granted prior to the effectivity of the law shall be allowed to continue of such tax incentive for ten (10) years.

**Local Government Code**

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 ("**LGC**"), as amended, establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The general welfare clause, embodied under Section 16 of the LGC, states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

The power to tax and police power are exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

**Labor and Employment**

The DOLE is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (which sets out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

***The Labor Code***

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private sector employees without a retirement plan, and who have rendered at least five (5) years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six (6) months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: fifteen days' salary based on the latest salary rate; in addition, one-twelfth of the thirteenth month pay and the cash equivalent of five (5) days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

**Occupational Safety and Health Standards Law**

Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law in August 2018. Under this law, every employer, contractor, subcontractor, and any person who manages, controls, or supervises the work being undertaken is required, among others, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. The law also requires them to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency. Department Order No. 198, series of 2018 (D.O. 198) was promulgated by the DOLE to implement the provisions of the Occupational Safety and Health Standards Law. D.O. 198 classifies establishments as low, medium or high risk, and depending on the number of employees per establishment, provides for the corresponding requirements and provisions required of each employer, such as number of safety officers, occupational health officers and provision for health equipment and facilities.

Under the DOLE Labor Advisory No. 04, series of 2019 (Guide for Compliance of Establishments to D.O. 198), the establishment concerned shall be responsible for determining its own level of classification (low, medium, or high risk) based on Hazards Identification and Risk Assessment Control conducted by the company.

The employer, project owner, contractor or subcontractor, if any, and any person who manages, controls or supervises the work being undertaken shall be jointly and solidarily liable for compliance with occupational safety and health standards, including the penalties imposed for any violations thereof.

***Social Security System, PhilHealth, and the Pag-IBIG Fund***

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, the Social Security Act of 2018 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to their salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six (6) years and one (1) day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

Employers are likewise required to ensure enrolment of their employees in a National Health Insurance Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the

Department of Health tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 10606, the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the National Health Program. However, membership is classified into two (2) types: (i) direct contributors, and (ii) indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for a health benefit package under the program. An employer who fails or refuses to register its employees, regardless of their employment status, or to deduct contributions from its employees' compensation or remit the same to our Corporation shall be punished with a fine of not less than ₱5,000.00 multiplied by the total number of employees of the firm.

Under Republic Act No. 9679, the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund ("**HDMF**"), more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee's monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2.0% of the employee's monthly compensation, and remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six (6) years, or both such fine and imprisonment. These penalties may be incurred apart from the civil liabilities and/or obligations of the delinquent employer. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines and deportation when the offender is a foreigner.

***Other Labor-Related Laws and Regulations***

<u>Contracting and Subcontracting</u>

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the DOLE issued DOLE Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, as Amended ("**D.O. No. 174-17**"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No. 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and the contractor or subcontractor does not have substantial capital, or the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

The Department Order provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with ten (10) or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one (1) month nor more than six (6) months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three (3) years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid discrimination against any employee due to HIV/AIDS. Any HIV/AIDS-related information about workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

**REGULATIONS RELATING TO THE FOOD AND BEVERAGE BUSINESS**

**The Food Safety Act**

In 2013, the **Food Safety Act** was enacted into law to strengthen the food safety regulatory system in the country. The food safety regulatory system encompasses all the regulations, food safety standards, inspection, testing, data collection, monitoring and other activities carried out by the DA and the DOH, their pertinent bureaus, and the local government units. The National Dairy Authority, National Meat Inspection Service ("**NMIS**"), and Bureau of Fisheries and Aquatic Resources ("**BFAR**") under the DA are the government agencies responsible for the development and enforcement of food safety standards and regulations in the primary production and post-harvest stages for milk, meats, and fish, respectively, while the FDA under the DOH is responsible for the safety of processed and pre-packaged foods. The Food Safety Act created the Food Safety Regulation Coordinating Board to monitor and coordinate the performance and implementation of the mandates of the government agencies under the law.

The law aims to: (a) protect the public from food-borne and water-borne illnesses and unsanitary, unwholesome, misbranded or adulterated foods, (b) enhance industry and consumer confidence in the food regulatory system, and (c) achieve economic growth and development by promoting fair trade practices and a sound regulatory foundation for domestic and international trade.

To protect consumer interest, the Food Safety Act seeks to prevent the adulteration, misbranding, fraudulent practices and practices which mislead the consumer, and prevent misrepresentation in the labelling and false advertising in the presentation of food. The DA and DOH are mandated to set food safety standards, which are the requirements that food or food processors must comply with to safeguard human health.

The law likewise mandates the use of science-based risk analysis in food safety regulation and prescribes the adoption of precautionary measures when the available relevant information for use in risk assessment is insufficient to show a certain type of food or food product does not pose a risk to consumer health.

In addition, food imported, produced, processed and distributed for domestic and export markets should comply with the following requirements: (a) food to be imported into the country must come from countries with an equivalent food safety regulatory system; (b) imported foods shall undergo cargo inspection and clearance procedures by the DA and DOH at the first port of entry to determine compliance with national regulations; and (c) exported food shall at all times comply with national regulations and regulations of the importing country.

The Food Safety Act imposes the following responsibilities on Food Business Operators ("**FBO**"): (a) FBO shall be knowledgeable of the specific requirements of food law with respect to their activities in the food supply chain and the procedures adopted by relevant government agencies, and adopt, apply and be well informed of codes and principles for good practices; (b) in the event an FBO considers or has reason to believe that food which it produced, processed, distributed or imported is not safe or not in compliance with food safety requirements, it shall immediately initiate procedures to recall the product and inform the regulator; (c) FBO shall allow inspection of their businesses and collaborate with the regulatory authorities to avoid risks posed by the food product/s which they have supplied; and (d) where the unsafe or noncompliant food product may have reached the consumer, it shall effectively and accurately inform the consumers of the reason for the withdrawal, and if necessary, recall the same from the market.

For the enforcement of the Food Safety Act, the food safety regulatory agencies are authorized to perform regular inspection of food business operators taking into consideration the compliance with mandatory safety standards; implementation of the HACCP or the science-based system that identifies, evaluates, and controls hazards for food safety at critical points; good manufacturing practices; and other requirements of regulations. It is prohibited to refuse access to pertinent records or entry of inspection officers of the food safety regulatory agencies. It is likewise prohibited, among others, to produce, handle, or manufacture for sale, offer for sale, distribute in commerce, or import any food or food product, which is banned or is not in conformity with applicable quality or safety standards. The commission of any of the prohibited acts under the Food Safety Act can result in imprisonment and/or a fine.

The implementing rules and regulations of the Food Safety Act requires all food businesses, including large and medium scale food businesses engaged in the manufacture of processed and pre-packaged food, to have a Food Safety Compliance Officer ("**FSCO**") who has passed a prescribed training course for FSCO recognized by the DA and/or the DOH.

FBOs producing processed and pre-packaged food should develop a Risk Management Plan as basis for the issuance of appropriate authorizations by the DOH. If an FBO considers or has reason to believe that a food which it produced, processed, distributed or imported is not safe or not in compliance with food safety requirements, it should immediately initiate procedures to withdraw the food in question from the market and inform the regulatory authority in accordance with the approved product recall program.

FBOs should also report any incident where their product has caused or contributed to the death, serious illness or serious injury to a consumer or any person. The product should be withdrawn from the market, in accordance with the FBO's respective product recall program, and disposed according to the procedures prescribed by the DA and/or the DOH.

The FDA may order a recall if: (a) a distributed product presents a risk of illness or injury or gross consumer deception, (b) the manufacturer or distributor has not initiated a recall, and (c) an agency action is necessary or advisable to protect the public health and welfare. The manufacturer or distributor will be notified of the decision to order a product recall. The notification will specify the violation, the health hazard classification, the recommended recall strategy to be undertaken, and any other instructions appropriate to the conduct of the recall. Within 24 hours after the FDA issues an order for product recall, the FDA will issue a Public Health Alert to alert consumers on serious health hazards or other situations deemed to be in the public interest.

A product recall may also be initiated by a manufacturer or distributor of a violative product (i.e., the product presents a risk of injury or does not conform to registered specifications). The manufacturer or distributor should provide the FDA the following information: (a) identity of the product involved, (b) the reason for the removal or correction and the date and circumstances under which the product deficiency or possible deficiency was discovered, (c) evaluation of the risk associated with the deficiency or possible deficiency, (d) total amount of such products produced and/or the time span of the production, (e) total amount of such products estimated to be in distribution channels, (f) distribution information, including the number of distribution outlets and where necessary, the names and addresses of the distribution channels, (g) copy of the recall communication or proposed communication, (h) proposed strategy for conducting the recall, and (i) name and phone number of the official who should be contacted concerning the recall.

Products which have been subject of a recall must immediately be removed from the market and must not be allowed for distribution and sale. Upon completion of the recall procedure, the concerned company must notify the FDA of the final disposition of the product. If the product is to be destroyed, the destruction should be witnessed by an FDA representative. If the product has been reprocessed to comply with registered specifications, distribution and sale of the reprocessed product will only be allowed following a written recommendation from the FDA to do so.

The FDA may seize the products or seek other court action if a firm refuses to conduct an FDA-ordered recall or where the FDA has reason to believe that a recall would not be effective, a recall is ineffective, or discovers that a violation is continuing.

The DOH, through the FDA, is responsible for the assurance of safety of processed and pre-packaged food products, whether locally produced or imported, including meat products. Renewal of the registration of processed meat and licenses of establishments manufacturing, importing or exporting, selling, offering for sale, transferring, or distributing processed meat should be in accordance with the existing FDA guidelines on renewal of authorizations.

**The Food, Drugs and Devices, and Cosmetics Act**

Republic Act No. 3720 or the Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 ("**FDDC Act**"), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The FDA is the governmental agency under the DOH tasked to implement and enforce the FDDC Act. The FDA requires both a license to manufacture food products, as well as individual certificates of registration for each product to be manufactured or sold in the Philippines.

The FDDC Act prohibits, among others, (i) the manufacture, importation, exportation, sale, offering for sale, distribution or transfer, non-consumer use, promotion, advertisement, or sponsorship food products which are adulterated or misbranded or which, although requiring registration pursuant to the FDDC Act, are not registered with the FDA; and (ii) the manufacture, importation, exportation, transfer, or distribution of any food product by any person or entity without a license to operate from the FDA. Any person found in violation of any of the provisions of the FDDC Act shall be subject to administrative penalties or imprisonment or both. Furthermore, the FDA has the authority to seize such food products found in violation of the FDDC Act as well as ban, recall, and withdraw any food product found to be grossly deceptive, unsafe, or injurious to the consuming public.

***FDA Rules and Regulations***

Consistent with the mandate to adopt and establish mechanisms and initiatives that are aimed to protect and promote the right to health of every Filipino, the FDA issued the Rules and Regulations on the Licensing of Food Establishments and Registration of Processed Food, which require all food establishments to obtain a License to Operate ("**LTO**") from the FDA before they can validly engage in the manufacture, importation, exportation, sale, offer for sale, distribution, and transfer of food products in the Philippine market. An initial LTO is valid for a period of two (2) years, while a renewed license is valid for five (5) years.

An LTO can be automatically renewed when (a) the application for renewal is filed before the expiration date of the license, (b) the prescribed renewal fee is paid upon filing of the application, and (c) a sworn statement indicating no change or variation in the establishment is attached to the application. An application for renewal of an LTO received after its date of expiration will be subject to a surcharge or penalty.

Further, the LTO subject of an application for renewal will be considered valid and subsisting until a decision or resolution by the FDA is rendered on the application for renewal as long as the application is filed within 120 days from LTO's original expiry. The automatic renewal of an LTO should not preclude the FDA from suspending, revoking, or cancelling the same in case the owner violates any of the terms and conditions of the license or other relevant laws and implementing rules and regulations. The assignment or transfer of a valid and unexpired LTO, or pending application for renewal without any change or variation whatsoever in the establishment requires a mere amendment of the LTO or the application, as the case maybe.

The manufacture, importation, exportation, sale, offering for sale, distribution, transfer, non-consumer use, promotion, advertising, or sponsorship of any health product without the proper authorization from the FDA is prohibited and punishable, by imprisonment and fine.

In addition to an LTO, the FDA also requires a Certificate of Product Registration ("**CPR**") for processed food products before said products are distributed, supplied, sold or offered for sale or use in the market. A CPR covering a particular health product constitutes prima facie evidence of the registrant's marketing authority for said health product in connection with the activities permitted pursuant to the registrant's LTO.

For processed food products, the validity of an initial CPR is two (2) years to five (5) years, while a renewed CPR is valid for five (5) years; provided that upon renewal, its holder conforms with the pertinent standards and requirements including labelling regulations.

A CPR may be automatically renewed provided that: (a) the registrant has a current and valid LTO, (b) the product is covered by a current and valid CPR, and (c) there are no deficiencies that need to be corrected before the renewal of the CPR can be granted. The application for renewal must be filed at least 90 days before the expiration of the CPR, although an application for renewal may still be filed within 60 days after the expiration date of the CPR, subject only to the payment of a surcharge.

An expired CPR that has not been renewed within the 60-day grace period cannot be the subject of a renewal application and will be considered an initial application for the registration of the product.

The operation of a food business without the proper authorization from the FDA is prohibited and punishable with a fine. The closure of the establishment may also be imposed as a penalty upon a finding of a commission of a prohibited act.

**The Consumer Act**

The Consumer Act is principally enforced by the DTI and seeks to: (i) protect consumers against hazards to health and safety, (ii) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (iii) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (iv) provide adequate rights and means of redress; and (v) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as (i) consumer product quality and safety; (ii) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (iii) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (iv) practices relative to the use of weights and measures; (v) consumer product and service warranties; (vi) compulsory labelling and fair packaging; (vii) liabilities for defective products and services; (viii) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (ix) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labelling and advertisement of food products and prohibits the manufacture for sale, offer for sale, distribution, or importation of food products which are not in conformity with applicable consumer product quality or safety standards. Like the FDDC Act, the Consumer Act also prohibits the manufacture, importation, exportation, sale, offering for sale, distribution or transfer of food products which are adulterated or mislabelled. In connection therewith, the Consumer Act provides for minimum labelling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public.

Under the Consumer Act, the following are the minimum labelling requirements for consumer products sold in the Philippines: (a) the correct and registered trade name or brand name; (b) the duly registered trademark; (c) the duly registered business name; (d) the address of the manufacturer, importer, repacker of the consumer product in the Philippines; (e) the general make or active ingredients; (f) the net quantity of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system; (g) the country of manufacture, if imported; and (h) if a consumer product is manufactured, refilled or repacked under license from a principal, the label shall so state the fact. Additional labelling requirements imposed by the Consumer Act for food products include: (a) expiry or expiration date, where applicable; (b) whether the consumer product is semi-processed, fully processed, ready-to-cook, ready-to-eat, prepared food or just plain mixture; (c) nutritive value, if any; and (d) whether the ingredients used are natural or synthetic, as the case may be.

Manufacturers, distributors, importers or re-packers of consumer products are required to indicate in their labels or packaging a parallel translation in the English or Filipino language of the nature, quality, quantity and other relevant prescribed information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased.

The DTI is tasked with implementing the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labelling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters. With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA. Establishments engaged in these activities are required to comply with, among others, the current guidelines promulgated by the DOH on good manufacturing practice in manufacturing, packing, repacking, or holding food.

In addition to the information required to be displayed in the principal and secondary panels, DTI Administrative Order No. 01-08 mandates that all consumer products sold in the Philippines, whether manufactured locally or imported shall indicate and specify the (a) country of manufacture; (b) required information of consumption duration safety; (c) warranty of the manufacturer; (d) weight content prior to packaging; (e) consumer complaint desk address; and (f) all other information necessary for giving effect to a consumer's right to information.

For alcoholic beverages, the alcohol content in terms of percentage volume or proof units shall be indicated on the label thereof.

The DTI is tasked with implementing the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labelling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters. With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA. Establishments engaged in these activities are required to comply with, among others, the current guidelines promulgated by the DOH on good manufacturing practice in manufacturing, packing, repacking, or holding food.

In addition, the Consumer Act prohibits the false, deceptive or misleading advertisements and sales promotions and deceptive sales acts and practices in connection with food products. An advertisement shall be false, deceptive or misleading if it is not in conformity with the provisions of the Consumer Act or if it is misleading in any material respect. In determining whether any advertisement is false, deceptive or misleading, there shall be taken into account, among other things, not only representations made or any combination thereof, but also the extent to which the advertisement fails to reveal material facts in the light of such representations, or materials with respect to consequences which may result from the use or application of consumer products or services to which the advertisement relates under the conditions prescribed in said advertisement, or under such conditions as are customary or usual.

Any person found in violation of the provisions of the Consumer Act shall be subject to administrative penalties and/or imprisonment of not less than one (1) year but not more than five (5) years, or a fine of not less than ₱5,000.00 but not more than ₱10,000.00 or both, at the discretion of the court. Should the offense be committed by a juridical person, the chairman of the board of directors, the president, general manager, or the partners and/or the persons directly responsible therefore shall be penalized. Under the Consumer Act, the DOH also has the authority to order the recall, ban, or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

**The Livestock and Poultry Feeds Act**

Republic Act No. 1556 or the Livestock and Poultry Feeds Act and its implementing rules and regulations (the "**Livestock and Poultry Feeds Act**"), regulates and controls the manufacture, importation, labelling, advertising and sale of livestock and poultry feeds. The Bureau of Animal Industry (the "**BAI**") is the governmental office under the DA tasked to implement and enforce the Livestock and Poultry Feeds Act.

Under the Livestock and Poultry Feeds Act, any entity desiring to engage in the manufacture, importation, exportation, sale, trading or distribution of feeds or other feed products must first register with the BAI. There must be a separate registration for each type and location of feed establishment. Furthermore, the Livestock and Poultry Feeds Act provides that no feeds or feed products may be manufactured, imported, exported, traded, advertised, distributed, sold, or offered for sale, or held in possession for sale in the Philippines unless the same has been registered with the BAI. There must also be a separate registration for each type, kind, and form of feed or feed product. Feeds and feed products produced through toll manufacturing shall be registered with the company that owns the same. All commercial feeds must comply with the nutrient standards prescribed by the DA. Registration of feed and feed products and feed establishments is required to be renewed on a yearly basis.

The Livestock and Poultry Feeds Act also provides branding, labelling and advertising requirements for feeds and feed products and the establishment of in-house quality control laboratories by manufacturers and traders of feed and feed products. Any person found in violation of the provisions of the Livestock and Poultry Feeds Act shall be subject to administrative penalties or imprisonment or both.

The Company's feedmills, whether Company-owned and tolled, are all registered with the BAI and monthly inspection fees are paid by us based on the number of metric tons of feeds produced. The Company also seeks approval from the BAI for brand names and registers every new product prior to market launch. To obtain the brand name approval and product registration, the Company submits a notarized Application for Feed Product Registration, Certificate of Analysis and three (3) copies of feed tags to be inserted in the packaging of the new product. Based on this information, the BAI decides as to whether the new product is within its specifications.

**The Meat Inspection Code**

Republic Act No. 9296, as amended by Republic Act No. 10536, or the Meat Inspection Code of the Philippines ("**Meat Inspection Code**") establishes quality and safety standards for the slaughter of food animals and the processing, inspection, labelling, packaging, branding and importation of meat (including, but not limited to, pork, beef, and chicken meat) and meat products. The NMIS, a specialized regulatory service attached to the DA, serves as the national controlling authority on all matters pertaining to meat and meat product inspection and meat hygiene to ensure meat safety and quality from farm to table. It has the power to accredit meat establishments and exporters, importers, brokers, traders and handlers of meat and meat products. On the other hand, the different local government units, in accordance with existing laws, policies, rules and regulations and quality and safety standards of the DA, have the authority to regulate the construction, management and operation of slaughterhouses, meat inspection, and meat transport and post-abattoir control within their respective jurisdictions, and to collect fees and charges in connection therewith.

The Meat Inspection Code covers all meat establishments (including, but not limited to, slaughterhouses, poultry dressing plants, meat processing plants and meat shops) where food animals are slaughtered, prepared, processed, handled, packed, stored, or sold. It requires the inspection of food animals before it shall be allowed for slaughter in licensed private slaughterhouses in which meat or meat products thereof are to be sold. A post-mortem examination is also required for carcasses and parts thereof of all food animals prepared as articles of commerce which are capable of use as human food. Only meat or meat products from meat establishments that have passed inspection and have been so marked may be sold or offered for sale to the public.

Said Code also requires all meat establishments to (i) comply with the Animal Welfare Act of 1998 for the adequate protection of food animals awaiting slaughter and all pollution control and environmental laws and regulations relating to the disposal of carcasses and parts thereof; and (ii) adopt Good Manufacturing Practices and Sanitation Standard Operating Procedures programs for the production, storage and distribution of its meat products. Any person found in violation of the provisions of the Meat Inspection Code shall be subject to administrative penalties. Furthermore, any carcasses, parts of carcasses or products of carcasses found to have been prepared, handled, packed, stored, transported or offered for sale as human food not in accordance with the provisions thereof shall be confiscated and disposed of at the expense of the person found to be in violation thereof.

The DA requires all operators and/or owners of postharvest meat establishments to subject their facilities for evaluation for the issuance of an LTO by the NMIS.

The Company's poultry processing plants and livestock slaughter plants, both Company-owned and tolled, are all accredited by NMIS. Since the Company's plants have all been issued an LTO, CPR, and/or Export Commodity Clearance Certificate by the FDA, products from those plants qualify for distribution to any location throughout the Philippines or for export. Plant accreditations are renewed annually following inspection by NMIS for compliance with the Good Manufacturing Practices, Sanitation Standard Operating Procedures and Hazard Analysis and Critical Control Points. NMIS inspectors are also stationed at each of the Company's poultry processing plants and livestock slaughter plants on a daily basis and issue certifications for each batch of products that is shipped from any of those plants.

**The Price Act**

Republic Act No. 7581, as amended by Republic Act No. 10623, or the Price Act provides for price controls for basic necessities and prime commodities in certain situations, pursuant to the policy of the government to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate business a fair return on investment. Basic necessities include rice, corn, bread, fresh, dried and canned fish and other marine products, fresh vegetables, fresh pork, beef and poultry meat, fresh eggs, fresh and processed milk, root crops, sugar, coffee and cooking oil, salt, laundry soap, detergents, firewood, charcoal, candles and drugs classified as essential by the DOH. Prime commodities include fresh fruits, flour, dried, processed and canned pork, beef and poultry meat, dairy products not falling under basic necessities, noodles, onions, garlic, vinegar, patis, soy sauce, toilet soap, fertilizer, pesticides, herbicides, poultry, swine and cattle feeds, paper, school supplies, electrical supplies, batteries, among others.

Under the Price Act, the prices of basic necessities in an area may be automatically frozen at their prevailing prices or placed under automatic price control whenever:

1. That area is proclaimed or declared a disaster area or under a state of calamity;
2. That area is declared under emergency;
3. The privilege of the writ of habeas corpus is suspended in that area;
4. That area is placed under martial law; or
5. That area is declared to be in a state of rebellion or war.

The President of the Philippines may likewise impose a price ceiling on basic necessities and prime commodities in cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. Unless sooner lifted by the President of the Philippines, prices shall remain frozen for a maximum of 60 days.

The DA, DTI, DENR and DOH are the implementing agencies responsible for the enforcement of the Price Act. The implementing government agencies of the Price Act are given the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of concerned trade, industry and consumer sectors.

The Price Act considers it unlawful for any person habitually engaged in the production, manufacture, importation, storage, transport, distribution, sale or other methods of disposition of goods to engage in illegal price manipulation of any basic necessity or prime commodity through:

1. Cartels, defined as any combination of or agreement between two (2) or more persons engaged in the production, manufacture, processing, storage, supply, distribution, marketing, sale or disposition of any basic necessity or prime commodity designed to artificially and unreasonably increase or manipulate its price;
2. Hoarding, defined as the undue accumulation by a person or combination of persons of any basic commodity beyond his or their normal inventory levels or the unreasonable limitation or refusal to dispose of, sell or distribute the stocks of any basic necessity of prime commodity to the general public or the unjustified taking out of any basic necessity or prime commodity from the channels of reproduction, trade, commerce and industry; or
3. Profiteering, defined as the sale or offering for sale of any basic necessity or prime commodity at a price grossly in excess of its true worth.

Any person found in violation of the provisions of the Price Act shall be subject to administrative penalties, fine or imprisonment or both.

**The Philippine Food Fortification Act**

Republic Act No. 8976 or the Philippine Food Fortification Act of 2000 (the "**PFF Act**") provides for the mandatory fortification of wheat flour, cooking oil and other staple foods and the voluntary fortification of processed food products. The fortification of food products is required to be undertaken by the manufacturers, importers and processors thereof. The FDA is the government agency responsible for the implementation of the PFF Act with the assistance of the different local government units which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and foodservice establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity. Any person in violation of the PFF Act shall be subject to administrative penalties. Furthermore, the FDA may refuse or cancel the registration or order the recall of food products in violation of said law.

All Magnolia-branded products are compliant with the PFF Act. For example, the Company uses iodized salt in Magnolia products to comply with Republic Act No. 8172 (An Act for Salt Iodization Nationwide).

For wheat flour, the addition of Vitamin A and Iron are mandated under standards set by the DOH. The Company's flour business has been compliant with the requirements of the PFF Act since 2004.

**Government Regulations on the Manufacture and Wholesale of Alcoholic Beverages**

Beverages are included in the definition of "food" and are within the coverage of the Food Safety Act. An LTO and other requirements specified in the Food Safety Act and its implementing rules and regulations are likewise necessary for establishments engaged in the manufacturing, importation, exportation, sale, offer for sale, distribution, transfer, use, testing, promotion, advertisement, and/or sponsorship of alcoholic beverages. Alcoholic beverages have been classified by the FDA as low risk food products based on the Codex Alimentarius General Standard for Food Additives and the UN Food and Agriculture Organization Risk Categories. Food establishments classified as high risk are prioritized for inspection by the FDA.

**Permit Requirement and Excise Taxes on Sugar Sweetened Beverages**

Under the Tax Code, sugar sweetened beverages ("**SSBs**") are among the items subject to excise taxes. Manufacturers and importers of SSBs are required to pay excise taxes at the following rates: ₱6.00 per liter for SSBs sweetened with purely caloric and purely non-caloric sweeteners, or a mix of caloric and non-caloric sweeteners, and ₱12.00 per liter if the sweetener used is high fructose corn syrup or in combination with any caloric or non-caloric sweetener. Manufacturers and importers of SSBs are exempt from excise taxes if the subject beverage is sweetened using purely coconut sap sugar and purely steviol glycosides. On the other hand, beverages that are one hundred percent (100%) natural fruit or vegetable juices, milk products, meal replacements and medically indicated beverages, and ground, instant and pre-packaged powdered coffee products were excluded from coverage of the excise taxes applicable to SSBs.

Pursuant to Revenue Regulations No. 20-2018 issued by the Bureau of Internal Revenue (BIR), which regulation implemented the provisions of Section 150-B of the TRAIN Act – with respect to the imposition of excise taxes on SSBs, the BIR requires manufacturers and importers of SSBs in the Philippines to secure a permit from the BIR to operate as manufacturers and/or importers of SSBs.

**REGULATION RELATING TO THE PACKAGING BUSINESS**

**Safety and Quality Regulations under the Consumer Act**

The DTI is tasked to implement the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labelling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters.

Manufacturers, distributors, importers or repackers of consumer products are required to indicate in their labels or packaging, a parallel translation in the English or Filipino language of the nature, quality and quantity and other relevant information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased. In addition to the information required to be displayed in the principal and secondary panels, DTI Administrative Order No. 01-08 mandates that all consumer products sold in the Philippines, whether manufactured locally or imported shall indicate and specify the (i) country of manufacture; (ii) required information of consumption duration safety; (iii) warranty of the manufacturer; (iv) weight content prior to packaging; (v) consumer complaint desk address; and (vi) all other information necessary for giving effect to a consumer's right to information.

The packaging of consumer products must not cause the purchaser to be deceived as to the contents, size, quantity, measurement or fill of the product. For consumer products which are packaged in such a way that the contents cannot be seen or inspected upon purchase, samples or labelling describing the product inside the package, in words, in pictorial or graphical representation or by similar means, shall be provided for the inspection of the purchaser. Such sample or description should accurately represent the product in the package.

With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA as discussed above. Establishments engaged in these activities are required to comply with, among others, the current guidelines on good manufacturing practice in manufacturing, packing, repacking, or holding food promulgated by the DOH.

**REGULATION RELATING TO THE FUEL AND OIL BUSINESS**

**Oil Deregulation Act**

The Oil Deregulation Act provides the regulatory framework for the downstream oil industry of the country.

Under the Oil Deregulation Act, any person or entity may import or purchase any quantity of crude oil and petroleum products from foreign or domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement, provided that, among others, such person or entity complies with certain requirements such as giving of prior notice to the DOE for monitoring purposes. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high-quality petroleum products.

To ensure the attainment of these objectives, the DOE, in consultation with relevant government agencies, promulgated the Implementing Rules and Regulations of the Oil Deregulation Act on March 11, 1998 through Department Circular No. 98-03-004. The rules require any person or entity engaged in any activity in the downstream oil industry to comply with the notice, reportorial, quality, health, safety and environmental requirements set forth therein.

The DOE is the leading Philippine government agency overseeing the oil sector. With the enactment of the Oil Deregulation Act, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving price-setting to market forces. The current function of the DOE is to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.

Other functions of the DOE under the Oil Deregulation Act include the following:

- monitoring and publishing the daily international crude oil prices, following the movements of domestic oil prices, monitoring the quality of petroleum and stopping the operation of businesses involved in the sale of petroleum products which do not comply with national standards of quality;
- monitoring the refining and manufacturing processes of local petroleum products to ensure clean and safe technologies are applied;
- maintaining a periodic schedule of present and future total industry inventory of petroleum products to determine the level of supply;
- immediately acting upon any report from any person of an unreasonable rise in prices of petroleum products; and
- in times of national emergency, when the public interest so requires, during the emergency and under reasonable terms, temporarily taking over or directing the operations of any person or entity engaged in the industry.

**Promotion of Retail Competition**

In November 2017, the DOE promulgated Department Circular No. DC 2017-11-0011, or the Revised Rules and Regulations Governing the Business of Retailing Liquid Fuels, (the "**Revised Retail Rules**"). The Revised Retail Rules apply to all persons engaged or intending to engage in the business of retailing liquid fuels such as gasoline, diesel, and kerosene.

A person intending to engage in the business of retailing liquid petroleum products must notify the Oil Industry Management Bureau ("**OIMB**") of its intention to engage in such activity and, upon compliance with the requirements under the Revised Retail Rules, secure a certificate of compliance from the OIMB. The certificate shall be valid for a period of five (5) years. The owner or operator of a retail outlet shall be deemed to be engaged in illegal trading of liquid petroleum products if such owner or operator operates a retail outlet without a certificate of compliance. Storage and dispensing of liquid fuels that are for own-use operation shall not be covered by the Revised Retail Rules only upon issuance of a Certificate of Non-Coverage by the DOE.

The Revised Retail Rules likewise imposes: (i) mandatory standards and requirements for new retail outlets and minimum facility requirements for existing retail outlets; (ii) rules and procedures relating to fuel storage, handling, transfer and/or dispensing of liquid fuels; (iii) requirements of other types of retail outlets; (iv) the conduct of inspection and monitoring by the OIMB; (v) rules and procedures relating to liquid fuels quantity and quality; and (vi) fines and/or sanctions against prohibited acts.

Liquid petroleum products dispensed at retail outlets must comply with the Philippine National Standards. Prohibited acts include illegal trading, adulteration, underdelivering, refusal/obstruction of inspection and sampling, hoarding, and continuing to operate after an order or notice of cessation of operation has been issued by the DOE. The refusal of inspection shall constitute prima facie evidence of the commission of prohibited acts under the Revised Retail Rules.

**LPG Laws and Regulations**

***B.P. 33***

Batas Pambansa Blg. 33, as amended by Presidential Decree No. 1865, provides for certain prohibited acts inimical to public interest and national security involving petroleum and/or petroleum products. These prohibited acts include, among others, (i) illegal trading in petroleum and/or petroleum products, and (ii) underdelivery or underfilling beyond authorized limits in the sale of petroleum products or possession of underfilled LPG cylinder for the purpose of sale, distribution, transportation, exchange or barter. For this purpose, the existence of the facts hereunder gives rise to the following presumptions:

*A.* That cylinders containing less than the required quantity of LPG which are not property identified, tagged and set apart and removed or taken out from the display area and made accessible to the public by marketers, dealers, sub-dealers or retail outlets are presumed to be for sale;

*B.* In the case of a dispensing pump in a petroleum products retail outlet selling such products to the public, the absence of an out-of-order sign, or padlock, attached or affixed to the pump to prevent delivery of petroleum products therefrom shall constitute a presumption of the actual use of the pump in the sale or delivery of such petroleum products; and

*C.* Where the seal, whether official or of the oil company, affixed to the dispensing pump, tank truck or LPG cylinder, is broken or is absent or removed, it shall give rise to the presumption that the dispensing pump is underdelivering, or that the LPG cylinder is underfilled, or that the tank truck contains adulterated finished petroleum products or is underfilled.

The use of such pumps, cylinders or containers referred to in sub-paragraph (a), (b), and (c) above, to deliver products for sale or distribution shall constitute prima facie evidence of intent of the hauler, marketer, refiller, dealer or retailer outlet operator to defraud.

Under the said law, “illegal trading in petroleum and/or petroleum products” is understood to mean, among others, (1) the sale or distribution of petroleum products without license or authority from the OIMB, (2) non-issuance of receipts by licensed oil companies, marketers, distributors, dealers, subdealers and other retail outlets, to final consumers; provided: that such receipts, in the case of gas cylinders, shall indicate therein the brand name, tare weight, gross weight, and price thereof, (3) refilling of LPG cylinders without authority from the OIMB, or refilling of another cylinder of a company or firm without written authorization of such company or firm, and (4) marking or using in such cylinders a tare weight other than the actual or true tare weight thereof.

“Underfilling” or “underdelivery” refers to a sale, transfer, delivery or filling of petroleum products of a quantity that is actually beyond authorized limits than the quantity indicated or registered on the metering device of container. This refers, among others, to the quantity of petroleum retail outlets or to LPG in cylinder or to lube oils in packages.

***LPG Industry Regulation Act***

Republic Act No. 11592, otherwise known as the “LPG Industry Regulation Act,” took effect on November 10, 2021. It provided the regulatory framework for the safe operations of the LPG industry in order to protect the interests of end-consumers, ensure their general welfare, and establish standards of conduct for business. The DOE, being the primary government agency responsible for the implementation and enforcement the said Act, shall regulate, supervise, and monitor the LPG industry and all LPG industry participants to ensure compliance with the health, safety, security, and environmental standards, the applicable Philippine National Standards, and other accepted codes and standards as adopted by the DTI as Philippine National Standards.

The Act further delineated the powers and functions of other government agencies, such as the DTI, Department of Interior and Local Government, Bureau of Fire Protection, Land Transportation Office, Maritime Industry Authority, Philippine National Police and other law enforcement agencies, and the DENR, with respect to the regulation of the LPG industry. It also provided for the establishment of LPG cylinder exchange, swapping, and improvement programs and a central database of LPG industry participants.

In addition to other permits, certifications, clearances, and licenses under existing laws, every LPG industry participant shall secure an LTO for a specific activity, which shall be specific to the site, plant, or outlet, prior to the commencement of commercial operation, and shall publicly post such LTO in its business establishment or premises. In the event that the LPG industry participant intends to engage in a new activity outside of its current LTO, it shall secure another LTO for such new activity. The LTO shall be valid for a period of three (3) years or any such period as may be determined by the DOE.

The Act prohibited certain acts, underfilling, and illegal refilling, and imposed administrative and criminal penalties for violation of its provisions.

***R.A. 9514 – IRR***

The Implementing Rules and Regulations of Republic Act No. 9514 or the Fire Code of 2008 also outlines the requirements for the storage and handling of LPG by outside bulk LPG stores and filling stations and the transportation of LPG which require, among others, that during the unloading or transfer of LPG, the tank truck shall be located or parked clear of a public thoroughfare, unless the failure to transfer would create a hazard or it is impossible due to topography.

***LPG Industry Rules***

In January 2014, the DOE issued Department Circular 2014-01-0001, or the Rules and Regulations Governing the Liquefied Petroleum Gas Industry (the "**LPG Industry Rules**"). The LPG Industry Rules apply to all persons engaged or intending to engage in the business of importing, refining, refilling, marketing, distributing, hauling/transporting, handling, storing, retailing, selling and/or trading of LPG.

A Standards Compliance Certificate ("**SCC**") from the OIMB is required before engaging in any LPG Industry Activity. The SCC is valid for a maximum of three (3) calendar years from date of issue and may be renewed. LPG Industry participants must also submit certain reports to the OIMB.

The LPG Industry Rules also imposes (i) minimum standards and requirements for refilling and transportation of LPG and(ii) qualifications and responsibilities for LPG Industry participants such as bulk suppliers, refillers, marketers, dealers, and retail outlets.

Brand owners whose permanent mark appears on the LPG cylinder are presumed under the rules as the owner thereof, irrespective of their custody, and shall ensure that its cylinders comply with all required quality and safety standards. The owner of the cylinders is also required to secure product liability insurance for any liability that may result from an unsafe condition of LPG cylinders.

*Rules Pertinent to Auto-LPG Motor Vehicles*

On February 13, 2007, the DOE issued DOE Circular No. DC 2007-02-0002 entitled "Providing for the Rules and Regulations Governing the Business of Supplying, Hauling, Storage, Handling, Marketing and Distribution of Liquefied Petroleum Gas for Automotive Use" (the "**Auto-LPG Rules**"). The Auto-LPG Rules govern the business of supplying, hauling, storage, handling, marketing and distribution of LPG for automotive use.

Under the rules, an Auto-LPG Industry Participant is required to secure from the DOE through the OIMB, an SCC before it can operate. The Auto-LPG also mandates all participants to observe a code of practice consisting of operational guidelines and procedures to ensure the safe operation in the auto LPG business. Illegal trading, adulteration and hoarding are likewise prohibited. Under the Auto-LPG Rules, the following shall constitute prima facie evidence of hoarding: (i) the refusal of Auto-LPG Dispensing Stations to sell LPG products for automotive use shortly before a price increase or in times of tight supply, and in both instances if the buyer or consumer has the ability to pay in cash for the product or (ii) the undue accumulation of Auto-LPG Dispensing Stations of LPG products for automotive use in times of tight supply or shortly before a price increase. For purposes of this Auto LPG Rules, "undue accumulation" shall mean the keeping or stocking of quantities of LPG products for automotive use beyond the inventory levels as required to be maintained by the Auto-LPG Dispensing Stations, for a period of thirty (30) days immediately preceding the period of tight supply or price increase.

The Land Transportation Office also issued Memorandum Circular No. RIB-2007-891 or the "Implementing Rules and Regulations in the Inspection and Registration of Auto-LPG Motor Vehicles". The Circular requires the device for the use of LPG as fuel by any motor vehicle to be installed only by the conversion/installing shop duly certified by the Bureau of Product and Standards ("**BPS**") of the DTI under its Philippine Standards Certification Mark scheme. The converted vehicle shall be subjected to an annual maintenance and inspection by the BPS certified conversion/installing shop. The BPS certified conversion/installing shop shall issue a corresponding Certificate of Inspection and Maintenance Compliance.

**Oil Pollution Compensation Act of 2007**

Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, imposes strict liability on the owner of the ship for any pollution damage caused within the Philippine territory. Pollution damage is the damage caused outside the ship by contamination due to the discharge of oil from the ship, as well as the cost of preventive measures to protect it from further damage.

The law also provides that any person who has received more than 150,000 tons of "contributing oil" (as explained below) in a calendar year in all ports or terminal installations in the Philippines through carriage by sea shall pay contributions to the International Oil Pollution Compensation Fund in accordance with the provisions of the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage. For this purpose, "oil" includes any persistent hydrocarbon mineral oil such as crude oil, fuel oil, heavy diesel oil and lubricating oil, whether carried on board a ship as cargo or in bunkers of such a ship.

A person shall be deemed to have received "contributing oil," for purposes of determining required contributions, if he received such oil from another country or from another port or terminal installation within the Philippines, notwithstanding that this oil had already been previously received by him. Where the quantity of contributing oil received by any person in the Philippines in a calendar year, when aggregated with the quantity of contributing oil received in the Philippines in that year by such person's subsidiaries or affiliates, exceeds 150,000 tons, such person, including its subsidiaries and affiliates, shall pay contributions in respect of the actual quantity received by each, notwithstanding that the actual quantity received by each did not exceed 150,000 tons. Persons who received contributing oil are required to report the quantity of such oil received to the DOE. Contributing oil means crude oil and fuel oil as defined under Republic Act No. 9483.

Republic Act No. 9483 provides for the establishment of a fund to be constituted from, among others, contributions of owners and operators of tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund, will be in addition to the requirement under the 1992 Civil Liability Convention and 1992 Fund Convention and will be administered by the MARINA.

In April 2016, the Department of Transportation and Communications (now the DOTr) promulgated the implementing rules and regulations of Republic Act No. 9483. Under the rules, oil companies are required to submit (a) reports on the amount of contributing oil received and (b) sales and delivery reports of persistent oil.

**Other Regulatory Requirements**

Petroleum products are subject to Philippine National Standards specifications. The DTI, through the Bureau of Products Standards, ensures that all products comply with the specifications of the Philippine National Standards.

Philippine government regulations also require the following: fire safety inspection certificates; certificates of conformance of facilities to national or accepted international standards on health, safety and environment; product liability insurance certificates or product certificate of quality; and the ECC issued by the DENR for service stations and for environmentally critical projects. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/transhipment; (c) distribution/ operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper Philippine government authorities.

**Other Relevant Tax-related Regulations**

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on January 1, 2005 from 3.0% to 5.0% but was later reduced to 3.0% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3.0% import duty on crude oil shall be adjusted to 2.0%, 1.0% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines' commitment to eliminate tariffs on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area. Under the ASEAN Trade in Goods Agreement, crude oil and refined petroleum products imported from ASEAN Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of July 4, 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

Republic Act No. 9337, also known as the "Expanded VAT Law," imposed a VAT of 10.0% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was increased to 12.0% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70.0% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70.0% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to ₱4.35 per liter of volume capacity. In February 2012, the BIR issued Revenue Regulation No. 2-2012 stating that VAT and excise taxes due on all petroleum and petroleum products that are imported and/or brought from abroad to the Philippines, including from the freeport and economic zones shall be paid by the importer to the Bureau of Customs.

On January 1, 2018, Republic Act No. 10963, otherwise known as the TRAIN, took effect. The TRAIN amended provisions of the Tax Code, among others, increasing excise tax rates of petroleum products. Excise tax rates on gasoline products were increased from ₱4.35 per liter to ₱7.00 per liter effective January 1, 2018, ₱9.00 per liter on January 1, 2019 and ₱10.00 per liter on January 1, 2020. Diesel and bunker fuel products which were previously not subject to excise taxes were imposed excise taxes at ₱2.50 per liter effective January 1, 2018 and increased further to ₱4.50 per liter on January 1, 2019 and ₱6.00 per liter on January 1, 2020.

Also, in compliance with the TRAIN, the Philippine government intends to implement a Philippine Fuel Marking Program in 2019 to mark imported and refined petroleum products such as gasoline, diesel and kerosene to ensure that all downstream fuels are tax and duty paid. Under the latest advisory of the Department of Finance, the Fuel Marking fee will be paid by the government to the Fuel Marking Service Provider for the first year of implementation. For the second to fifth year of implementation, said fee shall be borne by petroleum companies on top of duties and taxes to be collected by the Bureau of Customs or the BIR.

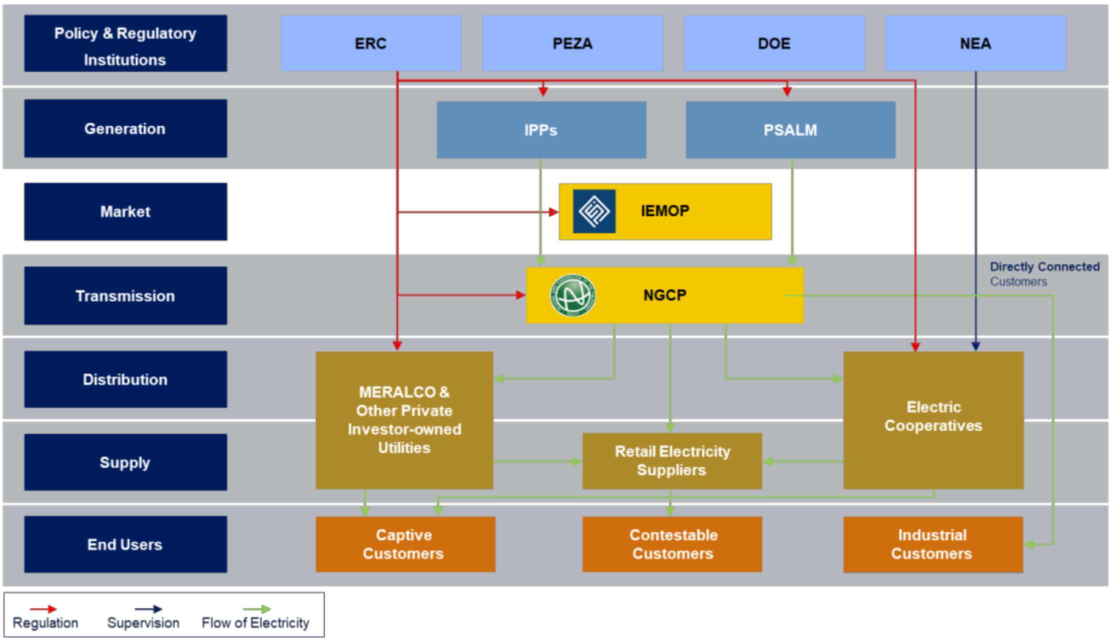
Republic Act No. 9136 or the EPIRA, provides for parity tax treatment among imported oil and indigenous fuels. Prior to the enactment of this law, indigenous fuels were imposed with higher taxes due to royalties to the Philippine government.

## REGULATION RELATING TO THE ENERGY BUSINESS

### Organization and Operation of the Power Industry

Republic Act No. 9136 or the EPIRA established a framework for the organization, operation and restructuring of the electric power industry, with the industry divided into four (4) sectors: generation, transmission, distribution and supply. The following diagram shows the current structure of the electric power industry under the EPIRA.

Industry structure under the EPIRA:




Through the EPIRA, the Government instituted major reforms with the goal of fully privatizing all aspects of the power industry. The principal objectives of the EPIRA are:

- to ensure and accelerate the total electrification of the country;
- to ensure the quality, reliability, security and affordability of the supply of electric power;
- to ensure transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability to achieve greater operational and economic efficiency and enhance the competitiveness of Philippine products in the global market;
- to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors;
- to ensure fair and non-discriminatory treatment of public and private sector entities in the process of restructuring the electric power industry;
- to protect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power;
- to assure socially and environmentally compatible energy sources and infrastructure;
- to promote the utilization of indigenous and new and renewable energy resources in power generation in order to reduce dependence on imported energy;
- to provide for an orderly and transparent privatization of the assets and liabilities of NPC;

- to establish a strong and purely independent regulatory body and system to ensure consumer protection and enhance the competitive operation of the electricity market; and

- to encourage the efficient use of energy and other modalities of demand side management.

With a view to implementing these objectives, the DOE, in consultation with the relevant Government agencies, electric power industry participants, non-Government organizations and electricity consumers, promulgated the IRR of the EPIRA on February 27, 2002 (subsequently amended in 2007).

The IRR governs the relations between, and respective responsibilities of, the different electric power industry participants as well as the particular Governmental authorities involved in implementing the structural reforms in the industry, including, but not limited to, the DOE, NPC, NEA, ERC, and PSALM.

**Reorganization of the Electric Power Industry**

Of the many changes initiated by the EPIRA, of primary importance is the reorganization of the electric power industry by segregating the industry into four (4) sectors: (i) the generation sector; (ii) the transmission sector; (iii) the distribution sector; and (iv) the supply sector. The goal is for the generation and supply sectors to be fully competitive and open, while the transmission sector will be a regulated common electricity carrier business and the distribution sector will be a regulated common carrier business requiring a national franchise, thus both the transmission and distribution sectors will be regulated as public utilities. Prior to the EPIRA, the industry was regulated as a whole, with no clear distinctions between and among the various sectors and/or services.

***The Generation Sector***

Under the EPIRA, power generation *per se* is not a public utility operation. Thus, generation companies are not required to secure congressional franchises, and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, generation companies must obtain a certificate of compliance from the ERC, as well as health, safety and environmental clearances from appropriate Government agencies under existing laws. Furthermore, PPAs and PSAs between generation companies and distribution utilities are subject to the review and approval of the ERC. Generation companies are also subject to the rules and regulations of the ERC on abuse of market power and anticompetitive behavior. In particular, the ERC has the authority to impose price controls, issue injunctions, require divestment of excess profits and impose fines and penalties for violation of the EPIRA and the IRR policy on market power abuse, cross-ownership and anti-competitive behavior.

The goal of the EPIRA is for the generation sector to be open and competitive, while the private sector is expected to take the lead in introducing additional generation capacity. Generation companies will compete either for bilateral contracts with various RESs, electric cooperatives and private distribution utilities, or through spot sale transactions in the WESM. With the implementation of RCOA in Luzon and Visayas, generation companies are already able to sell electricity to eligible end-users. "Open Access" is defined under the IRR as the system of allowing any qualified person the use of electric power transmission and distribution systems; while "Retail Competition" is defined as the provision of electricity to a contestable market (which, under prevailing regulations, refers to electricity end-users with monthly average peak demand of at least 500 KW) by persons licensed by the ERC to engage in the business of supplying electricity to end-users through Open Access.

Recovery by distribution utilities of their purchased power cost is subject to review by the ERC to determine reasonableness of the cost and to ensure that the distribution utilities do not earn any revenue therefrom. With the commencement of the RCOA, generation rates, except those intended for such end-users who may not choose their supplier of electricity (the "**Captive Market**"), ceased to be regulated.

The generation sector converts fuel and other forms of energy into electricity. It consists of the following: (i) NPC-owned-and-operated generation facilities; (ii) NPC-owned plants, which consist of plants operated by IPPs, as well as IPP-owned-and-operated plants, all of which supply electricity to NPC; and (iii) IPP-owned-and-operated plants that supply electricity to customers other than NPC.

Under the EPIRA, generation companies are allowed to sell electricity to distribution utilities or to RESs through either bilateral contracts or the WESM as described below. With the implementation of RCOA on December 26, 2013, as supplemented by DOE Department Circular No. DC2015-06-0010, generation companies may likewise sell electricity to eligible end-users with an average monthly peak demand of 750 KW and certified by the ERC to be contestable customers. In 2016, the ERC issued the implementing rules governing the issuance and renewal of licenses to RESs and the rules governing contestability of qualified end-users (collectively, the "**ERC RES Rules**"). However, in February 2017, the Philippine Supreme Court, acting on the petition filed by certain entities, issued a temporary restraining order enjoining the DOE and the ERC from implementing the rules and regulations implementing the RCOA, including the ERC RES Rules.

As of the date of this Prospectus, the temporary restraining order has not been lifted. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers.

The generation sector must observe the Market Share Limitations set in the EPIRA which states that no generation company or related group is allowed to own more than 30.0% of the installed generating capacity of the Luzon, Visayas or Mindanao Grids and/or 25.0% of the national installed generating capacity. Also, no generation company associated with a distribution utility may supply more than 50.0% of the distribution utility's total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the effectivity of the said Act.

Historically, the generation sector has been dominated by NPC. To introduce and foster competition in the sector, and, more importantly, to lessen the debt of NPC, the EPIRA mandates the total privatization of the generation assets and IPP contracts of NPC, which exclude the assets devoted to missionary electrification through the small power utilities group of NPC. NPC is directed to transfer ownership of all the assets for privatization to a separate entity, PSALM, which is specially tasked to manage the privatization. Beginning early 2004, PSALM has been conducting public bidding for the generation facilities owned by NPC.

Based on latest available data from PSALM as of August 31, 2022, PSALM has privatized 32 operating/generating power facilities (as of March 2022), with a total gross capacity of 5,251.43 MW. Moreover, additional seven (7) power plants with total gross capacity of over 3,610.25 MW were privatized through IPPA contracts, and five (5) decommissioned power facilities. Major generation assets sold include the 747.53 MW Tiwi-Makban geothermal power plant, the 600 MW Batangas (Calaca) coal-fired thermal power plant, the 600 MW Masinloc coal fired power plant, the 620 MW Limay combined cycle power plant, 360 MW Magat hydroelectric power plant, and the 305 MW Palinpinon-Tongonan geothermal power plant. Among the capacities privatized through IPPA Agreements include the 95.22 MW Mindanao I and II (Mt. Apo 1 and 2) geothermal power plants, 1,000 MW Sual coal-fired power plant, the 700 MW Pagbilao coal-fired power plant, the 345 MW of the San Roque Power Plant, the 70 MW Bakun hydroelectric power plant, the 40 MW Unified Leyte Geothermal Power Plant, and the 1,200 MW Ilijan combined-cycle gas-fired power plant. In 2018, PSALM also commenced the privatization of the 650 MW Malaya thermal power plant in Rizal and the 210 MW Mindanao coal-fired plant in Misamis Oriental.

Section 47(j) of the EPIRA prohibits NPC from incurring any new obligations to purchase power through bilateral contracts with generation companies or other suppliers. Also, NPC is only allowed to generate and sell electricity from generating assets and IPP contracts that have not been disposed of by PSALM.

Generation companies which are not publicly listed are required to offer and sell to the public a portion of not less than 15.0% of their common shares of stock. Under prevailing regulations, any offer of common shares of stock for sale to the public through any of the following modes shall be deemed as public offering:

- listing in the PSE;
- a public offering undertaken in accordance with the Securities Regulation Code and its implementing rules and regulations; and
- listing in any accredited stock exchange or direct offer of a portion of registered enterprises' capital stock to the public and/or their employees, when deemed feasible and desirable by the BOI.

On February 16, 2021, the ERC issued Resolution No. 03, series of 2021, dated November 11, 2020 entitled "A Resolution Adopting the Revised Guidelines for the Financial Capability Standards of Generation Companies" (the "**Revised Financial Guidelines**"). The Revised Financial Guidelines apply to all generation companies including IPPAs, except those which own only generation facilities exclusively for its own consumption or unless otherwise exempted by any law or statute. Under the Revised Financial Guidelines, a generation company is required, among others, to meet a minimum annual debt service capability ratio of 1.25x throughout the period covered by its ERC certificate of compliance, provided that if its financial or loan agreements require a higher debt service capability ratio, then such higher ratio shall serve as its minimum requirement. A generation company performing below the benchmark is required to submit its program to comply, setting forth the specific activities to be undertaken in order to meet the financial capability benchmark, within 60 days from receipt of an ERC directive. A generation company that fails to comply with the requirements set forth under the Revised Financial Guidelines shall be subject to imposition of fines and penalties. In addition, non-compliance with financial capability standards may result in the disclosure by the ERC of such fact, together with any mitigating or aggravating circumstances related thereto, via periodic bulletins.

***The Transmission Sector***

Pursuant to the EPIRA, NPC has transferred its transmission and sub-transmission assets to TransCo, which was created pursuant to the EPIRA to assume, among other functions, the electrical transmission function of the NPC. The principal function of TransCo is to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code ("**Grid Code**"). TransCo is also mandated to provide open and non-discriminatory access to its transmission system to all electricity users.

The transmission of electricity through the transmission grid is subject to transmission wheeling charges. As the transmission of electric power is a regulated common carrier business, TransCo's transmission wheeling charges are subject to regulation and approval by the ERC.

The EPIRA also requires the privatization of TransCo through an outright sale of, or the grant of, a concession over the transmission assets while the sub-transmission assets of TransCo are to be offered for sale to qualified distribution utilities. In December 2007, NGCP, comprising a consortium of Monte Oro Grid Resources, Calaca High Power Corporation and State Grid Corporation of China, won the concession contract to operate, maintain and expand the TransCo assets with a bid of U.S.$3.95 billion. On January 15, 2009, NGCP was officially granted the authority to operate the sole transmission system of the country pursuant to a legislative franchise granted by the Philippine Congress under Republic Act No. 9511.

The Grid Code establishes the basic rules, requirements, procedures and standards that govern the operation, maintenance and development of the Philippine Grid, or the high-voltage backbone transmission system and its related facilities. The Grid Code identifies and provides for the responsibilities and obligations of three (3) key independent functional groups, namely: (a) the grid owner, or TransCo; (b) the system operator, or NGCP as the current concessionaire of TransCo; and (c) the market operator, or the PEMC. These functional groups, as well as all users of the grid, including generation companies and distribution utilities, must comply with the provisions of the Grid Code as promulgated and enforced by the ERC.

In order to ensure the safe, reliable and efficient operation of the Philippine Grid, the Grid Code provides for, among others, the following regulations:

- the establishment of a grid management committee, which is tasked with the monitoring of the day-to-day operations of the grid;

- performance standards for the transmission of electricity through the grid, as well as the operation and maintenance thereof, which standards shall apply to TransCo, NGCP, distribution utilities and suppliers of electricity; and

- technical and financial standards and criteria applicable to users of the grid, including generation companies and distribution utilities connected or seeking to connect thereto; and other matters relating to the planning, management, operation and maintenance of the grid.

***The Distribution Sector***

The distribution of electric power to end-users may be undertaken by private distribution utilities, cooperatives, local Government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from the Philippine congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All distribution utilities are also required to obtain a certificate of public convenience and necessity from the ERC to operate as public utilities. Based on the latest available data from the DOE, there are 26 private distribution utilities and 124 electric cooperatives in the Philippines.

They are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code ("**Distribution Code**") (which provides the rules and regulations for the operation and maintenance of distribution systems), the Distribution Services and Open Access Rules and the performance standards set out in the IRR of the EPIRA.

The distribution sector is regulated by the ERC, with distribution wheeling charges, as well as connection fees from its consumers, subject to ERC approval. The retail rate imposed by distribution utilities for the supply of electricity to its captive consumers is also subject to ERC approval. In addition, as a result of the policy of the Government in promoting free competition and Open Access, distribution utilities are now required to provide universal and non-discriminatory access to their systems within their respective franchise areas following commencement of the RCOA.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection and use of the electric distribution systems in the Philippines. The Distribution Code defines the technical aspects of the working relationship between the distributors and all the users of the distribution system, including distribution utilities, embedded generators and large customers. All such electric power industry participants in distribution system operations are required to comply with the provisions of the Distribution Code as promulgated and enforced by the ERC.

To ensure the safe, reliable, and efficient operation of distribution systems in the Philippines, the Distribution Code provides for, among others, the following regulations:

- technical, design and operational criteria and procedures to be complied with by any user who is connected or seeking connection to a distribution system;

- performance and safety standards for the operation of distribution systems applicable to distributors and suppliers; and

- other matters relating to the planning, development, management, operation and maintenance of distribution systems.

***The Supply Sector***

The supply of electricity refers to the sale of electricity directly to end-users. The supply function used to be undertaken largely by franchised distribution utilities. However, with the commencement of the RCOA, the supply function has become competitive. The retail supply business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to a market of end-users who have a choice on their supplier of electricity is considered a business affected with public interest. As such, the EPIRA requires all RESs to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

A RES may only sell up to 50.0% of its total capacity to all of its end-user affiliates.

With the RCOA already implemented, a RES license will allow a generation company to enter into retail electricity supply agreements with contestable customers. This will encourage competition at the retail level and it is planned that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

The following table summarizes the power supply and demand highlights in the Philippines for 2021 based on data from the DOE:

| Grid | Installed capacity (MW) | Dependable capacity (MW) | Peak demand (MW) |
|---|---|---|---|
| Luzon | 18,557 | 16,541 | 11,640 |
| Visayas | 3,814 | 3,333 | 2,252 |
| Mindanao | 4,511 | 3,981 | 2,144 |
| Philippines | 26,882 | 23,855 | 16,036 |

**Role of the ERC**

The ERC is the independent, quasi-judicial regulatory body created under the EPIRA that replaced the Energy Regulatory Board. The ERC plays a significant role in the restructured industry environment, consisting of, among others, promoting competition, encouraging market development, ensuring consumer choice and penalizing abuse of market power by industry participants.

Among the primary powers and functions of the ERC are:

- to determine, fix and approve, after conducting public hearings, transmission and distribution wheeling charges and retail rates and to fix and regulate the rates and charges to be imposed by distribution utilities on their captive end-users, as well as the universal charge to be imposed on all electricity end-users, including self-generating entities;

- to grant, revoke, review or modify the certificates of compliance required of generation companies and the licenses required of suppliers of electricity in the contestable market;

- to enforce the Grid Code and Distribution Code, which shall include performance standards, the minimum financial capability standards, and other terms and conditions for access to and use of transmission and distribution facilities;

- to enforce the rules and regulations governing the operations of the WESM and the activities of the WESM operator and other WESM participants to ensure a greater supply and rational pricing of electricity;

- to ensure that the electric power industry participants and NPC functionally and structurally unbundled their respective business activities and rates and to determine the levels of cross-subsidies in the existing and retail rates until the same is removed in accordance with the different sectors;

- to set a lifeline rate for marginalized end-users;

- to promulgate rules and regulations prescribing the qualifications of suppliers which shall include, among others, their technical and financial capability and creditworthiness;

- to determine the electricity end-users comprising the contestable and Captive Markets;

- to fix user fees to be charged by TransCo/NGCP for ancillary services to all electric power industry participants or self-generating entities connected to the grid;

- to monitor and adopt measures to discourage or penalize abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant;

- to review and approve the terms and conditions of service of TransCo/NGCP and any distribution utility or any changes therein;

- to perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry; and

- to have original and exclusive jurisdiction over all cases that involve the contesting of rates, fees, fines and penalties imposed in the exercise of its powers, functions and responsibilities and over all cases involving disputes between and among participants or players in the energy industry relating to the foregoing powers, functions and responsibilities except cases which involve abuse of market power, cartelization and any anticompetitive or discriminatory behavior by any electric power industry participant.

**Role of the DOE**

In accordance with its mandate to supervise the restructuring of the electric power industry, the DOE exercises, among others, the following functions:

- preparation and annual updating of the Philippine Energy Plan and the Philippine Power Development Program, and thereafter integrate the latter into the former;

- ensuring the reliability, quality and security of the supply of electric power;

- exercise of supervision and control over all Government activities pertaining to energy projects;

- encouragement of private investment in the power industry and promotion of the development of indigenous and renewable energy sources for power generation;

- facilitation of reforms in the structure and operation of distribution utilities for greater efficiency and lower costs;

- promotion of a system of incentives to encourage industry participants, including new generating companies and end-users, to provide adequate and reliable electric supply;

- education of the public (in coordination with NPC, ERC, NEA, and the Philippine Information Agency) on the restructuring of the industry and the privatization of NPC assets; and

- establishment of the WESM in cooperation with electric power industry participants, and formulating rules governing its operations.

**Role of the Joint Congressional Energy Commission**

The Joint Congressional Energy Commission created pursuant to the EPIRA, as amended, consists of 14 members selected from the members of the Philippine senate and house of representatives. Its responsibilities and functions include, among others, the following:

- monitoring and ensuring the proper implementation of the EPIRA;

- endorsement of the initial privatization plan of PSALM for approval by the President of the Philippines;

- ensuring transparency in the public bidding procedures adopted for the privatization of the generation and transmission assets of NPC;

- evaluation of the adherence of industry participants to the objectives and timelines under the EPIRA; and

- determination of inherent weaknesses in the EPIRA and recommend necessary remedial legislation or executive measures.

**Competitive Market Devices**

***WESM***

The EPIRA, as amended, mandates the establishment of the WESM, which is a pre-condition for the implementation of the RCOA, within one (1) year from its effectivity. The WESM provides a venue whereby generators may sell power, and at the same time, suppliers and wholesale consumers can purchase electricity where no bilateral contract exists between the two.

The rules and regulations of WESM set the guidelines and standards for participation in the market, reflecting accepted economic principles and providing a level playing field for all electric power industry participants, and procedures for establishing the merit order dispatch for each time (hourly) trading period. These rules also provide for a mechanism for setting electricity prices that are not covered by bilateral contracts between electricity buyers and sellers.

On November 18, 2003, upon the initiative of the DOE, the PEMC was incorporated as a non-stock, non-profit corporation with membership comprising an equitable representation of electricity industry participants and chaired by the DOE. The PEMC acts as the autonomous market group operator and the governing arm of the WESM and was tasked to undertake the preparatory work for the establishment of the WESM, pursuant to Section 30 of the EPIRA and in accordance with the WESM Rules. Its primary purpose is to establish, maintain, operate and govern an efficient, competitive, transparent and reliable market for the wholesale purchase of electricity and ancillary services in the Philippines in accordance with relevant laws, rules and regulations.

The WESM commercial operations in the Luzon Grid started on June 26, 2006. The Visayas Grid was integrated into the WESM on December 26, 2010.

As of June 2017, there were 260 wholesale membership participants and 946 retail membership entities registered at the WESM based on its 2017 Annual Report.

The PEMC and the IEMOP have executed an operating agreement to formalize the transfer of all functions, assets and liabilities associated with market operations from the PEMC to the IEMOP effective September 26, 2018. With the signing of the operating agreement, the IEMOP is poised to take over the market operations of the WESM, a function that is currently performed by the PEMC. Republic Act No. 9136, as amended, requires the PEMC to divest itself of this function in favor of a separate entity that is independent of the market participants. To comply with the requirement, on February 6, 2018, the market participants and the DOE Secretary approved the transition plan calling for the formation of an independent market operator and the transfer of the market operation functions to it. The IEMOP is a non-stock, non-profit corporation led by a board of directors, all of whom are independents and do not have any interest or connection to the WESM participants, that was incorporated and organized to implement the plan. Beginning on September 26, 2018, the IEMOP has been running the electricity market and, among other things, managing the registration of market participants, receiving generation offers, announcing market prices, dispatching schedules of the generation plants and handling billing, settlement and collections. Under the policy and regulatory oversight of the DOE and the ERC, the PEMC has remained as the governing body for the WESM to monitor compliance by the market participants with the market rules.

In June 2022, the DOE declared the interim commercial operations of the REM and amended the WESM Rules, which impose additional responsibilities to a System Operator, a Trading Participant, and a Market Operator.

***WESM in Mindanao***

In anticipation of the increase of supply condition in Mindanao, the DOE, through DOE Circular DC2017-05-0009, has declared the launch of the WESM. Similar to the operations in Luzon and Visayas, WESM's primary function is to be the venue for efficient scheduling, dispatch, and settlement of energy withdrawal and injections in the Mindanao Grid.

The PEMC has already initiated some preparatory activities in the upcoming WESM in Mindanao. During the first quarter of 2017, PEMC have conducted a series of public consultations. The WESM Trial Operation Program has started last June 26, 2017 where its objective is to familiarize all Mindanao participants in the implementation of the WESM. Commercial operations of WESM in Mindanao will commence upon compliance with certain criteria set out in DOE Circular DC2017-05-0009.

***RCOA***

The EPIRA likewise provides for a system of Open Access on transmission and distribution wires, whereby TransCo/NGCP and distribution utilities may not refuse the use of their wires by qualified persons, subject to the payment of distribution wheeling charges. The full commercial operation of RCOA in Luzon and Visayas commenced on June 26, 2013 with a total of 275 registered participants. Conditions for the commencement of such Open Access system are as follows:

- establishment of the WESM;
- approval of unbundled transmission and distribution wheeling charges;
- initial implementation of the cross-subsidy removal scheme;
- privatization of at least 70.0% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- transfer of the management and control of at least 70.0% of the total energy output of power plants under contract with NPC to the IPPAs.

On June 6, 2011, pursuant to Resolution No. 10, Series of 2011, the ERC declared December 26, 2011 as the "Open Access Date" to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. Accordingly, all electricity-end users with an average monthly peak demand of one MW for the 12 months preceding the Open Access Date, as certified by the ERC to be contestable customers, shall have the right to choose their own electricity suppliers.

To ensure smooth transition from the existing structure to RCOA, the ERC promulgated Resolution No. 16, Series of 2012, providing for a transition period from December 26, 2012 until June 25, 2013. However, the ERC effectively extended the transition period when it issued Resolution No. 11, Series of 2013, which allowed contestable customers to stay with their current distribution utility until December 25, 2013, or until such time that they were able to find a RES provided that it promptly informs the distribution utility of such fact. On June 19, 2015, the Department of Energy promulgated Department Circular No. DC2015-06-0010, which mandated contestable customers to secure their RSCs by June 25, 2016, including contestable customers with an average demand of 750 KW to 999 KW for the 12-month period preceding June 25, 2016.

With the implementation of the RCOA, the contestable markets (i.e., under prevailing regulations, electricity end-users with monthly average peak demand of at least 500 KW) may choose where to source their electric power requirements and can negotiate with suppliers for their electricity. Likewise, certain end-users will be allowed to directly source power through the WESM or by entering into contracts with generation companies. This will encourage competition at the retail level and it is anticipated that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

With the implementation of the RCOA, certain contracts entered into by utilities and suppliers may potentially be stranded. Stranded contract cost refers to the excess of the contracted cost of electricity under eligible contracts of NPC over the actual selling price of the contracted energy output of such contracts in the market. Under the EPIRA, recovery of stranded contract cost may be allowed provided that such contracts were approved by the Energy Regulatory Board (now the ERC) as of December 31, 2000.

As of the date of this Prospectus, the temporary restraining order has not been lifted. In response to the temporary restraining order, and to provide guidance to relevant power industry players, the DOE issued DC2017-12-0013 and DC2017-12-0014 encouraging eligible contestable customers to voluntarily participate in the RCOA.

Subsequently, the DOE issued DC 2019-07-11 (Amending Various Issuances on the Implementation of the RCOA), which provides that contestable customers may voluntarily register as a trading participant in the WESM and that it shall source its electricity supply requirements from ERC-licensed/authorized suppliers.

On December 28, 2020, the ERC issued Resolution No. 12, series of 2020 dated December 3, 2020 entitled "A Resolution Prescribing the Timeline for the Implementation of Retail Competition and Open Access (RCOA)". ERC Resolution No. 12, series of 2020, mandates that RCOA shall be effective in grids where the WESM is operational and a separate rule shall be issued for the implementation of RCOA in Mindanao. Further, all suppliers of electricity shall be licensed/authorized by the ERC to supply electricity in the competitive retail electricity market.

Under ERC Resolution No. 12, the coverage of the RCOA is expanded for end-users with an average monthly peak demand of at least 500kW in the preceding 12 months, on a voluntary basis, subject to the effectivity dates prescribed by ERC. Under ERC Resolution No. 12, qualified contestable customers, with existing electronic meters capable of recording and reading interval of time with built-in communication port for remote and manual data retrieval, shall be allowed to switch to the competitive retail electricity market starting February 26, 2021. Meanwhile, qualified contestable customers with existing electronic meters capable of recording and reading interval of time, but which would need to be enhanced with a communication port for remote and manual data removal, shall be allowed to switch to the competitive retail electricity market upon completion of installations of such enhancements until March 28, 2021.

***Unbundling of Rates and Removal of Cross Subsidies***

The EPIRA mandates that distribution wheeling charges be unbundled from retail rates and that rates reflect the respective costs of providing each service. The EPIRA also states that cross-subsidies shall be phased out within a period not exceeding three (3) years from the establishment by the ERC of a universal charge, which shall be collected from all electricity end-users. However, the ERC may extend the period for the removal of the cross-subsidies for a maximum of one (1) year if it determines that there will be a material adverse effect upon the public interest or an immediate, irreparable and adverse financial effect on a distribution utility.

These arrangements are now in place, in satisfaction of the conditions for the RCOA.

The EPIRA likewise provides for a socialized pricing mechanism called a lifeline rate to be set by the ERC for marginalized or low-income captive electricity consumers who cannot afford to pay the full cost of electricity. These end-users are exempt from the cross-subsidy removal for a period of ten years, which exemption was extended until 2021 under Republic Act No. 10150. On May 27, 2021, President Duterte signed into law Republic Act No. 11552, which further amended the EPIRA by extending the implementation of the lifeline until 2051, unless extended by law. The amendatory law also specified the qualified marginalized end-users who are entitled to the lifeline rate, namely, (i) qualified household-beneficiaries under the *Pantawid Pamilyang Pilipino* Program of the Philippine government whose level of consumption are within the threshold determined by the ERC, and (ii) marginalized end-users who have been certified and continually validated as such by their distribution utility based on a criteria determined by the ERC. Republic Act No. 11552 shall take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation.

***Implementation of the Performance-Based Regulation ("PBR")***

The ERC issued the Rules for Setting Distribution Wheeling Rates that apply to privately owned distribution utilities entering PBR, which set out the manner in which the new PBR rate-setting mechanism for distribution-related charges will be implemented. PBR is intended to replace the return-on-rate-base regulation that has historically determined the distribution charges paid by the distribution companies' customers. Under the PBR, the distribution-related charges that distribution utilities can collect from customers over a four-year regulatory period will be set by reference to projected revenues determined through a set regulatory asset base, the efficiency of the distribution utility and the latter's capital, all of which are reviewed and approved by the ERC and used by the ERC to determine the efficiency factor of a distribution utility. For each year during the regulatory period, the distribution charge of a distribution utility is adjusted upwards or downwards taking into consideration the efficiency factor of the utility set against changes in overall consumer prices in the Philippines. The ERC has also implemented a performance incentive scheme whereby annual rate adjustments under PBR will also take into consideration the ability of a distribution utility to meet or exceed service performance targets set by the ERC, such as the average duration of power outages, the average time to provide connections to customers and the average time to respond to customer calls, with utilities being rewarded or penalized depending on their ability to meet these performance targets.

***Competitive Selection Process***

Under prevailing regulations, DUs and ECs are mandated to undertake a CSP in the procurement of PSAs to ensure the security and certainty of electricity prices of electric power in the long-term.

On February 1, 2018, the DOE issued the DOE CSP Policy, which sets forth the department's policy on the conduct of CSP in the procurement by DUs and ECs. Under the DOE CSP Policy, all PSAs are required to be procured through the CSP, except in the following instances: (i) generation project owned by the DU funded by grants or donations; (ii) negotiated procurement of emergency power supply with a cooperation period not exceeding one (1) year; (iii) provision of power supply by any mandated government owned and controlled corporations for off-grid areas prior to, and until the entry of new power providers in the area; and (iv) provision of power supply by PSALM through bilateral contracts. In the event the CSP fails twice, and there is no outstanding dispute on the conducted CSP, the DU or EC may use direct negotiation for purposes of procuring the relevant PSA. While the DOE CSP Policy effectively revoked the authority of the ERC to issue supplemental guidelines and procedures relating to implement the CSP, the DOE directed the ERC to: (i) establish and impose existing fines and/or penalties for non-compliance with the DOE CSP Policy, (ii) review compliance with the requirements of CSP, (iii) develop a template PSA to be used with electric power industry participants, and (iv) develop rules and procedures to address disputes arising from the conduct of the CSP.

***Reduction of Taxes and Royalties on Indigenous Energy Resources***

To equalize prices between imported and indigenous fuels, the EPIRA mandates the President of the Philippines to reduce the royalties, returns and taxes collected for the exploitation of all indigenous sources of energy, including but not limited to, natural gas and geothermal steam, so as to effect parity of tax treatment with the existing rates for imported coal, crude oil, bunker fuel and other imported fuels. Following the promulgation of the IRR, then President Arroyo issued Executive Order No. 100 to equalize the taxes among fuels used for power generation. This mechanism, however, is yet to be implemented.

***Framework for Energy Storage System in the Electric Power Industry***

DOE Department Circular No. DC2019-08-0012 dated August 1, 2019 sets forth the framework for energy storage systems in the electric power industry in the Philippines (the "**ESS Framework**"). An energy storage system ("**ESS**") refers to a facility acting as a load and a generator, which is designed to receive, store and convert such energy to electricity. ESS technologies include BESS, compressed air energy storage, flywheel energy storage, pumped-storage hydropower, and other emerging technologies that may be identified, qualified and approved by the DOE as ESS.

Under the ESS Framework, the following electric power industry participants may own and operate ESS: (i) generation companies, either as a stand-alone generating facility or an integrated ESS in its existing generating facilities; (ii) directly connected customers, for the purpose of managing their energy demands; (iii) end-users, for the purpose of managing their energy demands; (iv) qualified third parties, in conjunction with renewable energy-based generating facilities or as part of hybrid power systems to provide continuous electric service to households in the form of either a micro-grid or a distributed energy resource. Transmission network provider, small grid owner, system operator and system operator-small grid are prohibited from owning and operating an ESS. Further, the Transmission network provider is required to consider BESS as an alternative solution in addressing transmission issues such as line congestion and to consider ESS applications to defer network upgrades. In addition, the system operator is directed to optimize the addition of BESS into its ancillary services pool and prioritize environmentally friendly sources of energy.

Under the ESS Framework, ESS proponents shall apply and register their ESS for one or more of the following purposes:

- provision of ancillary services;
- provision of energy through bilateral supply contract or trading in the WESM;

- manage the penetration of renewable energy;
- auxiliary load management for generation companies;
- transmission/distribution facility upgrades deferment;
- transmission congestion relief;
- end-user demand management;
- distribution utility demand management; and
- distribution utility power quality management.

An ESS that provides frequency regulation, as part of the ancillary services, must be at least 20MW for the Luzon Grid and at least 5MW for the Visayas and Mindanao Grids.

All ESS proponents are required to secure (i) a COC as a generation company from the ERC pursuant to existing guidelines on licensing of generation facilities; (ii) an environmental compliance certificate or any other equivalent document from the DENR; and (iii) other requirements by relevant government agencies pursuant to their existing guidelines. Distribution utilities that intend to enter into a PSA with ESS proponents for the supply of electricity to its captive customers shall observe (a) market share and bilateral contract limitations under Section 45 of the EPIRA; and (b) the DOE CSP Policy.

All ESS facilities shall comply with the rules and regulations on safety, health, environmental standards and proper disposal enforced by appropriate government agencies. In addition, ESS facilities connected to the transmission system as well as ESS connected to the distribution system with capacity equal to or above the following regional thresholds:

- 10MW for Luzon Grid;
- 5MW for Visayas Grid; and
- 5MW for Mindanao Grid

are mandated to register in the WESM and shall be classified under the generation company category, in accordance with the WESM rules and market manuals. All ESS integrated in generation facilities of generation companies are required have a separate registration in the WESM and shall comply with the requirements on separate metering and monitoring facilities, among others.

***Government Approval Process***

As set forth in the EPIRA, power generation is not considered a public utility operation. Thus, an entity engaged or intending to engage in the generation of electricity is not required to secure a national franchise. However, no person or entity may engage in the generation of electricity unless such person or entity has complied with the standards, requirements and other terms and conditions set by the ERC and has received a certificate of compliance from the ERC to operate facilities used in the generation of electricity. A certificate of compliance is valid for a period of five (5) years from the date of issuance.

In addition to the certificate of compliance requirement, a generation company must comply with government-prescribed technical, financial capability, health, safety and environmental standards. A generation company must ensure that all its facilities connected to the grid meet the technical design and operational criteria of the Grid Code and Distribution Code promulgated by the ERC. In this connection, the ERC has issued guidelines setting the minimum financial capability standards for generation companies. Under the guidelines, a generation company is required to meet a minimum annual interest cover ratio or debt service capability ratio (which measures the ability of the power generation company to service its debts) of 1.5x throughout the period covered by its certificate of compliance. For certificate of compliance applications and renewals, the guidelines require the submission to the ERC of, among other things, a schedule of liabilities, and a five-year financial plan. For the duration of the certificate of compliance, the guidelines also require a generation company to submit audited financial statements and forecast financial statements to the ERC for the next two (2) financial years, as well as other documents. The failure by a generation company to submit the requirements prescribed by the guidelines may be grounds for the imposition of fines and penalties.

With the introduction of RCOA, the rates charged by a generation company are no longer regulated by the ERC, except rates for Captive Markets (as determined by the ERC). In addition, since the establishment of the WESM, generation companies are now required to comply with the membership criteria and appropriate dispatch scheduling as prescribed under the WESM Rules.

In the course of developing a power plant, other permits, approvals and consents must also be obtained from relevant national, provincial and local Government authorities, relating to, among others, site acquisition, construction and operation, including environmental-related licenses and permits.

In October 2020, DOE Secretary Alfonso G. Cusi announced that the periodic assessment of the country's energy requirements has led the DOE to declare a moratorium on endorsements for greenfield coal power plants.

On January 11, 2021, the DOE issued an advisory dated December 22, 2020 with subject "Moratorium of Endorsements for Greenfield Coal-Fired Power Projects in Line with Improving the Sustainability of the Philippines' Electric Power Industry." Under this advisory, effective October 27, 2020, the DOE would no longer process applications for greenfield coal-fired power generation facility projects requesting for endorsements. However, existing and operational coal-fired power generation facilities as well as any coal-fired power project which comply with the following parameters will not be affected by the moratorium:

(i) committed power projects;

(ii) existing power plant complexes which already have firm expansion plans and existing land site provision; and

(iii) indicative power project with substantial accomplishments, specifically:
- with signed and notarized acquisition of land or lease agreement for the project; and
- with approved permits or resolutions from local government units and the relevant regional development council where the power plant will be located.

***Ancillary Services***

Under the EPIRA, NGCP has the obligation to ensure and maintain the reliability, adequacy, security, stability and integrity of the grid in accordance with the performance standards for its operations and maintenance, as set forth in the Grid Code, and to adequately serve generation companies, distribution utilities and suppliers requiring transmission service and/or ancillary services through the transmission system.

In the performance of its functions as the grid system operator, NGCP requires ancillary services to ensure the power quality and stability of the grid. Ancillary services, as defined in Section 4(b) of the EPIRA, are services necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the transmission system in accordance with the good utility practice and the Grid Code. These are support services to provide frequency control and include Primary Reserve, Secondary Reserve, and Tertiary Reserve.

In order to maintain the security and integrity of the grid, the system operator shall operate the grid in such a manner as to provide adequate frequency control to achieve operations within frequency limits at all times. Achieving effective frequency control requires the following ancillary services which are differentiated depending on their response time and sustainability.

- Primary Reserve Ancillary Service. This reserve shall cover sudden outage or failure of synchronized generating unit or transmission line links or the power import from a single circuit interconnection, whichever is larger. The capacity of the Primary Reserve Ancillary Service provider should not be used in the regular energy supply but can be set to respond on small variations to system frequency to support the Secondary Reserves.

- Secondary Reserve Ancillary Service. The system operator thru Automatic Generation Control shall use the Secondary Reserve to restore the system frequency from the quasi-steady state value as established by the Primary Response and Reserve of generating units back to the nominal frequency of 60 Hz during contingent event. Small variations to system frequency to support the balance through Governor Control Mode may be initiated. Where the Automatic Generation Control function of the system operator is not fully operational, dispatcher may instruct the generator to transfer to Governor Control Mode as well. Secondary Reserve Ancillary Service should be controlled by the system operator thru Automatic Generation Control with various Automatic Generation Control modes and frequency deadband settings in order to regulate the system frequency and the speed governing system shall be capable of accepting raise and lower signals or set point signals from the Control Center of the system operator.

- Tertiary Reserve Ancillary Service. The capacity of the qualified generating units offered for this Ancillary Service should not be part of the regular energy supply and can either be synchronized to respond within 15 minutes or off-line provided that it can fully provide the required reserve within 30 minutes from the receipt of dispatch instruction. The Tertiary Reserve provider should be able sustain its contributed capacity for at least 60 minutes. If and only if, the Primary and Secondary Reserves have been exhausted, the system operator shall make use of the Tertiary Reserve to return/maintain the system frequency to 60Hz in cases of: tripping of a generating unit or a transmission line which creates generation-load unbalance, unplanned loss of the power import, disconnection of a large load or load blocks, system frequency increases above 60.1 Hz or reduces below 59.9 Hz and it is not possible to return it to nominal values with appropriate use of the Primary and Secondary Reserves. Tertiary Reserve Ancillary Service should be capable of operating thru Automatic Generation Control or manual mode and shall be monitored and controlled by the system operator.

To implement and regulate the procurement of ancillary services, the ERC approved the Ancillary Services Procurement Plan ("**ASPP**") and the Ancillary Services — Cost Recovery Mechanism ("**AS-CRM**") on March 9, 2006 and October 3, 2007, respectively. Under the AS-CRM, NGCP secures Ancillary Services through the ASPA with qualified generation companies. For ancillary services arranged via the ASPA, the OATS Rules, the ASPP and the AS-CRM will be applied.

All ancillary services contracted by NGCP from qualified generators will be recovered through rates and charges from the generation customers, embedded generation customers and load customers, where applicable, subject to approval of the ERC.

ASPAs require the substantial completion of the project prior to contracting with the NGCP and are subject to ERC approval. These are generally for a term of five (5) years, extendible for another five (5) years with relatively standard rates, particularly for regulating reserves.

**REGULATION RELATING TO THE INFRASTRUCTURE BUSINESS**

The Company has investments in companies which hold long term concessions on infrastructure projects awarded by the government. The rights and obligations of the Company, including regulatory requirements in connection with these projects are primarily governed by the respective concession agreements for each project.

**Civil Aviation Authority Act of 2008**

The CAAP is an independent regulatory body attached to the DOTr. The CAAP regulates the air transportation system in the Philippines, which includes the power to provide prescribe and revise safety standards for the operation of air navigation facilities located in the Philippines. Pursuant to its functions, it issued on May 27, 2011 the Philippine Civil Aviation Regulations (Board Resolution No. 2011-025). The standards include General Policies and Air Operator Certification and Administration.

**Toll Regulatory Board**

The TRB was created under Presidential Decree No. 1112 for the regulation of toll facilities and operates as an attached agency of the DOTC. Pursuant to Executive Order No. 133 s. 2013, in relation to PD No. 1112, the TRB is authorized and empowered to enter into contracts or TOA in behalf of the ROP with qualified persons or entities, for the construction, operation and maintenance of toll facilities such as but not limited to national highways, roads, bridges, and public thoroughfares. The TOA is subject to the approval of the President of the Philippines and has a fixed term not exceeding 50 years.

The TRB is also the issuing authority of the Toll Operation Certificates ("**TOC**"). The TOC is the authority granted to qualified persons, to develop, improve, upgrade, expand, rehabilitate, reconstruct, modernize and/or construct/build and operate and maintain a toll facility. The TOC has a fixed term not exceeding 50 years and may be amended, modified or revoked by the TRB whenever the public interest so requires subject to the payment of just compensation, if any is due.

The privilege to operate toll facilities in the Philippines is limited by nationality restrictions. The Constitution provides that a franchise, certificate, or any other form of authorization for the operation of a public utility can only be granted to Filipino citizens or corporations or associations organized under Philippine laws at least 60.0% of whose capital is owned by Filipinos.

Among the operation and maintenance facilities of toll facilities which may form part of a TOC or a TOA, include the operation of: (i) a toll collection system, (ii) a traffic control system, (iii) a tollroad patrol and vehicle control with communications system, (iv) facilities for assistance of disabled vehicles and in case of emergencies, (v) information service and message sign boards, (vi) vehicle regulation facilities, (vii) telephone and lighting facilities, and, (viii) emergency operations; and the maintenance of: (i) a patrolling and inspection facility, (ii) road cleaning and obstruction control, (iii) electricity and water supply, (iv) repavement facilities, steel bridge painting, bridge strengthening, interchange improvement, parking area improvement, slope protection, pavement painting and the like, (v) disaster prevention and reaction facilities, and (vi) environmental enhancement and protection.

Aside from the power to grant an administrative franchise, the TRB is also vested with the power to issue, modify and promulgate toll rates, and upon notice and hearing, to grant or deny petitions for the increase thereof. The procedures for approval of initial, adjusted or periodic toll rates as well as approval of provisional toll rates are governed by the 2013 Revised Rules of Procedure of the TRB.

## ENVIRONMENTAL MATTERS

The operations of the businesses of the Company are subject to various laws, as well as rules and regulations, that have been promulgated for the protection of the environment.

### Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System established under Presidential Decree No. 1586 (the "**EISS Law**"), which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the Environmental Management Bureau ("**EMB**"), determines whether a project is environmentally critical or located in an environmentally critical area and possesses all applications for an ECC.

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("**EIS**") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an ECC, if the proposed project is environmentally critical or situated in an environmentally critical area; or for the issuance of a Certificate of Non-Coverage, if otherwise. An ECC is a government certification that, among others: (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency, and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property, and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents also required to establish an Environmental Monitoring Fund (“**EMF**”) when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent’s compliance with ECC conditions, EMP and applicable laws, as well as rules and regulations.

Power plant operations are considered environmentally critical projects for which an EIS and an ECC are mandatory.

**The Clean Water Act**

Republic Act No. 9275, otherwise known as the Philippine Clean Water Act of 2004, and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Philippine Clean Water Act of 2004 requires owners or operators of facilities that discharge regulated effluents, such as wastewater from manufacturing plants or other commercial facilities, to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The DENR, together with other government agencies and the different local government units, is tasked to implement the Philippine Clean Water Act of 2004 and to identify existing sources of water pollutants, as well as to strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

**The Clean Air Act**

Pursuant to Republic Act No. 8749 or the Philippine Clean Air Act of 1999 and its implementing rules and regulations, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. The issuance of the said permit seeks to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

**Other Environmental Laws**

Other regulatory environmental laws and regulations applicable to the businesses of the Company include the following:

- Republic Act No. 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990, which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines, or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

- Republic Act No. 9003 or the Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centres and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.

- Presidential Decree No. 856 or the Code on Sanitation of the Philippines (the “**Sanitation Code**”), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial establishments. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate any industrial establishment without first obtaining a sanitary permit.

**Regulations on the Implementation of Community Quarantine**

COVID-19, an infectious disease that was first reported to have been transmitted to humans in late 2019, has spread globally over the course of 2020, and in March 2020 was declared as a pandemic by the World Health Organization. In light of the pandemic, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("**IATF**") was created by virtue of Executive Order No. 168 s. 2014, to facilitate the Philippine government's response to the COVID-19 pandemic. Among other issuances, the IATF issues and updates the Omnibus Guidelines on the Implementation of Community Quarantine in the Philippines, which provide for the implementation of measures imposing restrictions on movement and transportation of people, regulation of the operation of industries, and provision of food and essential services with varying levels of restriction.

On March 13, 2020, the President of the Philippines Rodrigo Duterte imposed stringent social distancing measures in the National Capital Region effective March 15, 2020 and, on March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposing an enhanced community quarantine throughout the island of Luzon until April 12, 2020. Social distancing, travel restrictions, quarantine, suspension and closure of business, lockdown and other restrictive measures were later extended, re-implemented, or strengthened multiple times in the Philippines in 2020 and 2021.

Due to the rising number of COVID-19 cases in the country, President Duterte re-imposed the ECQ in the Metro Manila and in Bulacan, Cavite, Laguna and Rizal provinces ("**NCR Plus**") from March 29, 2021 to April 4, 2021. The ECQ in these areas was then further extended for another week until April 11, 2021. During this period, strict social distancing measures were implemented. These include (i) curfew hours from 6 p.m. to 5 a.m. except for food delivery and other essential services; (ii) home quarantine for all households, with movement of residents limited to accessing essential goods and services; (iii) on-site skeletal workforce for certain establishments including government agencies and instrumentalities; (iv) prohibition of gatherings outside of residences; and (v) suspension of face-to-face classes at all school levels.

Subsequently, the ECQ was lifted and replaced with the less stringent MECQ, which was in effect from April 12, 2021 until May 14, 2021. Social distancing measures that were implemented during MECQ include (i) curfew hours from 8 p.m. to 5 a.m. except for food delivery and other essential services; (ii) home quarantine for all households, with movement of residents limited to accessing essential goods and services; (iii) a maximum limit of 50% on-site capacity imposed for all establishments to encourage work-from-home arrangements; (iv) government agencies and instrumentalities operating fully, with a skeleton workforce on-site and the remainder under alternative work arrangements; (v) prohibition of gatherings outside of residences; and (vi) suspension of face-to-face classes at all school levels.

On May 13, 2021, President Duterte approved the IATF recommendation downgrading the quarantine classification of NCR Plus to GCQ "with heightened restrictions" from May 15 to May 31. Under GCQ with heightened restrictions, the following measures are in place: (i) indoor gyms are not allowed to operate; (ii) venues for meetings and conferences are not allowed to operate; (iii) personal care services are allowed to operate at 50% as long as they are not requiring mask removal, but if the establishment has a Safety Seal, it may operate an additional 10% capacity; (iv) indoor dining in restaurants are allowed up 30% capacity but if the establishment has a safety seal, it may operate an additional 10% capacity; and, (v) strict stay at home orders for persons below 18 years old and above 65 years old but fully-vaccinated seniors can freely move around as long as they have their vaccination cards.

NCR Plus continued to be under GCQ with heightened restrictions until June 15. From June 16 to 30, Metro Manila and Bulacan were placed under GCQ "with some restrictions," while the rest of NCR Plus continued to be under GCQ with heightened restrictions. Under GCQ with some restrictions, the following measures are in place: (i) indoor gyms are allowed to operate at up to 20% capacity, but if the establishment has a safety seal, it may operate an additional 10% capacity; (ii) venues for meetings and conferences are allowed to operate at up to 30% capacity, but if the establishment has a safety seal, it may operate an additional 10% capacity; (iii) personal care services are allowed to operate at 30% as long as they are not requiring mask removal, but if the establishment has a safety seal, it may operate an additional 10% capacity; (iv) ) indoor dining in restaurants are allowed up 40% capacity but if the establishment has a safety seal, it may operate an additional 10% capacity;

and, (v) strict stay at home orders for persons below 18 years old and above 65 years old but fully-vaccinated seniors can freely move around as long as they have their vaccination cards.

On June 28, 2021, the President announced that Metro Manila and Bulacan will stay under GCQ with some restrictions until July 15, 2021, along with the province of Rizal, while the remaining two (2) areas part of the NCR Plus bubble, will remain under GCQ with heightened restrictions until July 15, 2021. On July 15, 2021, this quarantine mode was extended until July 31, 2021. However, it was announced on July 23, 2021 that Metro Manila will revert back to GCQ with heightened restrictions from July 23 to 31 in light of the local transmission of the highly contagious COVID-19 delta variant which was first detected in India.

With the looming threat of further spread of the COVID-19 Delta variant, the President placed Metro Manila under ECQ from August 6, 2021 to August 20, 2021, while certain other provinces and cities, including Bulacan, Cavite, Naga City and Bacolod City, remained under GCQ with heightened restrictions from August 1, 2021 to August 15, 2021. The GCQ classification without restrictions was imposed in several provinces and cities that included the City of Santiago, Isabela and Batangas from August 1, 2021 to August 31, 2021.

IATF Resolution No. 136-A s. 2021 approved the shift in the policy of classifying provinces, highly urbanized cities (HUCs) and independent chartered cities (ICCs) for purposes of community quarantine and adopted the Alert Level System for identified pilot areas of implementation, with the NCR being identified as the initial pilot area of implementation.

On September 13, 2021, the IATF issued guidelines for the pilot implementation of an alert level system in certain cities and municipalities. There will be five (5) alert levels under the new system:

- Alert Level 1: Areas where case transmission is low and decreasing, total bed utilization rate, and intensive care unit utilization rate is low;
- Alert Level 2: Areas where case transmission is low and decreasing, healthcare utilization is low, or case counts are low but increasing, or case counts are low and decreasing but total bed utilization rate and intensive care unit utilization rate is increasing;
- Alert Level 3: Areas where case counts are high and/or increasing, with total bed utilization rate and intensive care unit utilization rate at increasing utilization;
- Alert Level 4: Areas where case counts are high and/or increasing, with total bed utilization rate and intensive care unit utilization rate at high utilization; and
- Alert Level 5: Areas where case counts are alarming, with total bed utilization rate and intensive care unit utilization rate at critical utilization.

Executive Order No. 151 s. 2021 issued on November 11, 2021, approved the nationwide rollout of the Alert Level System, which was later adopted by the IATF such that on April 12, 2022, the IATF issued the Guidelines on the Nationwide Implementation of Alert Level System for COVID-19 Response ("**Guidelines**"). These Guidelines provided for the same alert levels above.

# APPENDIX

A. Unaudited Consolidated Interim Financial Statements as of June 30, 2022.

B. Audited Consolidated Financial Statements as of and for the years ended December 31, 2021, 2020 and 2019

C. List of properties owned and leased by SMC

D. List of Material Permits and Licenses

## PARTIES TO THE OFFER

### THE ISSUER

**SAN MIGUEL CORPORATION**
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City, Philippines
Telephone number: (632) 8632-3000
http://www.sanmiguel.com.ph

### JOINT ISSUE MANAGERS

**BDO Capital & Investment Corporation**
17/F BDO Equitable Tower
8751 Paseo de Roxas,
Salcedo Village
Makati City, 1226

**China Bank Capital Corporation**
28th Floor BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

**PNB Capital and Investment Corporation**
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, 1300

### JOINT LEAD UNDERWRITERS AND BOOKRUNNERS

**Asia United Bank Corporation**
Joy~Nostalg Center
No. 17 ADB Avenue
Ortigas Center, Pasig City

**Bank of Commerce**
24th Floor San Miguel Properties Centre,
7 Saint Francis Street,
Mandaluyong City, 1550

**BDO Capital & Investment Corporation**
17/F BDO Equitable Tower
8751 Paseo de Roxas,
Salcedo Village
Makati City, 1226

**BPI Capital Corporation**
11th Floor Tower One, Ayala North Exchange
6796 Ayala Avenue corner Salcedo
Legazpi Village, Makati City, 1229

**China Bank Capital Corporation**
28th Floor BDO Equitable Tower
8751 Paseo de Roxas
Makati City 1226

**Philippine Commercial Capital, Inc.**
6th Floor PCCI Corporate Centre
118 L.P. Leviste Street
Makati City, 1227

**PNB Capital and Investment Corporation**
9th Floor PNB Financial Center
Pres. Diosdado Macapagal Blvd.
Pasay City, 1300

**RCBC Capital Corporation**
21st Floor RCBC Plaza Tower 2,
0727, 6819 Ayala Ave, Makati,
1227 Metro Manila

**SB Capital Investment Corporation**
18th Floor Security Bank Centre
6776 Ayala Avenue
Makati City, 1226

### LEGAL ADVISORS

***To the Joint Issue Managers and Joint Lead Underwriters and Bookrunners***
**SyCip Salazar Hernandez & Gatmaitan**
SyCipLaw Center
105 Paseo de Roxas
Makati City, 1226
Philippines

***To the Issuer***

**Picazo Buyco Tan Fider & Santos**
Penthouse, Liberty Center – Picazo Law
104 H.V. dela Costa Street
Salcedo Village, Makati City, 1227
Philippines

**AUDITORS OF THE ISSUER**

**R.G. Manabat & Co.**

KPMG Center
6787 Ayala Avenue
Makati City, 1200

**APPENDIX A**

**C O V E R  S H E E T**

| P | W | - | 2 | 7 | 7 | | | | |
|---|---|---|---|---|---|---|---|---|---|

S. E. C. Registration Number

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(Company's Full Name)

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| M | E | T | R | O | | M | A | N | I | L | A | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| P | H | I | L | I | P | P | I | N | E | S | | | | | | | | | |

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

**Atty. Mary Rose S. Tan**
Contact Person

**(632) 632-3000**
Company Telephone Number

**SEC FORM (2nd Quarter 2022)**

**2nd Tuesday of June**

| 1 | 2 | 3 | 1 |
|---|---|---|---|

Month Day (fiscal year end)

| | | | 1 | 7 | - | Q | | | |
|---|---|---|---|---|---|---|---|---|---|

FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

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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-Q**
**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **June 30, 2022**

2. Commission identification number **PW00000227**

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: [ ] (SEC Use Only)

7. **No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila** — Address of issuer's principal office
   **1550** — Postal Code

8. **(632) 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 Code, or Sections 4 and 8 of the RSA

| | Number of Shares of Stock and debt Outstanding as of June 30, 2022 | |
|---|---|---|
| **Common Shares** | 2,383,896,588 | |
| **SUB-TOTAL (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 | |
| **(SUB-TOTAL (Preferred Shares)** | | 1,007,238,467 |
| **TOTAL Outstanding Shares** | | **3,391,135,055** |
| Total Liabilities | | P1,539,238 million |

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

If yes, disclose name of the Stock Exchange and class of securities listed therein:
**Philippine Stock Exchange**

**(a) Common Shares**
**(b) Series "2" Preferred Shares - 2-F**
**(c) Series "2" Preferred Shares - 2-H**
**(d) Series "2" Preferred Shares - 2-I**
**(e) Series "2" Preferred Shares - 2-J**
**(f) Series "2" Preferred Shares - 2-K**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.
Yes [√]  No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.
Yes [√]  No [ ]

## PART I--FINANCIAL INFORMATION

**Item 1. Financial Statements.**

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended June 30, 2022 (with comparative figures as of December 31, 2021 and for the period ended June 30, 2021) and Selected Notes to the Consolidated Financial Statements is hereto attached as **Annex "A"**.

**Item 2. Management's Discussion and Analysis of Financial Position and Financial Performance.**

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as **Annex "B".**

## PART II--OTHER INFORMATION

The Company may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

**NONE**

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| Issuer | **SAN MIGUEL CORPORATION** |
| Signature and Title | **FERDINAND K. CONSTANTINO**<br>Chief Finance Officer and Treasurer |
| Date | August 15, 2022 |
| Signature and Title | **BELLA O. NAVARRA**<br>Comptrollership Manager/<br>Principal Accounting Officer |
| Date | August 15, 2022 |

ANNEX "A"

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**JUNE 30, 2022 AND DECEMBER 31, 2021**
***(In Millions)***

## ASSETS

| | 2022 Unaudited | 2021 Audited |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents (Notes 9 and 10) | P 302,944 | P 300,030 |
| Trade and other receivables - net (Notes 5, 9 and 10) | 222,189 | 161,808 |
| Inventories | 183,802 | 141,209 |
| Current portion of biological assets - net | 3,405 | 3,106 |
| Prepaid expenses and other current assets (Notes 2, 9 and 10) | 119,028 | 108,689 |
| Total Current Assets | 831,368 | 714,842 |
| **Noncurrent Assets** | | |
| Investments and advances - net (Note 2) | 57,293 | 55,002 |
| Investments in equity and debt instruments (Notes 9 and 10) | 42,028 | 41,966 |
| Property, plant and equipment - net (Note 6) | 645,000 | 567,609 |
| Right-of-use assets - net | 114,055 | 163,364 |
| Investment property - net | 70,627 | 69,825 |
| Biological assets - net of current portion | 2,592 | 2,244 |
| Goodwill - net | 130,492 | 130,081 |
| Other intangible assets - net | 209,078 | 190,979 |
| Deferred tax assets (Note 2) | 19,295 | 17,141 |
| Other noncurrent assets - net (Notes 5, 9 and 10) | 100,073 | 98,600 |
| Total Noncurrent Assets | 1,390,533 | 1,336,811 |
| | P 2,221,901 | P 2,051,653 |

## LIABILITIES AND EQUITY

| | 2022 Unaudited | 2021 Audited |
|---|---|---|
| **Current Liabilities** | | |
| Loans payable (Notes 5, 9 and 10) | P 242,147 | P 190,779 |
| Accounts payable and accrued expenses (Notes 5, 9 and 10) | 243,347 | 194,579 |
| Lease liabilities - current portion (Notes 5, 9 and 10) | 20,204 | 23,423 |
| Income and other taxes payable (Note 2) | 33,251 | 23,102 |
| Dividends payable (Notes 5 and 8) | 4,261 | 4,296 |
| Current maturities of long-term debt - net of debt issue costs (Notes 5, 9 and 10) | 133,193 | 88,857 |
| Total Current Liabilities | 676,403 | 525,036 |
| **Noncurrent Liabilities** | | |
| Long-term debt - net of current maturities and debt issue costs (Notes 5, 9 and 10) | 747,909 | 725,108 |
| Lease liabilities - net of current portion (Notes 5, 9 and 10) | 63,886 | 71,569 |
| Deferred tax liabilities (Note 2) | 30,653 | 28,742 |
| Other noncurrent liabilities (Notes 5, 9 and 10) | 20,387 | 19,959 |
| Total Noncurrent Liabilities | 862,835 | 845,378 |
| **Equity** | | |
| Equity Attributable to Equity Holders of the Parent Company | | |
| Capital stock - common | 16,443 | 16,443 |
| Capital stock - preferred | 10,187 | 10,187 |
| Additional paid-in capital | 177,719 | 177,719 |
| Capital securities | 28,171 | 28,171 |
| Equity reserves (Note 2) | 15,577 | 14,136 |
| Retained earnings: | | |
| Appropriated | 63,437 | 66,630 |
| Unappropriated (Note 2) | 154,383 | 157,707 |
| Treasury stock | (144,363) | (144,363) |
| | 321,554 | 326,630 |
| Non-controlling Interests (Note 2) | 361,109 | 354,609 |
| Total Equity | 682,663 | 681,239 |
| | P 2,221,901 | P 2,051,653 |

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**
**VP, Corporate Finance - Comptrollership**

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021**
***(In Millions, Except Per Share Data)***

| | 2022 Unaudited | 2021 Unaudited | For the Quarter Ended 2022 Unaudited | 2021 Unaudited |
|---|---|---|---|---|
| SALES (Note 3) | ₱ **711,416** | ₱ 410,124 | ₱ **394,651** | ₱ 208,964 |
| COST OF SALES | **587,427** | 312,595 | **330,560** | 163,563 |
| GROSS PROFIT | **123,989** | 97,529 | **64,091** | 45,401 |
| SELLING AND ADMINISTRATIVE EXPENSES | **(38,131)** | (36,513) | **(18,364)** | (16,596) |
| INTEREST EXPENSE AND OTHER FINANCING CHARGES | **(25,633)** | (23,539) | **(13,268)** | (11,678) |
| INTEREST INCOME | **2,313** | 1,674 | **1,276** | 827 |
| EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES | **725** | 320 | **277** | 1 |
| GAIN ON SALE OF PROPERTY AND EQUIPMENT | **2** | 129 | **-** | 128 |
| OTHER INCOME (CHARGES) - Net (Note 4) | **(32,386)** | (1,908) | **(23,257)** | 202 |
| INCOME BEFORE INCOME TAX | **30,879** | 37,692 | **10,755** | 18,285 |
| INCOME TAX EXPENSE (Note 2) | **11,074** | 8,122 | **4,893** | 5,889 |
| NET INCOME | ₱ **19,805** | ₱ 29,570 | ₱ **5,862** | ₱ 12,396 |
| Attributable to: | | | | |
| Equity holders of the Parent Company | ₱ **(1,341)** | ₱ 13,070 | ₱ **(7,677)** | ₱ 3,774 |
| Non-controlling interests | **21,146** | 16,500 | **13,539** | 8,622 |
| | ₱ **19,805** | ₱ 29,570 | ₱ **5,862** | ₱ 12,396 |
| Basic and Diluted Earnings (Losses) Per Common Share Attributable to Equity Holders of the Parent Company (Note 7) | ₱ **(1.90)** | ₱ 3.68 | ₱ **(3.89)** | ₱ 0.70 |
| Cash Dividends Declared Per Common Share (Note 8) | ₱ **0.70** | ₱ 0.70 | ₱ **0.35** | ₱ 0.35 |

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**
**VP, Corporate Finance - Comptrollership**

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021**
***(In Millions)***

| | 2022 Unaudited | 2021 Unaudited | For the Quarter Ended 2022 Unaudited | 2021 Unaudited |
|---|---|---|---|---|
| **NET INCOME** | P **19,805** | P 29,570 | P **5,862** | P 12,396 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS** | | | | |
| EQUITY RESERVE FOR RETIREMENT PLAN | **(4)** | - | **-** | - |
| INCOME TAX BENEFIT (EXPENSE) (Note 2) | **1** | (557) | **-** | (86) |
| NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME | **(44)** | 19 | **(29)** | 11 |
| INCOME TAX BENEFIT (EXPENSE) | **9** | (2) | **7** | - |
| SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES - Net | **(244)** | (37) | **(134)** | 60 |
| | **(282)** | (577) | **(156)** | (15) |
| **ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS** | | | | |
| GAIN (LOSS) ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS | **3,242** | (74) | **2,239** | 947 |
| NET GAIN (LOSS) ON CASH FLOW HEDGES | **30** | 458 | **(335)** | (8) |
| INCOME TAX BENEFIT (EXPENSE) | **(16)** | (155) | **183** | (9) |
| | **3,256** | 229 | **2,087** | 930 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - Net of tax | **2,974** | (348) | **1,931** | 915 |
| **TOTAL COMPREHENSIVE INCOME** - Net of tax | P **22,779** | P 29,222 | P **7,793** | P 13,311 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | P **212** | P 13,277 | P **(6,736)** | P 4,545 |
| Non-controlling interests | **22,567** | 15,945 | **14,529** | 8,766 |
| | P **22,779** | P 29,222 | P **7,793** | P 13,311 |

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**
**VP, Corporate Finance - Comptrollership**

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021
*(In Millions)*

| | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | | Additional Paid-in Capital | Capital Securities | | Equity Reserves | | | | | Retained Earnings | | Treasury Stock | | Total | | |
| | Common | Preferred | | Senior Perpetual Capital Securities | Redeemable Perpetual Securities | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Appropriated | Unappropriated | Common | Preferred | | | |
| **As at January 1, 2022 (Audited)** | P 16,443 | P 10,187 | P 177,719 | P 24,211 | P 3,960 | P (4,137) | P (534) | P 269 | P 2,265 | P 16,273 | P 66,630 | P 157,707 | P (67,093) | P (77,270) | P 326,630 | P 354,609 | P 681,239 |
| Gain on exchange differences on translation of foreign operations | - | - | - | - | - | - | - | - | 1,832 | - | - | - | - | - | 1,832 | 1,410 | 3,242 |
| Share in other comprehensive income (loss) of associates and joint ventures - net | - | - | - | - | - | - | - | (242) | (10) | - | - | - | - | - | (252) | 8 | (244) |
| Net gain on cash flow hedges, net of tax | - | - | - | - | - | - | 10 | - | - | - | - | - | - | - | 10 | 4 | 14 |
| Equity reserve for retirement plan | - | - | - | - | - | (1) | - | - | - | - | - | - | - | - | (1) | (2) | (3) |
| Net gain (loss) on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | (36) | - | - | - | - | - | - | (36) | 1 | (35) |
| Other comprehensive income (loss) | - | - | - | - | - | (1) | 10 | (278) | 1,822 | - | - | - | - | - | 1,553 | 1,421 | 2,974 |
| Net income (loss) | - | - | - | - | - | - | - | - | - | - | - | (1,341) | - | - | (1,341) | 21,146 | 19,805 |
| Total comprehensive income (loss) | - | - | - | - | - | (1) | 10 | (278) | 1,822 | - | - | (1,341) | - | - | 212 | 22,567 | 22,779 |
| Net reduction to non-controlling interests and others | - | - | - | - | - | - | - | - | - | (112) | - | (326) | - | - | (438) | (942) | (1,380) |
| Reversal of appropriations - net | - | - | - | - | - | - | - | - | - | - | (3,193) | 3,193 | - | - | - | - | - |
| Cash dividends and distributions (Note 8): | | | | | | | | | | | | | | | | | |
| Common | - | - | - | - | - | - | - | - | - | - | - | (1,669) | - | - | (1,669) | (5,645) | (7,314) |
| Preferred | - | - | - | - | - | - | - | - | - | - | - | (2,147) | - | - | (2,147) | (249) | (2,396) |
| Senior perpetual capital securities | - | - | - | - | - | - | - | - | - | - | - | (934) | - | - | (934) | (9,231) | (10,165) |
| Redeemable perpetual securities | - | - | - | - | - | - | - | - | - | - | - | (100) | - | - | (100) | - | (100) |
| **As at June 30, 2022 (Unaudited)** | P 16,443 | P 10,187 | P 177,719 | P 24,211 | P 3,960 | P (4,138) | P (524) | P (9) | P 4,087 | P 16,161 | P 63,437 | P 154,383 | P (67,093) | P (77,270) | P 321,554 | P 361,109 | P 682,663 |
| As at January 1, 2021 (Audited) | P 16,443 | P 10,187 | P 177,719 | P 24,211 | P 3,960 | P (5,102) | P (654) | P 383 | P (2,218) | P 17,722 | P 60,155 | P 162,204 | P (67,093) | P (43,053) | P 354,864 | P 300,224 | P 655,088 |
| Gain (loss) on exchange differences on translation of foreign operations | - | - | - | - | - | - | - | - | 298 | - | - | - | - | - | 298 | (372) | (74) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | - | - | - | - | - | - | - | (41) | 3 | - | - | - | - | - | (38) | 1 | (37) |
| Net gain on cash flow hedges, net of tax | - | - | - | - | - | - | 272 | - | - | - | - | - | - | - | 272 | 31 | 303 |
| Net gain on financial assets at fair value through other comprehensive income | - | - | - | - | - | - | - | 17 | - | - | - | - | - | - | 17 | - | 17 |
| Equity reserve for retirement plan (Note 2) | - | - | - | - | - | (342) | - | - | - | - | - | - | - | - | (342) | (215) | (557) |
| Other comprehensive income (loss) | - | - | - | - | - | (342) | 272 | (24) | 301 | - | - | - | - | - | 207 | (555) | (348) |
| Net income | - | - | - | - | - | - | - | - | - | - | - | 13,070 | - | - | 13,070 | 16,500 | 29,570 |
| Total comprehensive income (loss) | - | - | - | - | - | (342) | 272 | (24) | 301 | - | - | 13,070 | - | - | 13,277 | 15,945 | 29,222 |
| Redemption of Subseries "2-G" preferred shares | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,000) | (5,000) | - | (5,000) |
| Net addition (reduction) to non-controlling interests and others | - | - | - | - | - | (32) | - | (3) | (231) | (1,208) | - | (249) | - | - | (1,723) | 42,708 | 40,985 |
| Appropriations - net | - | - | - | - | - | - | - | - | - | - | 8,108 | (8,108) | - | - | - | - | - |
| Cash dividends and distributions (Note 8): | | | | | | | | | | | | | | | | | |
| Common | - | - | - | - | - | - | - | - | - | - | - | (1,669) | - | - | (1,669) | (4,708) | (6,377) |
| Preferred | - | - | - | - | - | - | - | - | - | - | - | (3,313) | - | - | (3,313) | (1,056) | (4,369) |
| Senior perpetual capital securities | - | - | - | - | - | - | - | - | - | - | - | (881) | - | - | (881) | (5,977) | (6,858) |
| Redeemable perpetual securities | - | - | - | - | - | - | - | - | - | - | - | (100) | - | - | (100) | - | (100) |
| Undated subordinated capital securities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (656) | (656) |
| As at June 30, 2021 (Unaudited) | P 16,443 | P 10,187 | P 177,719 | P 24,211 | P 3,960 | P (5,476) | P (382) | P 356 | P (2,148) | P 16,514 | P 68,263 | P 160,954 | P (67,093) | P (48,053) | P 355,455 | P 346,480 | P 701,935 |

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE PERIODS ENDED JUNE 30, 2022 AND 2021**
***(In Millions)***

| | | 2022 Unaudited | | 2021 Unaudited |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | P | **30,879** | P | 37,692 |
| Adjustments for: | | | | |
| Depreciation, amortization and others - net (Notes 4 and 6) | | **33,399** | | 21,478 |
| Interest expense and other financing charges | | **25,633** | | 23,539 |
| Interest income | | **(2,313)** | | (1,674) |
| Equity in net earnings of associates and joint ventures | | **(725)** | | (320) |
| Gain on sale of property and equipment | | **(2)** | | (129) |
| Operating income before working capital changes | | **86,871** | | 80,586 |
| Changes in noncash current assets, certain current liabilities and others | | **(44,835)** | | (12,159) |
| Cash generated from operations | | **42,036** | | 68,427 |
| Interest and other financing charges paid | | **(25,392)** | | (24,555) |
| Income taxes paid | | **(9,572)** | | (7,552) |
| Net cash flows provided by operating activities | | **7,072** | | 36,320 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to property, plant and equipment (Note 6) | | **(33,465)** | | (27,205) |
| Additions to intangible assets | | **(19,881)** | | (4,800) |
| Increase in other noncurrent assets and others | | **(6,971)** | | (763) |
| Additions to advances to contractors and suppliers | | **(5,140)** | | (6,674) |
| Additions to investments and advances | | **(1,529)** | | (1,111) |
| Additions to investment property | | **(1,523)** | | (3,846) |
| Additions to investments in equity and debt instruments | | **(479)** | | (145) |
| Interest received | | **1,628** | | 1,454 |
| Dividends received | | **1,049** | | 544 |
| Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of | | **307** | | - |
| Proceeds from sale of property and equipment | | **89** | | 936 |
| Net cash flows used in investing activities | | **(65,915)** | | (41,610) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from: | | | | |
| Short-term borrowings | | **499,710** | | 360,763 |
| Long-term borrowings | | **101,875** | | 53,251 |
| Payments of: | | | | |
| Short-term borrowings | | **(449,382)** | | (340,008) |
| Long-term borrowings | | **(62,004)** | | (75,113) |
| Payments of lease liabilities | | **(15,976)** | | (12,990) |
| Cash dividends and distributions paid to non-controlling shareholders | | **(15,190)** | | (12,443) |
| Cash dividends and distributions paid (Note 8) | | **(4,818)** | | (5,866) |
| Decrease in non-controlling interests and others | | **(1,020)** | | (249) |
| Net proceeds from issuance of capital securities of subsidiaries | | **-** | | 54,550 |
| Redemption of capital securities of a subsidiary | | **-** | | (14,582) |
| Redemption of preferred shares | | **-** | | (5,000) |
| Net cash flows provided by financing activities | | **53,195** | | 2,313 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | **8,562** | | 2,880 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | **2,914** | | (97) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **300,030** | | 347,209 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | P | **302,944** | P | 347,112 |

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

**CERTIFIED CORRECT:**

**BELLA O. NAVARRA**
**VP, Corporate Finance - Comptrollership**

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**TRADE AND OTHER RECEIVABLES**
**JUNE 30, 2022**
**(In Millions)**

| | | | | Past Due | | | |
|---|---|---|---|---|---|---|---|
| | | **Total** | **Current** | **1 - 30 Days** | **31 - 60 Days** | **61 - 90 Days** | **Over 90 Days** |
| Trade | P | 135,872 | P 96,488 | P 10,489 | P 4,143 | P 2,974 | P 21,778 |
| Non-trade | | 83,813 | 34,217 | 16,393 | 731 | 5,162 | 27,310 |
| Others | | 15,836 | 14,677 | 217 | 11 | 8 | 923 |
| Total | | 235,521 | P 145,382 | P 27,099 | P 4,885 | P 8,144 | P 50,011 |
| Less allowance for impairment losses | | 13,332 | | | | | |
| Net | **P** | **222,189** | | | | | |

**San Miguel Corporation**
**Proceeds from Issuance of Series "2", in Subseries "K" Preferred Shares**
**June 30, 2022**
***(Amounts in Millions)***

| | | | | | |
|---|---|---|---|---|---|
| **i)** | **Gross and Net Proceeds as Disclosed in the Final Prospectus** [a] | | | | |
| | Gross Proceeds | | | **P** | 20,000 |
| | Estimated Fees, Commissions and Expenses Relating to the Issue: | | | | |
| | Underwriting fees for the Series 2-K Preferred Shares being sold by the Company | **P** | 118 | | |
| | Taxes to be paid by the Company | | 13 | | |
| | Philippine SEC filing and legal research fee | | 5 | | |
| | PSE filing fee (inclusive of VAT) | | 22 | | |
| | Estimated legal and other professional fees | | 5 | | |
| | Estimated other expenses | | 4 | | 167 |
| | Net Proceeds | | | **P** | 19,833 |
| **ii)** | **Actual Gross and Net Proceeds** [b] | | | | |
| | Gross Proceeds | | | **P** | 13,793 |
| | Underwriting fees | **P** | 80 | | |
| | Taxes | | 7 | | |
| | Philippine SEC filing and legal research fee | | 5 | | |
| | PSE filing fee (inclusive of VAT) | | 22 | | |
| | Estimated legal and other professional fees | | 3 | | 117 |
| | Net Proceeds | | | **P** | 13,676 |
| **iii)** | **Each Expenditure Item Where the Proceeds were Used** | | | | |
| | Investment in Bank of Commerce through SMC Equivest Corporation | | | **P** | 5,500 |
| | Additional investment in San Miguel Aerocity Inc. for the Manila International Airport | | | | 8,176 |
| | Total Expenditure Where the Proceeds Were Used | | | | 13,676 |
| **iv)** | **Balance of the Proceeds as of End of Reporting Period** | | | **P** | - |

[a] The Gross and Net Proceeds as disclosed in Final Prospectus is based on (a) 133,333,400 Series "2" Preferred Shares with an (b) oversubscription option of 133,333,267 Series "2" Preferred Shares at P75.00 per share amounting to P20,000 million.

[b] The Actual Gross and Net Proceeds is based on (a) 133,333,400 Series "2" Preferred Shares with an (b) oversubscription option of 50,571,500 Series "2" Preferred Shares at P75.00 per share amounting to P13,793 million.

## SAN MIGUEL CORPORATION AND SUBSIDIARIES

## SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**(Amounts in Millions, Except Per Share Data)**

### 1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as at and for the period ended June 30, 2022 and comparative financial statements for the same period in 2021 following the presentation rules under Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 4, 2022.

The consolidated financial statements are presented in Philippine peso and all financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards

The Financial Reporting Standards Council (FRSC) approved the adoption of a number of amended standards as part of PFRS.

*Amended Standards Adopted in 2022*

The Group has adopted the following PFRS effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories.*

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company’s ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e., it comprises both incremental costs and an allocation of other direct costs.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement.*

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements;

  - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The adoption of the amended standards did not have a material effect on the interim consolidated financial statements.

*New and Amended Standards Not Yet Adopted*

A number of new and amended standards are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB). Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

## 2. Impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up in the first quarter of 2021, are as follows:

| | Increase (Decrease) |
|---|---|
| ASSETS | |
| Prepaid expenses and other current assets | P407 |
| Investments and advances - net | 9 |
| Deferred tax assets | (2,075) |
| | (P1,659) |
| LIABILITIES | |
| Income and other taxes payable | (P881) |
| Deferred tax liabilities | (3,877) |
| | (4,758) |
| EQUITY | |
| Equity reserves | (P329) |
| Retained earnings | 3,342 |
| Non-controlling interests | 86 |
| | 3,099 |
| TOTAL LIABILITIES AND EQUITY | (P1,659) |
| INCOME BEFORE INCOME TAX | |
| Equity in net earnings of associates and joint ventures | P9 |
| INCOME TAX EXPENSE | |
| Current | (1,288) |
| Deferred | (2,319) |
| | (3,607) |
| NET INCOME | P3,616 |
| Attributable to: | |
| Equity holders of the Parent Company | P3,342 |
| Non-controlling interests | 274 |
| | P3,616 |

## 3. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are food and beverage, packaging, energy, fuel and oil and infrastructure.

The food and beverage segment is engaged in: (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"), (ii) the production and sale of feeds ("Animal Nutrition and Health"), (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"), and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations. It is also engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets; and production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other liquor variants which are available nationwide, while some are exported to select countries.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers, including Manila Electric Company, other generators, distribution utilities, electric cooperatives and industrial customers, or through the Philippine Wholesale Electricity Spot Market.

The fuel and oil segment is engaged in refining crude oil and marketing and distribution of refined petroleum products.

The infrastructure segment has investments in companies which hold long-term concessions in the infrastructure sector in the Philippines. It is engaged in the management and operation, as well as, construction and development of various infrastructure projects such as major toll roads, airports, railways and bulk water.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

Financial information about reportable segments follows:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement, Real Estate and Others | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| **Sales** | | | | | | | | | | | | | | | | |
| External sales | **P172,027** | P146,747 | **P13,015** | P11,959 | **P99,183** | P58,323 | **P392,235** | P171,319 | **P13,422** | P8,484 | **P21,534** | P13,292 | **P -** | P - | **P711,416** | P410,124 |
| Inter-segment sales | **95** | 44 | **3,065** | 2,658 | **3,398** | 1,956 | **6,282** | 2,812 | **3** | 1 | **16,600** | 13,730 | **(29,443)** | (21,201) | **-** | - |
| Total sales | **P172,122** | P146,791 | **P16,080** | P14,617 | **P102,581** | P60,279 | **P398,517** | P174,131 | **P13,425** | P8,485 | **P38,134** | P27,022 | **(P29,443)** | (P21,201) | **P711,416** | P410,124 |
| **Result** | | | | | | | | | | | | | | | | |
| Segment result | **P26,567** | P23,042 | **P959** | P614 | **P12,750** | P17,158 | **P35,998** | P14,968 | **P6,018** | P2,319 | **P3,069** | P2,110 | **P497** | P805 | **P85,858** | P61,016 |

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

| | Food and Beverage | | Packaging | | Energy | | Fuel and Oil | | Infrastructure | | Cement, Real Estate and Others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| **Timing of revenue recognition** | | | | | | | | | | | | | | |
| Sales recognized at point in time | **P172,020** | P146,742 | **P12,637** | P11,598 | **P -** | P - | **P392,235** | P171,319 | **P -** | P - | **P19,895** | P12,037 | **P596,787** | P341,696 |
| Sales recognized over time | **7** | 5 | **378** | 361 | **99,183** | 58,323 | **-** | - | **13,422** | 8,484 | **1,639** | 1,255 | **114,629** | 68,428 |
| Total external sales | **P172,027** | P146,747 | **P13,015** | P11,959 | **P99,183** | P58,323 | **P392,235** | P171,319 | **P13,422** | P8,484 | **P21,534** | P13,292 | **P711,416** | P410,124 |

## 4. Other Charges - Net

Other charges - net consists of:

| | Note | June 30 2022 | 2021 |
|---|---|---|---|
| Construction costs | | **(P18,614)** | (P3,518) |
| Loss on derivatives - net | *10* | **(18,121)** | (5,624) |
| Loss on foreign exchange - net | *9* | **(16,855)** | (515) |
| Construction revenue | | **18,614** | 3,518 |
| Power Sector Assets and Liabilities Management Corporation (PSALM) monthly fees reduction | | **851** | 3,348 |
| Dividend income | | **549** | 544 |
| Others | | **1,190** | 339 |
| | | **(P32,386)** | (P1,908) |

The construction revenue recognized in profit or loss approximates the construction costs recognized. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs are recognized by reference to the stage of completion of the construction activity of toll road, airport, water and power concession rights as at reporting date.

"Others" consist of rent income, commission income, insurance claims, changes in fair value of financial assets at fair value through profit or loss (FVPL), reversal of impairment, casualty loss and expenses of closed facilities.

## 5. Related Party Disclosures

San Miguel Corporation (SMC or the Parent Company), certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Parent Company 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 June 30, 2022 and December 31, 2021:

| | Year | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | **June 30, 2022** | **P3** | **P -** | **P3,937** | **P551** | On demand; | Unsecured; |
| | December 31, 2021 | 8 | - | 3,652 | 551 | non-interest bearing | no impairment |
| | **June 30, 2022** | **-** | **-** | **3,037** | **-** | To be settled on the | Unsecured; |
| | December 31, 2021 | - | - | 3,037 | - | first anniversary of commercial operations of the Nonoc Project; interest bearing | no impairment |
| Retirement Plans | **June 30, 2022** | **10** | **-** | **4,523** | **-** | On demand; | Unsecured; |
| | December 31, 2021 | 23 | - | 4,433 | - | non-interest bearing | no impairment |
| | **June 30, 2022** | **122** | **-** | **4,398** | **-** | On demand; | Unsecured; |
| | December 31, 2021 | 266 | - | 4,371 | - | interest bearing | no impairment |
| Associates | **June 30, 2022** | **512** | **8** | **971** | **33** | On demand; | Unsecured; |
| | December 31, 2021 | 2,045 | 46 | 1,245 | 30 | non-interest bearing | no impairment |
| | **June 30, 2022** | **4** | **-** | **114** | **20,932** | Less than 1 | Unsecured and |
| | December 31, 2021 | 9 | - | 140 | 18,817 | to 10 years; interest bearing | secured; no impairment |
| Joint Ventures | **June 30, 2022** | **242** | **179** | **225** | **68** | On demand; | Unsecured; |
| | December 31, 2021 | 321 | 1,681 | 81 | 177 | non-interest bearing | no impairment |
| | **June 30, 2022** | **-** | **-** | **621** | **-** | On demand; | Unsecured; |
| | December 31, 2021 | - | - | 621 | - | interest bearing | with impairment |
| | **June 30, 2022** | **29** | **-** | **1,134** | **-** | Less than 1 | Unsecured; |
| | December 31, 2021 | 24 | - | 1,170 | - | to 10.5 years; interest bearing | no impairment |
| Shareholders in Subsidiaries | **June 30, 2022** | **160** | **385** | **111** | **2,658** | On demand; | Unsecured; |
| | December 31, 2021 | 79 | 1,757 | 123 | 2,454 | non-interest bearing | no impairment |
| Others | **June 30, 2022** | **2,747** | **1,257** | **889** | **161** | On demand; | Unsecured; |
| | December 31, 2021 | 3,178 | 2,649 | 837 | 61 | non-interest bearing | no impairment |
| **Total** | **June 30, 2022** | **P3,829** | **P1,829** | **P19,960** | **P24,403** | | |
| Total | December 31, 2021 | P5,953 | P6,133 | P19,710 | P22,090 | | |

1) Amounts owed by related parties consist of current and noncurrent receivable and share in expenses.

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

      *(i) Amounts owed by the Ultimate Parent Company amounting to P2,312:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% 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 June 30, 2022 and December 31, 2021. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. These amounts are included as part of noncurrent receivables and deposits under "Other noncurrent assets - net" account in the consolidated statements of financial position as at June 30, 2022 and December 31, 2021.

      *(ii) Amounts owed by the Ultimate Parent Company amounting to P725:* 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 June 30, 2022

and December 31, 2021. These amounts are included as part of noncurrent receivables and deposit under “Other noncurrent assets - net” account in the consolidated statements of financial position as at June 30, 2022 and December 31, 2021.

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 as at June 30, 2022 and December 31, 2021.

2) Amounts owed to related parties consist of trade payables, professional fees and leases. As at June 30, 2022, amount owed to a related party for the lease of office space presented as part of “Lease liabilities - current portion” amounted to P1. As at December 31, 2021, 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 P2 and P1, 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 Bank of Commerce (BOC) presented as part of “Loans payable” account amounting to P9,252 and P6,994 and “Long-term debt” account amounting to P11,680 and P11,823 in the consolidated statements of financial position as at June 30, 2022 and December 31, 2021, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P10,064 and P10,444 as at June 30, 2022 and December 31, 2021, respectively, which were secured by certain property, plant and equipment and other intangible assets.

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, *Related Party Disclosures*, 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.

## 6. Property, Plant and Equipment

Property, plant and equipment consist of:

### June 30, 2022 and December 31, 2021

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| January 1, 2021 (Audited) | P41,964 | P61,683 | P146,692 | P175,957 | P19,786 | P190,957 | P7,587 | P99,655 | P744,281 |
| Additions | 1,524 | 173 | 527 | 1,903 | 149 | 3,858 | 180 | 66,107 | 74,421 |
| Acquisition of subsidiaries | 867 | 120 | - | - | - | 43 | - | - | 1,030 |
| Disposals/retirement | (2) | (262) | - | (5) | (24) | (2,823) | (110) | (15) | (3,241) |
| Reclassifications and others | (490) | 2,564 | 2,620 | 9,923 | (65) | 6,523 | 917 | (21,211) | 781 |
| Currency translation adjustments | 32 | 758 | 4,287 | 754 | 246 | 2,109 | 6 | (75) | 8,117 |
| December 31, 2021 (Audited) | 43,895 | 65,036 | 154,126 | 188,532 | 20,092 | 200,667 | 8,580 | 144,461 | 825,389 |
| Additions | 175 | 33 | 49,086 | 260 | 125 | 1,071 | 13 | 31,170 | 81,933 |
| Disposals/retirement | (11) | (23) | - | - | (75) | (640) | (6) | - | (755) |
| Reclassifications and others | 90 | 866 | 636 | 2,198 | 167 | 4,427 | 534 | (1,803) | 7,115 |
| Currency translation adjustments | 66 | 388 | - | 535 | 215 | 1,481 | 9 | (74) | 2,620 |
| **June 30, 2022 (Unaudited)** | **44,215** | **66,300** | **203,848** | **191,525** | **20,524** | **207,006** | **9,130** | **173,754** | **916,302** |
| **Accumulated Depreciation and Amortization** | | | | | | | | | |
| January 1, 2021 (Audited) | 3,477 | 19,393 | 16,292 | 60,607 | 13,689 | 103,819 | 1,969 | - | 219,246 |
| Depreciation and amortization | 465 | 1,852 | 6,265 | 3,665 | 941 | 10,294 | 424 | - | 23,906 |
| Acquisition of subsidiaries | 88 | 119 | - | - | - | 42 | - | - | 249 |
| Disposals/retirement | (2) | (215) | - | (1) | (15) | (1,781) | (104) | - | (2,118) |
| Reclassifications | (83) | (131) | - | - | 2 | (997) | 53 | - | (1,156) |
| Currency translation adjustments | 3 | 244 | 1,562 | 245 | 134 | 976 | 6 | - | 3,170 |
| December 31, 2021 (Audited) | 3,948 | 21,262 | 24,119 | 64,516 | 14,751 | 112,353 | 2,348 | - | 243,297 |
| Depreciation and amortization | 228 | 898 | 3,455 | 2,289 | 566 | 4,891 | 212 | - | 12,539 |
| Disposals/retirement | (11) | (15) | - | - | (72) | (566) | (4) | - | (668) |
| Reclassifications | (6) | (143) | - | - | (16) | (51) | 32 | - | (184) |
| Currency translation adjustments | 3 | 176 | - | 225 | 140 | 833 | 1 | - | 1,378 |
| **June 30, 2022 (Unaudited)** | **4,162** | **22,178** | **27,574** | **67,030** | **15,369** | **117,460** | **2,589** | **-** | **256,362** |

*Forward*

| | **Land and Land Improvements** | **Buildings and Improvements** | **Power Plants** | **Refinery and Plant Equipment** | **Service Stations and Other Equipment** | **Equipment, Furniture and Fixtures** | **Leasehold Improvements** | **Capital Projects in Progress** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated Impairment Losses** | | | | | | | | | |
| January 1, 2021 (Audited) | P - | P3,129 | P - | P - | P - | P10,255 | P27 | P - | P13,411 |
| Impairment | 38 | 2 | - | - | 1 | 45 | - | - | 86 |
| Disposals/retirement | - | - | - | - | - | (24) | (1) | - | (25) |
| Currency translation adjustments | - | 264 | - | - | - | 747 | - | - | 1,011 |
| December 31, 2021 (Audited) | 38 | 3,395 | - | - | 1 | 11,023 | 26 | - | 14,483 |
| Reversal of impairment | - | - | - | - | (1) | (10) | - | - | (11) |
| Disposals/retirement | - | (4) | - | - | - | - | - | - | (4) |
| Currency translation adjustments | - | 95 | - | - | - | 376 | 1 | - | 472 |
| **June 30, 2022 (Unaudited)** | **38** | **3,486** | **-** | **-** | **-** | **11,389** | **27** | **-** | **14,940** |
| **Carrying Amount** | | | | | | | | | |
| December 31, 2021 (Audited) | P39,909 | P40,379 | P130,007 | P124,016 | P5,340 | P77,291 | P6,206 | P144,461 | P567,609 |
| **June 30, 2022 (Unaudited)** | **P40,015** | **P40,636** | **P176,274** | **P124,495** | **P5,155** | **P78,157** | **P6,514** | **P173,754** | **P645,000** |

## <u>June 30, 2021</u>

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | |
| January 1, 2021 (Audited) | P41,964 | P61,683 | P146,692 | P175,957 | P19,786 | P190,957 | P7,587 | P99,655 | P744,281 |
| Additions | 1,162 | 70 | 113 | 232 | 99 | 1,338 | 12 | 24,179 | 27,205 |
| Acquisition of subsidiaries | 867 | 120 | - | - | - | 43 | - | - | 1,030 |
| Disposals/retirement | (1) | (129) | - | - | (45) | (1,526) | (45) | (14) | (1,760) |
| Reclassifications and others | (764) | 1,376 | 71 | 10,414 | 94 | 3,860 | 79 | (14,912) | 218 |
| Currency translation adjustments | (79) | 143 | 1,118 | (156) | (124) | 396 | - | 338 | 1,636 |
| June 30, 2021 (Unaudited) | 43,149 | 63,263 | 147,994 | 186,447 | 19,810 | 195,068 | 7,633 | 109,246 | 772,610 |
| Accumulated Depreciation and Amortization | | | | | | | | | |
| January 1, 2021 (Audited) | 3,477 | 19,393 | 16,292 | 60,607 | 13,689 | 103,819 | 1,969 | - | 219,246 |
| Depreciation and amortization | 230 | 867 | 3,043 | 1,389 | 494 | 5,006 | 212 | - | 11,241 |
| Acquisition of subsidiaries | 88 | 119 | - | - | - | 42 | - | - | 249 |
| Disposals/retirement | (1) | (114) | - | - | (33) | (769) | (39) | - | (956) |
| Reclassifications | (11) | (65) | - | - | 33 | (665) | - | - | (708) |
| Currency translation adjustments | (3) | 28 | 353 | (125) | (71) | 104 | 2 | - | 288 |
| June 30, 2021 (Unaudited) | 3,780 | 20,228 | 19,688 | 61,871 | 14,112 | 107,537 | 2,144 | - | 229,360 |

*Forward*

| | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Accumulated Impairment Losses | | | | | | | | | |
| January 1, 2021 (Audited) | P - | P3,129 | P - | P - | P - | P10,255 | P27 | P - | P13,411 |
| Disposals/retirement | - | - | - | - | - | (2) | - | - | (2) |
| Reclassifications | - | - | - | - | - | (10) | - | - | (10) |
| Currency translation adjustments | - | 80 | - | - | - | 220 | - | - | 300 |
| June 30, 2021 (Unaudited) | - | 3,209 | - | - | - | 10,463 | 27 | - | 13,699 |
| Carrying Amount | | | | | | | | | |
| June 30, 2021 (Unaudited) | P39,369 | P39,826 | P128,306 | P124,576 | P5,698 | P77,068 | P5,462 | P109,246 | P529,551 |

Depreciation and amortization charged to operations amounted to P12,539 and P11,241 for the periods ended June 30, 2022 and 2021, respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party and reclassifications from capital projects in progress account to specific property, plant and equipment accounts.

In June 2022, the Independent Power Producer Administration Agreement between South Premiere Power Corp., a subsidiary of SMC Global Power Holdings Corp. (SMC Global), and PSALM has ended. Accordingly, the Ilijan Power Plant was reclassified from right-of-use assets to property, plant and equipment account, presented as part of “Additions”.

As at June 30, 2022 and December 31, 2021, certain property, plant and equipment amounting to P125,010 and P127,673, respectively, are pledged as security for syndicated project finance loans.

## 7. Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of Redeemable Perpetual Securities (RPS) and Senior Perpetual Capital Securities (SPCS), by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares during the period are adjusted for the effect of all potential dilutive debt or equity instruments.

Basic and diluted EPS is computed as follows:

| | June 30 | |
|---|---|---|
| | **2022** | 2021 |
| Net income (loss) attributable to equity holders of the Parent Company | **(P1,341)** | P13,070 |
| Less: Dividends on preferred shares for the period | **2,147** | 3,313 |
| Distributions to capital securities for the period | **1,034** | 992 |
| Net income (loss) attributable to common shareholders of the Parent Company (a) | **(P4,522)** | P8,765 |
| Weighted average number of common shares outstanding (in millions) - basic and diluted (b) | **2,384** | 2,384 |
| Basic and diluted earnings (losses) per common share attributable to equity holders of the Parent Company (a/b) | **(P1.90)** | P3.68 |

*Earnings per share are computed based on amounts in nearest Peso.*

As at June 30, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

## 8. Cash Dividends and Distributions

Cash Dividends

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

**2022**

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| **Common** | | | | |
| | March 10, 2022 | April 1, 2022 | April 29, 2022 | **P0.35** |
| | June 14, 2022 | July 1, 2022 | July 27, 2022 | **0.35** |
| **Preferred** | | | | |
| SMC2F | February 10, 2022 | March 21, 2022 | April 1, 2022 | **1.27635** |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | **1.27635** |
| SMC2H | February 10, 2022 | March 21, 2022 | April 1, 2022 | **1.1854125** |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | **1.1854125** |
| SMC2I | February 10, 2022 | March 21, 2022 | April 1, 2022 | **1.18790625** |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | **1.18790625** |

*Forward*

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend per Share |
|---|---|---|---|---|
| SMC2J | February 10, 2022 | March 21, 2022 | April 1, 2022 | **P0.890625** |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | **0.890625** |
| SMC2K | February 10, 2022 | March 21, 2022 | April 1, 2022 | **0.84375** |
| | May 5, 2022 | June 21, 2022 | July 4, 2022 | **0.84375** |

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 |
| Preferred | | | | |
| SMC2C | January 21, 2021 | March 19, 2021 | April 5, 2021 | 1.50 |
| | May 6, 2021 | June 21, 2021 | July 2, 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 |
| SMC2F | January 21, 2021 | March 19, 2021 | April 5, 2021 | 1.27635 |
| | May 6, 2021 | June 21, 2021 | July 2, 2021 | 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 |
| SMC2I | January 21, 2021 | March 19, 2021 | April 5, 2021 | 1.18790625 |
| | May 6, 2021 | June 21, 2021 | July 2, 2021 | 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 |
| SMC2K | January 21, 2021 | March 19, 2021 | April 5, 2021 | 0.84375 |
| | May 6, 2021 | June 21, 2021 | July 2, 2021 | 0.84375 |

On August 4, 2022, the BOD of the Parent Company declared cash dividends to all preferred stockholders of record as at September 21, 2022 on the following shares to be paid on October 4, 2022, as follows:

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

Distributions

The Parent Company paid P100 and P934 to the holders of RPS and SPCS, respectively, in 2022 and P100 and P881 to the holders of RPS and SPCS, respectively, in 2021, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

On July 1 and 28, 2022, the Parent Company paid distributions amounting to P50 and P1,023 to the holders of RPS and SPCS, respectively.

## 9. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the operating and financing activities.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: (a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; (b) performance of the internal auditors; (c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (d) compliance with tax, legal and regulatory requirements; (e) evaluation of management's process to assess and manage the enterprise risk issues; and (f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the Securities and Exchange Commission (SEC) and/or the Philippine Stock Exchange, Inc.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. 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.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The Group uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Group assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

| **June 30, 2022** | **<1 Year** | **1-2 Years** | **>2-3 Years** | **>3-4 Years** | **>4-5 Years** | **>5 Years** | **Total** |
|---|---|---|---|---|---|---|---|
| **Fixed Rate** | | | | | | | |
| Philippine peso-denominated | **P40,646** | **P95,688** | **P74,562** | **P70,573** | **P78,437** | **P131,824** | **P491,730** |
| Interest rate | **3.284% - 9.8754%** | **3.284% - 9.8754%** | **3.284% - 9.8754%** | **3.284% - 9.8754%** | **3.284% - 9.8754%** | **3.3832% - 9.8754%** | |
| Foreign currency-denominated (expressed in Philippine peso) | **7,352** | **1,290** | **1,351** | **1,411** | **1,477** | **12,245** | **25,126** |
| Interest rate | **4.7776% - 5.5959%** | **5.5959%** | **5.5959%** | **5.5959%** | **5.5959%** | **5.5959%** | |
| **Floating Rate** | | | | | | | |
| Philippine peso-denominated | **2,936** | **999** | **10,412** | **119** | **119** | **7,464** | **22,049** |
| Interest rate | **BVAL + margin or applicable reference rate, whichever is higher** | **BVAL + margin or applicable reference rate, whichever is higher** | **BVAL + margin or applicable reference rate, whichever is higher** | **BVAL + margin or applicable reference rate, whichever is higher** | **BVAL + margin or applicable reference rate, whichever is higher** | **BVAL + margin or applicable reference rate, whichever is higher** | |
| Foreign currency-denominated (expressed in Philippine peso) | **83,121** | **53,621** | **133,983** | **17,361** | **59,060** | **4,030** | **351,176** |
| Interest rate | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | |
| | **P134,055** | **P151,598** | **P220,308** | **P89,464** | **P139,093** | **P155,563** | **P890,081** |

| December 31, 2021 | <1 Year | 1-2 Years | >2-3 Years | >3-4 Years | >4-5 Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|
| Fixed Rate | | | | | | | |
| Philippine peso-denominated | P68,436 | P57,685 | P95,030 | P55,159 | P68,051 | P145,335 | P489,696 |
| Interest rate | 3.875% - 9.8754% | 3.284% - 9.8754% | 3.284% - 9.8754% | 3.284% - 9.8754% | 3.284% - 9.8754% | 3.3832% - 9.8754% | |
| Foreign currency-denominated (expressed in Philippine peso) | 1,995 | 6,852 | 1,225 | 1,281 | 1,340 | 12,044 | 24,737 |
| Interest rate | 4.7776% - 5.5959% | 4.7776% - 5.5959% | 5.5959% | 5.5959% | 5.5959% | 5.5959% | |
| Floating Rate | | | | | | | |
| Philippine peso-denominated | 3,139 | 1,585 | 706 | 119 | 119 | 7,524 | 13,192 |
| Interest rate | BVAL + margin or applicable reference rate, whichever is higher | BVAL + margin or applicable reference rate, whichever is higher | BVAL + margin or applicable reference rate, whichever is higher | BVAL + margin or applicable reference rate, whichever is higher | BVAL + margin or applicable reference rate, whichever is higher | BVAL + margin or applicable reference rate, whichever is higher | |
| Foreign currency-denominated (expressed in Philippine peso) | 16,040 | 113,137 | 115,122 | 1,774 | 44,814 | 3,964 | 294,851 |
| Interest rate | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | |
| | P89,610 | P179,259 | P212,083 | P58,333 | P114,324 | P168,867 | P822,476 |

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P1,866 and P3,080 for the period ended June 30, 2022 and for the year ended December 31, 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. 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. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents is as follows:

| | **June 30, 2022** | | December 31, 2021 | |
|---|---|---|---|---|
| | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **US$2,878** | **P158,198** | US$3,177 | P162,053 |
| Trade and other receivables | **1,415** | **77,811** | 1,215 | 61,951 |
| Prepaid expenses and other current assets | **32** | **1,749** | 14 | 715 |
| Noncurrent receivables | **52** | **2,885** | 3 | 138 |
| | **4,377** | **240,643** | 4,409 | 224,857 |
| **Liabilities** | | | | |
| Loans payable | **538** | **29,558** | 331 | 16,884 |
| Accounts payable and accrued expenses | **2,395** | **131,655** | 2,573 | 131,235 |
| Long-term debt (including current maturities) | **6,845** | **376,302** | 6,267 | 319,588 |
| Lease liabilities (including current portion) | **710** | **39,002** | 847 | 43,210 |
| Other noncurrent liabilities | **21** | **1,098** | 63 | 3,200 |
| | **10,509** | **577,615** | 10,081 | 514,117 |
| Net foreign currency-denominated monetary liabilities | **(US$6,132)** | **(P336,972)** | (US$5,672) | (P289,260) |

The Group reported net losses on foreign exchange amounting to P16,855 and P515 for the periods ended June 30, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 4). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

| | **US Dollar to Philippine Peso** |
|---|---|
| **June 30, 2022** | **P54.975** |
| December 31, 2021 | 50.999 |
| June 30, 2021 | 48.800 |
| December 31, 2020 | 48.023 |

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

| | **P1 Decrease in the US Dollar Exchange Rate** | | **P1 Increase in the US Dollar Exchange Rate** | |
|---|---|---|---|---|
| **June 30, 2022** | **Effect on Income before Income Tax** | **Effect on Equity** | **Effect on Income before Income Tax** | **Effect on Equity** |
| Cash and cash equivalents | **(P2,298)** | **(P2,331)** | **P2,298** | **P2,331** |
| Trade and other receivables | **(253)** | **(1,112)** | **253** | **1,112** |
| Prepaid expenses and other current assets | **(26)** | **(25)** | **26** | **25** |
| Noncurrent receivables | **(50)** | **(37)** | **50** | **37** |
| | **(2,627)** | **(3,505)** | **2,627** | **3,505** |
| Loans payable | **215** | **530** | **(215)** | **(530)** |
| Accounts payable and accrued expenses | **785** | **2,150** | **(785)** | **(2,150)** |
| Long-term debt (including current maturities) | **6,800** | **5,420** | **(6,800)** | **(5,420)** |
| Lease liabilities (including current portion) | **627** | **553** | **(627)** | **(553)** |
| Other noncurrent liabilities | **10** | **18** | **(10)** | **(18)** |
| | **8,437** | **8,671** | **(8,437)** | **(8,671)** |
| | **P5,810** | **P5,166** | **(P5,810)** | **(P5,166)** |

| | P1 Decrease in the US Dollar Exchange Rate | | P1 Increase in the US Dollar Exchange Rate | |
|---|---|---|---|---|
| December 31, 2021 | Effect on Income before Income Tax | Effect on Equity | Effect on Income before Income Tax | Effect on Equity |
| Cash and cash equivalents | (P2,722) | (P2,608) | P2,722 | P2,608 |
| Trade and other receivables | (404) | (870) | 404 | 870 |
| Prepaid expenses and other current assets | (12) | (11) | 12 | 11 |
| Noncurrent receivables | - | (2) | - | 2 |
| | (3,138) | (3,491) | 3,138 | 3,491 |
| Loans payable | 30 | 324 | (30) | (324) |
| Accounts payable and accrued expenses | 1,086 | 1,865 | (1,086) | (1,865) |
| Long-term debt (including current maturities) | 6,215 | 4,917 | (6,215) | (4,917) |
| Lease liabilities (including current portion) | 762 | 657 | (762) | (657) |
| Other noncurrent liabilities | 54 | 48 | (54) | (48) |
| | 8,147 | 7,811 | (8,147) | (7,811) |
| | P5,009 | P4,320 | (P5,009) | (P4,320) |

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk
Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

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. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

*Commodity Swaps, Futures and Options*. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, coal, aluminum, soybean meal and wheat.

*Commodity Forwards.* The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

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

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

| June 30, 2022 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | P302,944 | P302,944 | P302,944 | P - | P - | P - |
| Trade and other receivables - net | 222,189 | 222,189 | 222,189 | - | - | - |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 4,555 | 4,555 | 3,132 | 484 | 939 | - |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" account) | 317 | 317 | 317 | - | - | - |
| Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account) | 41,895 | 41,895 | - | - | 2 | 41,893 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 634 | 668 | 542 | 5 | 121 | - |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | 35,666 | 36,184 | - | 7,177 | 16,588 | 12,419 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 17,356 | 17,356 | 15,121 | 752 | - | 1,483 |
| **Financial Liabilities** | | | | | | |
| Loans payable | 242,147 | 243,208 | 243,208 | - | - | - |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure retirement obligation (IRO), asset retirement obligation (ARO), deferred income and other current non-financial liabilities) | 236,598 | 236,598 | 236,598 | - | - | - |
| Derivative liabilities (included under "Accounts payable and accrued expenses" account) | 5,058 | 5,058 | 5,058 | - | - | - |
| Long-term debt (including current maturities) | 881,102 | 1,027,988 | 173,682 | 184,716 | 502,133 | 167,457 |
| Lease liabilities (including current portion) | 84,090 | 98,611 | 24,353 | 24,561 | 30,593 | 19,104 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities) | 9,034 | 9,079 | - | 2,219 | 5,116 | 1,744 |

| December 31, 2021 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | P300,030 | P300,030 | P300,030 | P - | P - | P - |
| Trade and other receivables - net | 161,808 | 161,808 | 161,808 | - | - | - |
| Derivative assets (included under “Prepaid expenses and other current assets” and “Other noncurrent assets - net” accounts) | 1,529 | 1,529 | 870 | 61 | 598 | - |
| Financial assets at FVPL (included under “Prepaid expenses and other current assets” account) | 298 | 298 | 298 | - | - | - |
| Financial assets at FVOCI (included under “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts) | 41,982 | 42,016 | 47 | 32 | - | 41,937 |
| Financial assets at amortized cost (included under “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts) | 577 | 586 | 556 | 30 | - | - |
| Noncurrent receivables and deposits - net (included under “Other noncurrent assets - net” account) | 32,310 | 32,902 | - | 7,085 | 20,475 | 5,342 |
| Restricted cash (included under “Prepaid expenses and other current assets” and “Other noncurrent assets - net” accounts) | 12,965 | 12,965 | 10,872 | 629 | - | 1,464 |
| Financial Liabilities | | | | | | |
| Loans payable | 190,779 | 191,186 | 191,186 | - | - | - |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities) | 191,864 | 191,864 | 191,864 | - | - | - |
| Derivative liabilities (included under “Accounts payable and accrued expenses” and “Other noncurrent liabilities” accounts) | 1,992 | 1,992 | 1,247 | 23 | 722 | - |
| Long-term debt (including current maturities) | 813,965 | 946,870 | 123,060 | 206,989 | 433,488 | 183,333 |
| Lease liabilities (including current portion) | 94,992 | 120,223 | 27,788 | 23,175 | 36,545 | 32,715 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | 7,897 | 8,097 | - | 3,453 | 3,553 | 1,091 |

<u>Credit Risk</u>

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. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group’s policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

*<u>Trade and Other Receivables</u>*

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group’s customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

*Investment in Debt Instruments*
The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

*Credit Quality*
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

| | **June 30, 2022** | December 31, 2021 |
|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | **P300,816** | P298,783 |
| Trade and other receivables - net | **222,189** | 161,808 |
| Derivative assets | **4,555** | 1,529 |
| Investment in debt instruments at FVOCI | **-** | 46 |
| Investment in debt instruments at amortized cost | **634** | 577 |
| Noncurrent receivables and deposits - net | **35,666** | 32,310 |
| Restricted cash | **17,356** | 12,965 |
| | **P581,216** | P508,018 |

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month expected credit loss (ECL) or lifetime ECL. Assets that are credit-impaired are separately presented.

| | **June 30, 2022** | | | | | |
|---|---|---|---|---|---|---|
| | **Financial Assets at Amortized Cost** | | | | | |
| | **12-Month ECL** | **Lifetime ECL not Credit Impaired** | **Lifetime ECL Credit Impaired** | **Financial Assets at FVPL** | **Financial Assets at FVOCI** | **Total** |
| Cash and cash equivalents (excluding cash on hand) | **P300,816** | **P -** | **P -** | **P -** | **P -** | **P300,816** |
| Trade and other receivables | **222,189** | **-** | **13,332** | **-** | **-** | **235,521** |
| Derivative assets | **-** | **-** | **-** | **3,018** | **1,537** | **4,555** |
| Investment in debt instruments at amortized cost | **501** | **133** | **-** | **-** | **-** | **634** |
| Noncurrent receivables and deposits | **-** | **35,666** | **578** | **-** | **-** | **36,244** |
| Restricted cash | **15,121** | **2,235** | **-** | **-** | **-** | **17,356** |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Financial Assets at Amortized Cost | | | | | |
| | 12-Month ECL | Lifetime ECL not Credit Impaired | Lifetime ECL Credit Impaired | Financial Assets at FVPL | Financial Assets at FVOCI | Total |
| Cash and cash equivalents (excluding cash on hand) | P298,783 | P - | P - | P - | P - | P298,783 |
| Trade and other receivables | 161,808 | - | 13,268 | - | - | 175,076 |
| Derivative assets | - | - | - | 851 | 678 | 1,529 |
| Investment in debt instruments at FVOCI | - | - | - | - | 46 | 46 |
| Investment in debt instruments at amortized cost | 547 | 30 | - | - | - | 577 |
| Noncurrent receivables and deposits | - | 32,310 | 572 | - | - | 32,882 |
| Restricted cash | 10,872 | 2,093 | - | - | - | 12,965 |

The aging of receivables is as follows:

| **June 30, 2022** | **Trade** | **Non-trade** | **Amounts Owed by Related Parties** | **Total** |
|---|---|---|---|---|
| Current | **P96,488** | **P34,217** | **P14,677** | **P145,382** |
| Past due: | | | | |
| 1 - 30 days | **10,489** | **16,393** | **217** | **27,099** |
| 31 - 60 days | **4,143** | **731** | **11** | **4,885** |
| 61 - 90 days | **2,974** | **5,162** | **8** | **8,144** |
| Over 90 days | **21,778** | **27,310** | **923** | **50,011** |
| | **P135,872** | **P83,813** | **P15,836** | **P235,521** |

| December 31, 2021 | Trade | Non-trade | Amounts Owed by Related Parties | Total |
|---|---|---|---|---|
| Current | P69,571 | P30,459 | P14,151 | P114,181 |
| Past due: | | | | |
| 1 - 30 days | 10,052 | 1,063 | 386 | 11,501 |
| 31 - 60 days | 3,135 | 1,790 | 37 | 4,962 |
| 61 - 90 days | 1,947 | 2,418 | 30 | 4,395 |
| Over 90 days | 14,351 | 24,727 | 959 | 40,037 |
| | P99,056 | P60,457 | P15,563 | P175,076 |

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period. There are no significant changes in the credit quality of the counterparties during the period.

The Group's cash and cash equivalents, derivative assets, investment in debt instruments at FVOCI, investment in debt instruments at amortized cost and restricted cash are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk
The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management
The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group, except for BOC which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

## 10. Financial Assets and Financial Liabilities

*Recognition and Initial Measurement.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

*Financial Assets*
The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely

payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

*Financial Assets at FVOCI.* Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category.

*Financial Assets at FVPL*. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

*Financial Liabilities*

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Financial Liabilities at FVPL*. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities
*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

*Financial Liabilities*. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets
The Group recognizes allowance for ECL on financial assets at amortized cost and investments in debt instruments at FVOCI.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses in other comprehensive income, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

<u>Classification of Financial Instruments between Liability and Equity</u>
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

| | **June 30, 2022** | | December 31, 2021 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **P302,944** | **P302,944** | P300,030 | P300,030 |
| Trade and other receivables - net | **222,189** | **222,189** | 161,808 | 161,808 |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **4,555** | **4,555** | 1,529 | 1,529 |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" account) | **317** | **317** | 298 | 298 |
| Financial assets at FVOCI (included under "Investments in equity and debt instruments" account) | **41,895** | **41,895** | 41,982 | 41,982 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **634** | **634** | 577 | 577 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **35,666** | **35,666** | 32,310 | 32,310 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **17,356** | **17,356** | 12,965 | 12,965 |
| **Financial Liabilities** | | | | |
| Loans payable | **242,147** | **242,147** | 190,779 | 190,779 |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities) | **236,598** | **236,598** | 191,864 | 191,864 |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and Other noncurrent liabilities" accounts) | **5,058** | **5,058** | 1,992 | 1,992 |
| Long-term debt (including current maturities) | **881,102** | **892,062** | 813,965 | 854,665 |
| Lease liabilities (including current portion) | **84,090** | **84,090** | 94,992 | 94,992 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **9,034** | **9,034** | 7,897 | 7,897 |

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and Cash Equivalents, Trade and Other Receivables, Noncurrent Receivables and Deposits and Restricted Cash.* The carrying amount of cash and cash equivalents, and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

*Derivatives.* The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

*Financial Assets at FVPL and Financial Assets at FVOCI.* The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

*Loans Payable and Accounts Payable and Accrued Expenses.* The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

*Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities.* The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 1.3% to 6.9% and 1.0% to 4.8% as at June 30, 2022 and December 31, 2021, respectively. The discount rates used for foreign currency-denominated loans range from 2.5% to 3.4% and 0.3% to 1.5% as at June 30, 2022 and December 31, 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

*Freestanding Derivatives*

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

*Cash Flow Hedge.* When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the “Hedging reserve” account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

*Embedded Derivatives*
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

| | **Maturity** | | | |
|---|---|---|---|---|
| **June 30, 2022** | **1 Year or Less** | **> 1 Year - 2 Years** | **> 2 Years - 5 Years** | **Total** |
| Foreign currency risk: | | | | |
| Call spread swaps: | | | | |
| Notional amount | **US$60** | **US$ -** | **US$230** | **US$290** |
| Average strike rate | **P52.95 to P56.15** | **-** | **P48.00 to P55.40** | |
| Foreign currency and interest rate risks: | | | | |
| Cross currency swap: | | | | |
| Notional amount | **US$20** | **US$240** | **US$30** | **US$290** |
| Average strike rate | **P47.00 to P56.50** | **P47.00 to P56.50** | **P50.64** | |
| Fixed interest rate | **4.19% to 5.75%** | **4.19% to 5.80%** | **3.60% to 4.01%** | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | **US$30** | **US$30** | **US$225** | **US$285** |
| Interest rate | **0.44% to 1.99%** | **0.44% to 1.99%** | **0.50% to 3.00%** | |

| | Maturity | | | |
|---|---|---|---|---|
| December 31, 2021 | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Total |
| Foreign currency risk | | | | |
| Call spread swaps: | | | | |
| Notional amount | US$40 | US$60 | US$190 | US$290 |
| Average strike rate | P51.96 to P54.47 | P52.95 to P56.15 | P48.00 to P53.70 | |
| Foreign currency and interest rate risks: | | | | |
| Cross currency swap: | | | | |
| Notional amount | US$20 | US$240 | US$40 | US$300 |
| Average strike rate | P47.00 to P57.00 | P47.00 to P56.50 | P47.00 to P56.50 | |
| Fixed interest rate | 4.19% to 5.75% | 4.19% to 5.80% | 3.60% to 5.75% | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | US$15 | US$30 | US$15 | US$60 |
| Interest rate | 0.44% to 1.99% | 0.44% to 1.99% | 0.44% to 1.99% | |

The following are the amounts relating to hedged items:

| **June 30, 2022** | **Change in Fair Value Used for Measuring Hedge Ineffectiveness** | **Hedging Reserve** | **Cost of Hedging Reserve** |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | **(P490)** | **P -** | **P155** |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | **(1,432)** | **(222)** | **(227)** |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | **219** | **(225)** | **-** |

| December 31, 2021 | Change in Fair Value Used for Measuring Hedge Ineffectiveness | Hedging Reserve | Cost of Hedging Reserve |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | (P577) | P - | (P304) |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | (680) | (802) | 576 |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | 4 | (3) | - |

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

| **June 30, 2022** | **Notional Amount** | **Carrying Amount** | | **Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included** | **Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income** | **Cost of Hedging Recognized in Other Comprehensive Income** | **Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income** | **Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income** | **Line Item in the Consolidated Statement of Income Affected by the Reclassification** |
|---|---|---|---|---|---|---|---|---|---|
| | | **Assets** | **Liabilities** | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | **US$290** | **P840** | **P -** | Prepaid expenses and other current assets and Other noncurrent assets - net | **P490** | **(P368)** | **(P490)** | **(P109)** | Interest expense and other financing charges, and Other charges - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | **290** | **581** | **1** | Prepaid expenses and other current assets, Other noncurrent assets - net and Accounts payable and accrued expenses | **1,432** | **(537)** | **(768)** | **46** | Interest expense and other financing charges, and Other charges - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | **285** | **116** | **-** | Prepaid expenses and other current assets and Other noncurrent assets - net | **(219)** | **300** | **18** | **3** | Interest expense and other financing charges |

| December 31, 2021 | Notional Amount | Carrying Amount | | Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument Is Included | Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income | Cost of Hedging Recognized in Other Comprehensive Income | Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income | Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income | Line Item in the Consolidated Statement of Income Affected by the Reclassification |
|---|---|---|---|---|---|---|---|---|---|
| | | Assets | Liabilities | | | | | | |
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | US$290 | P635 | P12 | Prepaid expenses and other current assets, Other noncurrent assets - net and Accounts payable and accrued expenses | P577 | (P497) | (P597) | P194 | Interest expense and other financing charges and Other charges - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | 300 | 42 | 817 | Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities | 680 | (340) | (476) | 168 | Interest expense and other financing charges and Other charges - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | 60 | 1 | 5 | Other noncurrent assets - net, and Accounts payable and accrued expenses | (4) | (16) | - | 16 | Interest expense and other financing charges |

No ineffectiveness was recognized in the 2022 and 2021 consolidated statements of income.

The table below provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

| | **June 30, 2022** | | December 31, 2021 | |
|---|---|---|---|---|
| | **Hedging Reserve** | **Cost of Hedging Reserve** | Hedging Reserve | Cost of Hedging Reserve |
| Beginning balance | **(P805)** | **P272** | (P1,271) | P570 |
| Changes in fair value: | | | | |
| Foreign currency risk | **490** | **(368)** | 597 | (497) |
| Foreign currency risk and interest rate risks | **1,442** | **(537)** | 1,195 | (340) |
| Interest rate risk | **(215)** | **300** | 24 | (16) |
| Amount reclassified to profit or loss | **(1,240)** | **158** | (1,073) | 378 |
| Tax effect | **(119)** | **103** | (277) | 177 |
| Ending balance | **(P447)** | **(P72)** | (P805) | P272 |

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

*Interest Rate Swap*

The Group has outstanding interest rate swap with notional amount of US$465 as at June 30, 2022. Under the agreement, the Group receives floating interest rate based on LIBOR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P45 as at June 30, 2022.

*Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,416, US$1,036 and US$748 as at June 30 and March 31, 2022 and December 31, 2021, respectively, and with various maturities in 2022. The net positive (negative) fair value of these currency forwards amounted to P294, (P124) and P380 as at June 30 and March 31, 2022 and December 31, 2021, respectively.

*Currency Options*

The Group has outstanding currency options with an aggregate notional amount of US$798, US$1,344 and US$400 as at June 30 and March 31, 2022 and December 31, 2021, respectively, and with various maturities in 2022. The net negative fair value of these currency options amounted to P429, P69 and P7 as at June 30 and March 31, 2022 and December 31, 2021, respectively.

*Commodity Swaps*

The Group has outstanding swap agreements covering its fuel oil and coal requirements, with various maturities in 2022 and 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant price index.

The outstanding notional quantity of fuel oil were 14.3 million barrels, 21.8 million barrels and 24.6 million barrels as at June 30 and March 31, 2022 and December 31, 2021, respectively. The net negative fair value of these swaps amounted to P2,416, P1,631 and P533 as at June 30 and March 31, 2022 and December 31, 2021, respectively.

The outstanding notional quantity of coal were 189,000 metric tons, 102,000 metric tons and 96,000 metric tons as at June 30 and March 31, 2022 and December 31, 2021, respectively. The positive fair value of these swaps amounted to P946, P663 and P62 as at June 30 and March 31, 2022 and December 31, 2021, respectively.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

*Embedded Currency Forwards*
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$210, US$266 and US$260 as at June 30 and March 31, 2022 and December 31, 2021, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P478, P148 and P209 as at June 30 and March 31, 2022 and December 31, 2021, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P18,121, P5,624, P8,547 and P3,896 for the periods ended June 30, 2022 and 2021, and March 31, 2022 and 2021, respectively (Note 4).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

| | **June 30, 2022** | December 31, 2021 |
|---|---|---|
| Balance at beginning of year | **(P463)** | (P3,263) |
| Net change in fair value of derivatives: | | |
| Designated as accounting hedge | **1,112** | 1,492 |
| Not designated as accounting hedge | **(18,109)** | (9,366) |
| | **(17,460)** | (11,137) |
| Less fair value of settled instruments | **(16,957)** | (10,674) |
| Balance at end of period | **(P503)** | (P463) |

Fair Value Measurements
The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The table below analyzes financial instruments carried at fair value by valuation method:

| | **June 30, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** | Level 1 | Level 2 | Total |
| **Financial Assets** | | | | | | |
| Derivative assets | **P -** | **P4,555** | **P4,555** | P - | P1,529 | P1,529 |
| Financial assets at FVPL | **-** | **317** | **317** | - | 298 | 298 |
| Financial assets at FVOCI | **735** | **41,160** | **41,895** | 777 | 41,205 | 41,982 |
| **Financial Liabilities** | | | | | | |
| Derivative liabilities | **-** | **5,058** | **5,058** | - | 1,992 | 1,992 |

The Group has no financial instruments valued based on Level 3 as at June 30, 2022 and December 31, 2021. For the period ended June 30, 2022 and for the year ended December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

## 11. Event After the Reporting Date

**Shelf Registration of P60,000 Fixed Rate Peso-denominated Bonds by SMC Global and Issuance of P40,000 Bonds**

On July 26, 2022, SMC Global issued and listed with the Philippine Dealing & Exchange Corp. a total of P40,000 fixed rate Peso-denominated Bonds, the first tranche of the P60,000 shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

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

The proceeds from the issuance of the bonds will be used: (i) to partially finance SMC Global's investments in power-related assets, particularly Liquefied Natural Gas projects and related assets, coal power plant projects, Battery Energy Storage System and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

## 12. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P263,135 and P154,461 as at June 30, 2022 and December 31, 2021, respectively.

These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

b. There were 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.

c. There were no material changes in estimates of amounts reported in prior financial years.

d. The effects of Coronavirus Disease 2019 pandemic and Russia-Ukraine conflict in the performance of the Group for the first semester of 2022 are discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.

e. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of June 30, 2022 and December 31, 2021 for liquidity, solvency and profitability ratios and for the periods ending June 30, 2022 and 2021 for operating efficiency ratios.

| | **June 2022** | December 2021 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.23** | 1.36 |
| Quick Ratio | **0.78** | 0.88 |
| Solvency: | | |
| Debt to Equity Ratio | **2.25** | 2.01 |
| Asset to Equity Ratio | **3.25** | 3.01 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(0.15%)** | 4.09% |
| Interest Rate Coverage Ratio | **2.20** | 2.34 |
| Return on Assets | **1.80%** | 2.43% |

| | **Period Ended June 30** | |
|---|---|---|
| | **2022** | 2021 |
| Operating Efficiency: | | |
| Volume Growth | **22%** | 2% |
| Revenue Growth | **73%** | 16% |
| Operating Margin | **12%** | 15% |

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

| KPI | Formula |
|---|---|
| Current Ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ |
| Quick Ratio | $\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$ |
| Debt to Equity Ratio | $\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$ |
| Asset to Equity Ratio | $\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$ |
| Return on Average Equity | $\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$ |
| Interest Rate Coverage Ratio | $\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$ |

| | |
|---|---|
| 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 | $\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$ |

* *Annualized for quarterly reporting.*

SAN MIGUEL CORPORATION

ANNEX "B"

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

## INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended June 30, 2022 (with comparative figures as at December 31, 2021 and for the period ended June 30, 2021). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at June 30, 2022, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

## I. 2022 SIGNIFICANT TRANSACTIONS

### AVAILMENT OF LONG-TERM DEBT

### PESO TERM LOANS

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

  On various dates in 2022, SSHCI availed of a total of P10,000 million term loan from the P20,000 million term loan facility agreement executed in December 3, 2021 with various local banks. The loan is subject to a floating interest rate and will mature on January 3, 2025. The proceeds of the loan will be used for capital projects and investments.

- **Petron Corporation (Petron)**

  On May 19, June 15 and 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of Refinery's Solid Fuel-Fired Boiler Power Plant project, (b) payment of the remaining US$142 million balance of the US$1,000 million term loan facility which matured on June 28, 2022, and (c) payment of the principal amortizations of the P10,000 million loan facility and other existing loans due in July 2022. The P15,000 million term loan is divided into three P5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and 16, 2027, respectively.

### FOREIGN-CURRENCY DENOMINATED LOANS

- **SMC Global Power Holdings Corp. (SMC Global)**

  a. On January 21, 2022, SMC Global availed of a US$200 million term loan from the loan facility agreement with a foreign bank executed on September 8, 2021. Proceeds of the loan were used mainly for capital expenditures in connection with the expansion projects of SMC Global. The loan is subject to a floating interest rate and will mature on September 2024.

b. On May 24, 2022, SMC Global availed of a US$100 million term loan from the loan facility agreement with a group of foreign banks executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of the Battery Energy Storage Systems (BESS) and Liquefied Natural Gas (LNG) Projects and for general corporate requirements. The loan is subject to a floating interest rate and will mature on May 2025.

- **SMC**

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

b. On June 28, 2022, SMC availed of a US$50 million term loan from the US$700 million loan facility agreement executed on March 28, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on March 24, 2027.

**ISSUANCE OF FIXED RATE PESO-DENOMINATED BONDS**

**Issuance of P30,000 Million Fixed Rate Bonds by SMC**

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

**PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS**

- **SMC**

On March 1 and April 7, 2022, SMC paid its Series A and D Fixed Rate Peso-denominated Bonds amounting to P6,683 million and P10,000 million, respectively. The Series A Bonds which form part of the P20,000 million Series ABC Bonds and the Series D Bonds issued by SMC in 2017 also matured on their respective payment dates.

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

- **SMC Global**

On April 25, 2022, SMC Global paid its P13,845 million Series H Fixed Rate Peso-denominated Bonds which matured on the same date. The Series H Bonds, which form part of the P30,000 million Series HIJ Fixed Rate Bonds were issued in 2019 by SMC Global.

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

- **San Miguel Brewery Inc. (SMB)**

  On April 4, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds, which form part of the P20,000 million Series DEF Fixed Rate Bonds were issued in 2012 by SMB.

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

- **SMC SLEX Inc. (SMC SLEX)**

  On May 22, 2022, SMC SLEX paid its Series B Fixed Rate Peso-denominated Bonds amounting to P2,400 million, which matured on the same day. The Series B Bonds form part of the P7,300 million fixed rate bonds issued by SMC SLEX in 2015.

  The Series B Bonds were paid using internally generated funds.

**PAYMENT OF OTHER MATURING OBLIGATIONS**

During the first semester of 2022, the Group paid a total of P13,285 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Petron, Energy, Infrastructure, Packaging, Food and Beverage and SMC paid a total of P4,031 million, P3,900 million, P3,733 million, P1,447 million, P94 and P80 million, respectively, of their maturing obligations.

**EVENT AFTER THE REPORTING DATE**

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

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

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

## II. FINANCIAL PERFORMANCE

**2022 vs. 2021**

| | June | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **Amount** | **%** | **2022** | **2021** |
| | | *(In Millions)* | | | | |
| Sales | **P711,416** | P410,124 | P301,292 | 73% | **100%** | 100% |
| Cost of Sales | **587,427** | 312,595 | 274,832 | 88% | **83%** | 76% |
| Gross Profit | **123,989** | 97,529 | 26,460 | 27% | **17%** | 24% |
| Selling and Administrative Expenses | **(38,131)** | (36,513) | (1,618) | (4%) | **(5%)** | (9%) |
| Operating Income | **85,858** | 61,016 | 24,842 | 41% | **12%** | 15% |
| Interest Expense and Other Financing Charges | **(25,633)** | (23,539) | (2,094) | (9%) | **(4%)** | (6%) |
| Interest Income | **2,313** | 1,674 | 639 | 38% | **0%** | 0% |
| Equity in Net Earnings of Associates and Joint Ventures | **725** | 320 | 405 | 127% | **0%** | 0% |
| Gain on Sale of Property and Equipment | **2** | 129 | (127) | (98%) | **0%** | 0% |
| Other Charges - Net | **(32,386)** | (1,908) | (30,478) | (1597%) | **(4%)** | (0%) |
| Income Before Income Tax | **30,879** | 37,692 | (6,813) | (18%) | **4%** | 9% |
| Income Tax Expense | **11,074** | 8,122 | 2,952 | 36% | **1%** | 2% |
| Net Income | **P19,805** | P29,570 | (P9,765) | (33%) | **3%** | 7% |
| Net Income (Loss) Attributable to Equity Holders of the Parent Company | **(P1,341)** | P13,070 | (P14,411) | (110%) | **(0%)** | 3% |
| Net Income Attributable to Non-controlling Interests | **21,146** | 16,500 | 4,646 | (28%) | **3%** | 4% |
| Net Income | **P19,805** | P29,570 | (P9,765) | (33%) | **3%** | 7% |

The Group's consolidated sales for the first half of 2022 rose 73% to P711,416 million from P410,124 million of the same period last year, backed by continuous volume growth and better selling prices across all businesses.

The Group's cost of sales increased by 88% mainly due to: (a) higher cost per liter of fuel products and significant increase in sales volume of Petron, (b) higher cost of coal and higher power purchases of the Energy business, and (c) higher sales volumes and increase in prices of raw materials of the Food and Beer and Non-alcoholic Beverages (NAB) Divisions of the Food and Beverage business.

Consolidated operating income rose by 41% to P85,858 million compared to last year due significantly to the improved performance of Petron together with the sustained performance during the second quarter of the Food and Beverage, Infrastructure and Packaging businesses. This was however tempered by the impact of high coal prices for the Energy business.

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

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

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

The lower gain on sale of property and equipment was mainly due to the gain on the disposal of properties by San Miguel China Investment Co. Ltd. (SMCIC) which was recognized in 2021.

Other charges - net increased primarily due to the: (a) higher loss on foreign exchange from the revaluation of foreign-currency denominated net liabilities of the Group, as a result of the higher depreciation of the Philippine Peso against the US Dollar in June 2022, and (b) higher loss on commodity hedging, partly offset by the gain on currency hedging of Petron.

The higher income tax expense of the Group in 2022 was primarily due to the: (a) adjustment made in the first quarter of 2021 for the impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law in 2020 which reduced income tax expense by P3,607 million in the first quarter of 2021 and (b) the higher taxable income from the improved performance of Petron and the Beer and NAB division under the Food and Beverage business. This was partly offset by the recognition of deferred tax benefit by SMC from unrealized foreign exchange loss in 2022 compared to an income tax expense in 2021.

Consolidated net income amounted to P19,805 million, lower by 33% versus last year, mainly due to higher foreign exchange losses. Excluding the effect of foreign exchange movement this year and the impact of CREATE Law for 2020 reflected in 2021, consolidated net income would have been P32,489 million, 24% higher than the comparable amount last year.

The share of non-controlling interests (NCI) on the Group's net income increased in the first semester of 2022 compared to the same period in 2020 mainly due to the higher net income of Petron and the Food and Beverage business and higher amount of distribution on SMC Global's Senior Perpetual Capital Securities (SPCS).

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

## 1) FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) for the first half posted consolidated sales of P172,122 million, a 17% increase over the same period last year, mainly driven by volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income reached P26,567 million, 15% higher than the same period in 2021. Net income rose 8% to P18,758 million.

### a) Beer and NAB Division

SMB's first half volumes rose 11% reaching 108.2 million cases, mainly driven by the positive impact of relaxed mobility, and rapid reopening of markets in both domestic and international operations. Consolidated sales amounted to P64,985 million, up 20% from the same period last year.

Operating income and net income ended at P14,726 million and P10,656 million, higher by 22% and 12% from the same period of the previous year, respectively.

**Domestic Operations**
Domestic operation's volumes for the first six months ended at 95.9 million cases, up 10% on the back of more relaxed restrictions and expanded mobility beginning end of March, paving the way to the reopening of on-premise and penetration outlets. The second quarter saw a big recovery, posting 28% growth versus the 6% decline in the first quarter.

Sales and operating income amounted to P58,409 million and P13,652 million, 18% and 19% higher from last year, respectively.

Increase in outdoor activities of consumers, volume generating activities in traditional and modern trade channels further boosted sales. This was supported by the continued new thematic campaigns from core brands such as Pale Pilsen's *"Beer Call Tawanan Special"* television episodes, backed by the ongoing *"Gintong Dagat"* and *"Beer Call"* campaigns and new digital materials for *"Sarap Laging Kasama",* Red Horse' sustained airing of *"Guzzle"* and *"Spirit Horse"* campaigns, with a new campaign for entry point drinkers called *"Una",* and San Mig Light's newly released *"Speakeasy"* podcast episodes supported by ongoing *"Bright Side"* campaign and online content buckets.

**International Operations**
International operations meanwhile continue to record robust performance during the first six months of the year, with volumes posting 24% growth. Consistent volume gains were recorded from Thailand, Indonesia and Export businesses, while Hong Kong, South China and Vietnam continue to face challenges.

**b) Spirits Division**

Ginebra San Miguel Inc. (GSMI) sustained its consistent growth during the first half of the year. Consolidated sales reached P23,148 million, 14% higher than the same period last year. This was achieved by higher volumes which ended at 22 million cases, 9% better than last year's level, mainly driven by on-ground selling efforts and GSMI's successful *"Hanggang Huling Patak"* thematic campaign which continue to resonate well with consumers, and GSM Blue's ongoing *"Choose What's True"*, coupled with Vino Kulafu's *"Kusog Kulafu Buenas Grasya"* consumer promo.

While challenged by logistics and material cost hikes, operating income grew 25% to P3,271 million, helped by higher selling price, better operational efficiencies and fixed cost management. Net income amounted to P2,483 million, 19% higher from same period in 2021.

**c) Food Division**

The Food division sustained its topline performance during the first six months of 2022, posting consolidated revenues of P83,993 million, growing by 16% versus the previous year's comparative period despite a very challenging environment. Rising raw material costs triggered by supply chain constraints made it imperative to increase prices, yet volumes in most businesses continued to post growth.

Topline gains mitigated the impact of skyrocketing costs of raw materials, fuel and power, and were supported by cost containment measures and optimum utilization of company owned facilities. Thus, operating income amounted to P8,610 million, surpassing last year's performance by 3%. This was brought about by a 16% improvement during the second quarter compared to the 8% decline in the first quarter.

Net income stood at P6,052 million, down 2% compared to last year's level, largely affected by the impact of peso depreciation, as well as interest expenses related to its expansion projects.

The Animal Nutrition and Health segment posted revenues of P21,045 million, 31% higher than the first half last year, on account of sustained volume growth and higher selling prices. While global commodity supplies remained tight and drove raw material costs to unprecedented highs, internal supply flexibility and a commitment to maintain quality feeds through new company owned facilities, allowed the business to protect and expand market share.

The Protein segment, consisting of Poultry and Meats businesses, delivered revenues of P34,223 million, up 3% from last year. Poultry's sales grew 7% from same period last year, driven by record high selling prices triggered by a tight supply situation. A confluence of factors such as erratic weather conditions and a longer growing period led to shortage of chicken supply in June, while the reopening of the economy triggered a surge in demand, specifically in food service. Available supply was channeled to Magnolia branded chicken to protect share while also promoting the *Timplados* line of marinated chicken to enhance sales mix. Meats revenues meanwhile remained lower given the deliberate move to downsize hog operations due to the African Swine Fever.

Prepared and Packaged Food segment's consolidated sales grew by 13% to P21,369 million from same period in 2021, mainly driven by consistent growth from the processed meats business led by its flagship products - *Tender Juicy* Hotdogs, *Purefoods* Chicken Nuggets, *Purefoods* Native Line, *Veega* and its canned products. Magnolia dairy, spreads and Coffee also saw a strong rebound during the second quarter.

The Flour segment sustained its strong revenue delivery posting a 48% growth at P8,171 million versus the same period last year. Volume achievement was notable in spite of considerable price increase implemented to recover the high cost of wheat.

**2) PACKAGING**

The Packaging business maintained its growth momentum during the first six months of the year as consolidated sales rose 10%, at P16,080 million. This was driven by better performances from its metal crowns, cans, plastics, logistics services and beverage filling operations on the back of sustained volumes from food and beverage companies, coupled with high packaging requirements from its Malaysia, Australia and New Zealand markets.

With this, operating income ended at P959 million, 56% higher compared to the same period last year.

**3) ENERGY**

SMC Global's offtake volumes for the first half of 2022 reached 14,336 gigawatt hours (Gwh), a 6% growth versus same period last year mainly driven by improvements in Manila Electric Company (Meralco) nominations, increase in demand from distribution utilities and contestable customers, and the commencement of its 20MW Kabankalan BESS' commercial operations. Consolidated sales grew 70% to P102,581 million, from P60,279 million in the previous year mainly brought about by the increase in average bilateral rates attributable to higher fuel prices driven by rising coal prices as well as improvement in offtake volumes.

As coal prices continue to remain high, power purchases cost also increased during the period due to exposure to high Wholesale Electricity Spot Market (WESM) prices, particularly in

January when there were simultaneous multiple plant shutdowns in Luzon and the deration of Ilijan Power Plant due to gas supply restriction and its shutdown for inspection, minor repairs and upgrades following the expiration of the IPPA Agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) last June 4, 2022. In addition, SMC Global also has absorbed the significant increase in coal prices. Consequently, operating income declined by 26% to P12,750 million from last year's P17,158 million.

With lower margin and recognition of foreign exchange losses, SMC Global incurred a net loss of P1,880 million, behind by 115% from the previous year.

**4) FUEL AND OIL**

Petron continues its strong performance in the first half of the year posting higher sales amounting to P398,517 million, surpassing last year's P174,131 million by 129%. Consolidated sales volume from its Philippine and Malaysian operations grew 34% to 51.4 million barrels on the back of strong recovery in demand and fading pandemic concerns. Sales volumes grew across all trades, with commercial sales posting the highest increase as more industries, including aviation travel, rebounded from the impacts of the pandemic. Petron's retail business also grew by almost 30% driven by strong sales of its premium gasoline and diesel fuels. In addition, sales of lubricant products, Jet-A1, liquefied petroleum gas, and petrochemicals similarly showed strong growth compared to the same period last year.

From January to June, Dubai crude oil prices averaged US$102.00 per barrel as supply concerns persisted due to geopolitical conflicts.

Refining margins and subsequently finished product prices, likewise surged in the second quarter as Petron increased production from the refinery. This is combined with significant improvements from its Malaysian operations. Gains however were partly offset by lower marketing margins resulting from escalating price competition in the market. In addition, higher financing costs were incurred due to increase in working capital requirements.

Operating income grew 79% to P16,016 million while net income doubled to P7,706 million compared to last year's P3,873 million. This has already surpassed full year 2021 profit.

**5) INFRASTRUCTURE**

The Infrastructure business' traffic volumes grew 37% in the first half, as travel and mobility are almost at pre-pandemic level and outdoor activities increased since the end of March. With this, consolidated revenues ended at P13,425 million, 58% higher than last year's levels.

Operating income rose by 160% to P6,018 million, as a result of sustained double-digit volume growth of all operating toll roads and better margins.

**2021 vs. 2020**

| | June | | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **Amount** | **%** | **2021** | **2020** |
| | | *(In Millions)* | | | | |
| Sales | **P410,124** | P352,796 | P57,328 | 16% | **100%** | 100% |
| Cost of Sales | **312,595** | 299,682 | 12,913 | 4% | **76%** | 85% |
| Gross Profit | **97,529** | 53,114 | 44,415 | 84% | **24%** | 15% |
| Selling and Administrative Expenses | **(36,513)** | (38,186) | 1,673 | 4% | **(9%)** | (11%) |
| Operating Income | **61,016** | 14,928 | 46,088 | 309% | **15%** | 4% |
| Interest Expense and Other Financing Charges | **(23,539)** | (26,571) | 3,032 | 11% | **(6%)** | (8%) |
| Interest Income | **1,674** | 3,794 | (2,120) | (56%) | **0%** | 1% |
| Equity in Net Earnings (Losses) of Associates and Joint Ventures | **320** | (54) | 374 | 693% | **0%** | (0%) |
| Gain (Loss) on Sale of Property and Equipment | **129** | (404) | 533 | 132% | **0%** | (0%) |
| Other Income (Charges) - Net | **(1,908)** | 6,309 | (8,217) | (130%) | **(0%)** | 2% |
| Income (Loss) Before Income Tax | **37,692** | (1,998) | 36,690 | 1986% | **9%** | (1%) |
| Income Tax Expense | **8,122** | 1,990 | 6,132 | 308% | **2%** | 0% |
| Net Income (Loss) | **P29,570** | (P3,988) | P33,558 | 841% | **7%** | (1%) |
| Net Income (Loss) Attributable to Equity Holders of the Parent Company | **P13,070** | (P7,593) | P20,663 | 272% | **3%** | (2%) |
| Net Income Attributable to Non-controlling Interests | **16,500** | 3,605 | 12,895 | 358% | **4%** | 1% |
| Net Income (Loss) | **P29,570** | (P3,988) | P33,588 | 841% | **7%** | (1%) |

The Group's consolidated sales increased by 16% for the first semester of 2021, at P410,124 million mainly driven by higher sales from Petron and the Energy business combined with higher volumes, favorable selling prices and better sales mix of the Food and Beverage business.

Consolidated gross profit increased by 84% to P97,529 million in the first semester of 2021 compared to P53,114 million of the same period in 2020 mainly attributable to the turnaround of Petron to a gross profit in 2021 from a gross loss in 2020. Dubai crude prices significantly improved from an average of US$50 per barrel in December 2020 to an average of US$72 per barrel in June 2021, resulting to net inventory gains in 2021 compared to substantial inventory losses in 2020. The resumption of Bataan refinery operations at the back of favorable prices also contributed to the improved performance of Petron. The increase in the Group's gross profit was also attributable to the higher sales of the Food and Beverage business.

Consolidated operating income surged by 309% to P61,016 million, from the comparable period in 2020 of P14,928 million brought about by improved margins, effective Group-wide cost savings initiatives and continuous improvement in operational efficiencies.

The decrease in interest expense and other financing charges was mainly due to the lower average interest rate and borrowing level of Petron and SMC.

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 (losses) of associates and joint ventures was mainly due to the lower share in the net loss of Angat Hydro and higher share in the net income of MNHPI. The increase was partly offset by the share in the net income of Northern Cement Corporation (NCC) in 2020.

The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by SMCIC. The loss in 2020 mainly represents the retirement by San Miguel Yamamura Packaging Corporation of the fixed assets in its Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020. The loss represents a 7% addition in the Group’s total net loss for the first semester of 2020.

Other charges - net in 2021 was mainly due to the commodity hedging loss of Petron, partly offset by San Miguel Energy Corporation’s recognition of income from PSALM fixed fee reduction for the extended outages of Sual Power Plant’s Units 1 and 2. Other income - net in 2020 consists mainly of the 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 the gain on foreign exchange from the revaluation of foreign-currency denominated net liabilities of the Group.

The increase in income tax expense was due to higher income tax expense of the Group in 2021 as a result of the turnaround of Petron resulting to an income tax expense in June 2021 compared to income tax benefit in the same period of 2020. The increase was also due to the higher taxable income of the Food and Beverage business. This was partly offset by the impact of the adoption of CREATE Law in 2021 and 2020, which reduced income tax rate from 30% to 25%.

The Group has sustained its growth momentum throughout the first six months of 2021, registering a net income of P29,570 million, 841% higher and a significant turnaround from the P3,988 million net loss in the same period of 2020, as all major businesses posted robust recoveries amid the continuing Coronavirus Disease 2019 restrictions nationwide.

The share of NCI on the Group's net income increased in the first semester of 2021 compared to the same period in 2020 mainly due to the: (a) net income of Petron in 2021 compared to net loss in 2020, (b) higher net income of the Food and Beverage business, and (c) 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 generated consolidated sales of P146,791 million in the first half of 2021, a 20% improvement from P122,815 million of the same period in 2020, on account of continuous volume improvements and better selling prices from the Food and Beer and NAB divisions and sustained all-time high volumes from the Spirits division.

Consolidated operating income rose 103% to P23,042 million, while net income grew by 137% to P17,363 million.

**a) Beer and NAB Division**

SMB posted a strong volume growth in the second quarter of 2021, resulting in a 15% increase in consolidated volumes to 97.4 million cases for the first half of 2021. Correspondingly, consolidated revenues grew 27% to P54,332 million.

Combined with effective cost management initiatives, operating income grew 64% to P12,077 million. Net income rose 89% to P9,507 million.

**Domestic Operations**

Domestic operations registered a very encouraging second quarter in 2021, posting almost 82% volume growth versus same period in 2020, reversing its 13% volume decline in the first quarter of 2021. This led volumes for first half of 2021 to grow 16% to 87.5 million cases, despite the ongoing various community lockdowns and liquor bans throughout the National Capital Region and neighboring provinces and stricter quarantine protocols from end-March to mid-May of 2021. Revenues amounted to P49,422 million, up 29% while operating income grew 60% to P11,450 million versus the comparable period in 2020.

Marketing campaigns such as "*Beer Call Muna Tayo*" for SMB Pale Pilsen, "*Lakas*" for Red Horse and "*Imagine*" for San Mig Light boosted sales further, pushed further by penetration programs which helped drive Domestic Operations' topline sales and likewise protected market share.

**International Operations**

International operations likewise posted higher revenues in the first half of 2021, mainly driven by higher volumes particularly in Indonesia, South China and the Exports business. Average net selling prices also improved on account of favorable product and channel mix. Operating income also grew 230% from the comparable period in 2020.

**b) Spirits Division**

GSMI further solidified its growth momentum with domestic volumes reaching 20.1 million cases, surpassing first half of 2020 level by 21%. Consolidated revenues were likewise up 36% to P20,228 million. GSMI continued its focus on delivering relevant marketing campaigns and consumer promos, expanding distribution, and sustaining efficiencies across its supply chain.

Consolidated operating income rose by 45% in the first half of 2021 to P2,614 million, while net income ended at P2,087 million, a 66% improvement from the comparable period in 2020.

### c) Food Division

The Food division delivered a strong first half in 2021, posting consolidated revenues of P72,236 million, an 11% increase from the same period in 2020. Growth was driven by the robust performance of the Protein and Animal Health and Nutrition segments boosted by positive pricing and volume gains.

Consolidated operating income grew 272% to P8,359 million from 2020.

The Protein segment, comprised of the Magnolia Chicken and Monterey Meats businesses, sustained its strong recovery with revenues accelerating by 20% to P33,104 million in the first half of 2021. Volumes grew as supermarkets and lechon manok outlets maintained normal operations. Sales to food service accounts have also increased since the re-opening of more than 90% of food service outlets. Moreover, incremental sales from community resellers continued, contributing average daily sales of 185 Metric Tons, 15-fold increase from the start of the program in April 2020. Meanwhile, favorable chicken prices continued to enhance poultry revenues, with average selling prices tracking above pre-pandemic levels.

The Animal Nutrition and Health segment sustained its growth trend as revenues grew 11% to P16,101 million, owing to strong demand for free-range fowl, layer feeds and duck and aquatic feeds. Volumes continued to grow double digit levels which was boosted by increased breeding activities of free-range fowl, launch of Integra 3000 Plus and increased requirements from directly served farm accounts. This was further fueled by aggressive market penetration efforts, market share grab from competition and superior product quality from the new feedmills.

The Prepared and Packaged Food segment's consolidated revenues of P18,979 million was relatively flat for the first half of 2021 versus 2020, following pantry loading induced growth in 2020. Nevertheless, *Tender Juicy* hotdogs continued to grow double-digit while total industry volume of hotdogs declined. Other categories such as nuggets, native line and bacon also experienced growth vis-à-vis the industry during the period. Meanwhile, dairy products sales declined due to lesser home baking occasions, as consumers returned to work, softening demand for butter, margarine and cheese. Leading brands, Magnolia butter, Star margarine, Dari Crème, Cheezee and Magnolia pancake mixes however continued to deliver growth as compared to declining industry volumes based on Nielsen's 2021 data.

The Flour segment maintained its growth momentum, registering revenues of P5,517 million, up by 9% as dealers sustained double-digit sales growth, mainly driven by new accounts and recovery in existing customers' operations.

## 2) PACKAGING

The Packaging business' consolidated revenues for the first half of 2021 totaled P14,617 million, slightly higher than P14,512 million reported in the same period of 2020 which was lifted by higher sales from the Metal crown, two-piece aluminum cans and flexibles businesses offset by reduced sales from the glass and plastics businesses due to lower demand from key beverage customers and challenges in Australia, Malaysia and Vietnam which again imposed lockdowns in June 2021.

Operating income amounted to P614 million for the first six months of 2021, a notable improvement of 93% versus the P318 million from the same period in 2020, primarily due to focus on cost reduction and rationalization of workforce initiatives.

## 3) ENERGY

SMC Global recorded off-take volumes of 13,552 Gwh and consolidated revenues amounting to P60,279 million in the first half of 2021, both representing a 5% growth over the same period in 2020, driven by higher spot volumes and improved nominations from customers.

Operating income declined 5% to P17,158 million due to higher purchase volumes resulting from gas supply restrictions for the Ilijan Power Plant and outages in the Sual Power Plant. Net income rose 35% to P12,219 million.

## 4) FUEL AND OIL

Petron achieved a consolidated net income of P3,873 million in the first half of 2021, an outstanding improvement from the P14,236 million net loss reported in the same period of 2020. With continued price recovery, consolidated revenues rose 14% to P174,131 million. Consolidated sales volumes were still down by 7% to 38.9 million barrels from 41.9 million barrels in 2020, as fuel consumption in the commercial sector, particularly the aviation industry, remained restrained.

Consolidated operating income increased by 162% to P8,948 million from a loss of P14,543 million in 2020. Domestic operations contributed P5,595 million, while Malaysia was at P3,353 million.

## 5) INFRASTRUCTURE

The Infrastructure business generated revenues of P8,485 million for the first half of 2021, up 27% from 2020. Average daily traffic flow in all operating toll roads continue to improve. Operating income grew 144% to P2,319 million.

The Skyway Stage 3 project, which was opened to the public on January 14, 2021 started collecting toll fees only on July 12, 2021.

## III. FINANCIAL POSITION

**2022 vs. 2021**

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Amount | % | **2022** | 2021 |
| | | *(In Millions)* | | | | |
| Cash and cash equivalents | **P302,944** | P300,030 | P2,914 | 1% | **14%** | 15% |
| Trade and other receivables - net | **222,189** | 161,808 | 60,381 | 37% | **10%** | 8% |
| Inventories | **183,802** | 141,209 | 42,593 | 30% | **8%** | 7% |
| Current portion of biological assets - net | **3,405** | 3,106 | 299 | 10% | **0%** | 0% |
| Prepaid expenses and other current assets | **119,028** | 108,689 | 10,339 | 10% | **5%** | 5% |
| **Total Current Assets** | **831,368** | 714,842 | 116,526 | 16% | **37%** | 35% |
| Investments and advances - net | **57,293** | 55,002 | 2,291 | 4% | **3%** | 3% |
| Investments in equity and debt instruments | **42,028** | 41,966 | 62 | 0% | **2%** | 2% |
| Property, plant and equipment - net | **645,000** | 567,609 | 77,391 | 14% | **29%** | 28% |
| Right-of-use assets - net | **114,055** | 163,364 | (49,309) | (30%) | **5%** | 8% |
| Investment property - net | **70,627** | 69,825 | 802 | 1% | **3%** | 3% |
| Biological assets - net of current portion | **2,592** | 2,244 | 348 | 16% | **0%** | 0% |
| Goodwill - net | **130,492** | 130,081 | 411 | 0% | **6%** | 6% |
| Other intangible assets - net | **209,078** | 190,979 | 18,099 | 9% | **9%** | 9% |
| Deferred tax assets | **19,295** | 17,141 | 2,154 | 13% | **1%** | 1% |
| Other noncurrent assets - net | **100,073** | 98,600 | 1,473 | 1% | **5%** | 5% |
| **Total Noncurrent Assets** | **1,390,533** | 1,336,811 | 53,722 | 4% | **63%** | 65% |
| **Total Assets** | **P2,221,901** | P2,051,653 | P170,248 | 8% | **100%** | 100% |
| Loans payable | **P242,147** | P190,779 | P51,368 | 27% | **11%** | 9% |
| Accounts payable and accrued expenses | **243,347** | 194,579 | 48,768 | 25% | **11%** | 10% |
| Lease liabilities - current portion | **20,204** | 23,423 | (3,219) | (14%) | **1%** | 1% |
| Income and other taxes payable | **33,251** | 23,102 | 10,149 | 44% | **1%** | 1% |
| Dividends payable | **4,261** | 4,296 | (35) | (1%) | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue cost | **133,193** | 88,857 | 44,336 | 50% | **6%** | 4% |
| **Total Current Liabilities** | **676,403** | 525,036 | 151,367 | 29% | **30%** | 25% |

*Forward*

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Amount | % | **2022** | 2021 |
| | | *(In Millions)* | | | | |
| Long-term debt - net of current maturities and debt issue costs | **P747,909** | P725,108 | P22,801 | 3% | **34%** | 35% |
| Lease liabilities - net of current portion | **63,886** | 71,569 | (7,683) | (11%) | **3%** | 4% |
| Deferred tax liabilities | **30,653** | 28,742 | 1,911 | 7% | **1%** | 1% |
| Other noncurrent liabilities | **20,387** | 19,959 | 428 | 2% | **1%** | 2% |
| **Total Noncurrent Liabilities** | **862,835** | 845,378 | 17,457 | 2% | **39%** | 42% |
| Capital stock - common | **P16,443** | P16,443 | - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **0%** | 0% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **8%** | 9% |
| Capital securities | **28,171** | 28,171 | - | 0% | **1%** | 1% |
| Equity reserves | **15,577** | 14,136 | 1,441 | 10% | **1%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **63,437** | 66,630 | (3,193) | (5%) | **3%** | 3% |
| Unappropriated | **154,383** | 157,707 | (3,324) | (2%) | **7%** | 8% |
| Treasury stock | **(144,363)** | (144,363) | - | 0% | **(6%)** | (7%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **321,554** | 326,630 | (5,076) | (2%) | **15%** | 16% |
| Non-controlling Interests | **361,109** | 354,609 | 6,500 | 2% | **16%** | 17% |
| **Total Equity** | **682,663** | 681,239 | 1,424 | 0% | **31%** | 33% |
| **Total Liabilities and Equity** | **P2,221,901** | P2,051,653 | P170,248 | 8% | **100%** | 100% |

Consolidated total assets as at June 30, 2022 amounted to about P2,221,901 million, P170,248 million higher than December 31, 2021. The increase was primarily due to higher balance of trade and other receivables, inventories, property, plant and equipment and other intangible assets, partly offset by the decrease in right-of-use assets.

The increase in trade and other receivables - net by P60,381 million was mainly attributable to the higher receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia and higher trade customer balances of Petron and the Energy business.

The increase in inventories by P42,593 million was mainly due to the: (a) higher prices of both crude oil and finished products of Petron and higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P647 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P10,339 million was primarily due to the: (a) additional restricted cash funding for the payment of long-term debt of Energy and Infrastructure businesses, (b) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron, and (c) higher input taxes of the Energy business from vatable purchases for the period.

The increase in property, plant and equipment by P77,391 million and the decrease in right-of-use assets of P49,309 million were mainly due to the reclassification by South Premiere Power Corporation (SPPC) of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with PSALM and subsequent acquisition in June 2022, including direct attributable costs. The increase in property, plant and equipment was also due to the costs of the ongoing projects of the Energy and Cement businesses and the Food and Beer and NAB divisions of the Food and Beverage business.

The increase in other intangible assets by P18,099 million was mainly due to additions to concession rights for the MIA Project and the costs of the various ongoing projects of the Infrastructure business, partly offset by the total amortization for the period.

The increase in deferred tax assets by P2,154 million was mainly due to the recognition by SMC of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign-currency denominated long-term debt.

The increase in loans payable by P51,368 million was mainly due to the net availment by Petron for working capital requirements and SMC Global for the payment of Series H Bonds and general corporate requirements.

The increase in accounts payable and accrued expenses by P48,768 million was mainly due to: (a) higher liabilities for crude oil and petroleum products of Petron and purchases of power and coal of Energy business on account of the increase in prices as at June 30, 2022 versus December 31, 2021, and (b) higher outstanding liabilities to contractors and vendors for services purchased by Petron.

The increase in income and other taxes payable by P10,149 million was mainly due to higher Value Added Tax and withholding tax payable of the Energy business, higher excise tax liability of Petron Philippines and higher taxable income of Petron Malaysia.

The increase in total long-term debt, net of debt issue costs by P67,137 million was primarily due to the issuance of P30,000 million fixed rate Peso-denominated bonds by SMC, availment of Peso and foreign term loans and translation adjustments by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds of SMC, SMC Global and SMC SLEX and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P10,902 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized for the period by the Energy business' entities under the IPPA Agreements.

The increase in deferred tax liabilities by P1,911 million was mainly 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.

The increase in equity reserves by P1,441 million pertains mainly to the currency translation adjustments for the period resulting from the depreciation of the Philippine Peso against the US Dollar.

The decrease in appropriated retained earnings by P3,193 million was due to the reversal of appropriation by SMB for the payment of Series F Bonds which matured in April 2022 and SPPC for the portion of paid fixed monthly payments to PSALM. The decrease was partly offset by the appropriation by SMC Shipping and Lighterage Corporation for the acquisition of new bulk carriers and vessel.

**2021 vs. 2020**

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | Amount | % | **2021** | 2020 |
| | | *(In Millions)* | | | | |
| Cash and cash equivalents | **P347,112** | P347,209 | (P97) | (0%) | **18%** | 18% |
| Trade and other receivables - net | **127,869** | 124,369 | 3,500 | 3% | **6%** | 7% |
| Inventories | **115,408** | 102,822 | 12,586 | 12% | **6%** | 5% |
| Current portion of biological assets - net | **3,428** | 3,401 | 27 | 1% | **0%** | 0% |
| Prepaid expenses and other current assets | **96,041** | 94,610 | 1,431 | 2% | **5%** | 5% |
| **Total Current Assets** | **689,858** | 672,411 | 17,447 | 3% | **35%** | 35% |
| Investments and advances - net | **49,225** | 50,495 | (1,270) | (3%) | **3%** | 3% |
| Investments in equity and debt instruments | **41,787** | 41,766 | 21 | 0% | **2%** | 2% |
| Property, plant and equipment - net | **529,551** | 511,624 | 17,927 | 4% | **27%** | 27% |
| Right-of-use assets - net | **166,501** | 169,208 | (2,707) | (2%) | **9%** | 9% |
| Investment property - net | **67,739** | 60,678 | 7,061 | 12% | **3%** | 3% |
| Biological assets - net of current portion | **2,060** | 2,352 | (292) | (12%) | **0%** | 0% |
| Goodwill - net | **129,651** | 129,733 | (82) | (0%) | **7%** | 7% |
| Other intangible assets - net | **172,965** | 169,532 | 3,433 | 2% | **9%** | 9% |
| Deferred tax assets | **17,251** | 20,946 | (3,695) | (18%) | **1%** | 1% |
| Other noncurrent assets - net | **86,120** | 83,462 | 2,658 | 3% | **4%** | 4% |
| **Total Noncurrent Assets** | **1,262,850** | 1,239,796 | 23,054 | 2% | **65%** | 65% |
| **Total Assets** | **P1,952,708** | P1,912,207 | P40,501 | 2% | **100%** | 100% |
| Loans payable | **P161,356** | P140,645 | P20,711 | 15% | **8%** | 8% |
| Accounts payable and accrued expenses | **156,340** | 153,249 | 3,091 | 2% | **8%** | 8% |
| Lease liabilities - current portion | **26,722** | 25,759 | 963 | 4% | **1%** | 1% |
| Income and other taxes payable | **19,774** | 20,998 | (1,224) | (6%) | **1%** | 1% |
| Dividends payable | **4,282** | 4,231 | 51 | 1% | **0%** | 0% |
| Current maturities of long-term debt - net of debt issue cost | **90,895** | 74,502 | 16,393 | 22% | **5%** | 4% |
| **Total Current Liabilities** | **459,369** | 419,384 | 39,985 | 10% | **23%** | 22% |

*Forward*

| | June | December | Horizontal Analysis Increase (Decrease) | | Vertical Analysis | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | Amount | % | **2021** | 2020 |
| | | *(In Millions)* | | | | |
| Long-term debt - net of current maturities and debt issue costs | **P659,641** | P692,407 | (P32,766) | (5%) | **34%** | 36% |
| Lease liabilities - net of current portion | **78,741** | 91,278 | (12,537) | (14%) | **4%** | 5% |
| Deferred tax liabilities | **26,238** | 27,749 | (1,511) | (5%) | **1%** | 2% |
| Other noncurrent liabilities | **26,784** | 26,301 | 483 | 2% | **2%** | 1% |
| **Total Noncurrent Liabilities** | **791,404** | 837,735 | (46,331) | (6%) | **41%** | 44% |
| Capital stock - common | **16,443** | 16,443 | - | 0% | **1%** | 1% |
| Capital stock - preferred | **10,187** | 10,187 | - | 0% | **1%** | 1% |
| Additional paid-in capital | **177,719** | 177,719 | - | 0% | **9%** | 9% |
| Capital securities | **28,171** | 28,171 | - | 0% | **1%** | 1% |
| Equity reserves | **8,864** | 10,131 | (1,267) | (13%) | **1%** | 1% |
| Retained earnings: | | | | | | |
| Appropriated | **68,263** | 60,155 | 8,108 | 13% | **3%** | 3% |
| Unappropriated | **160,954** | 162,204 | (1,250) | (1%) | **8%** | 8% |
| Treasury stock | **(115,146)** | (110,146) | (5,000) | (5%) | **(6%)** | (6%) |
| **Equity Attributable to** Equity Holders of the Parent Company | **355,455** | 354,864 | 591 | 0% | **18%** | 18% |
| Non-controlling Interests | **346,480** | 300,224 | 46,256 | 15% | **18%** | 16% |
| **Total Equity** | **701,935** | 655,088 | 46,847 | 7% | **36%** | 34% |
| **Total Liabilities and Equity** | **P1,952,708** | P1,912,207 | P40,501 | 2% | **100%** | 100% |

Consolidated total assets as at June 30, 2021 amounted to about P1,952,708 million, P40,501 million or 2% higher than December 31, 2020. The slight increase was primarily due to increase in inventories, property, plant and equipment and investment property.

The increase in inventories by P12,586 million was due to higher prices of crude oil and finished products of Petron Philippines and Malaysia offset by the lower volume of Petron Philippines.

The increase in investment property by P7,061 million was mainly due to the acquisition of various properties by San Miguel Properties, Inc. and San Miguel Holdings Corp.

The decrease in total biological assets by P265 million was mainly due to the decrease in poultry inventory caused by the amortization of farms already in the laying stage and lower unit cost for newly loaded flocks.

The decrease in deferred tax assets by P3,695 million was mainly due to the lower income tax rates on net operating loss carry-over, allowance for impairment of receivables and inventory losses and unrealized gross profit and foreign exchange losses as a result of the implementation of CREATE Law.

The increase in loans payable by P20,711 million was mainly due to the net availments by SMC and Petron for general corporate requirements and refinancing of long-term debt.

The decrease in income and other taxes payable by P1,224 million was mainly due to the lower income tax payable of the Beer and NAB division under the Food and Beverage business as a result of lower taxable income in June 2021 versus December 2020 coupled with the decrease in income tax rate from 30% to 25%.

The decrease in total long-term debt, net of debt issue costs, by P16,373 million was mainly due to (a) prepayment of the remaining US$516 million out of the US$800 million Notes by SMC, (b) prepayment of a total of US$371 million term loans by Petron, and (c) payment of maturing obligations by the Energy business and Petron. This was partly offset by the (d) total drawdown of P12,900 million long-term corporate notes by SMC Tollways Corporation, (e) availment of P5,000 million and a total of US$150 million term loans by SMC Global, and (f) drawdown of P7,075 million term loan by San Miguel Northern Cement, Inc. which was subsequently transferred to NCC following the merger on July 1, 2021.

The decrease in deferred tax liabilities by P1,511 million was mainly attributable to the reduction of applicable tax rates as a result of the implementation of the CREATE Law partly offset by the upward movement of temporary differences arising from finance lease-related expenses recognized by the Energy business' entities under the IPPA Agreements.

The decrease in total lease liabilities by P11,574 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by P1,267 million was mainly due to the redemption of the US$300 million Undated Subordinated Capital Securities (USCS) by SMC Global and the impact of the CREATE Law on the Group's deferred tax on reserve for retirement plan.

The increase in appropriated retained earnings by P8,108 million was mainly due to the appropriation for the period by (a) SSHCI to fund the construction of the SLEX Toll Road 4 project, (b) SMC SLEX for funding of capital expenditures, and (c) Magnolia, Inc. to fund its Butter, Margarine and Cheese Plant expansion projects, net of Petron's reversal of appropriation for capital projects that were already completed.

The increase in treasury stock by P5,000 million represents the redemption by SMC of the Subseries "2-G" Preferred Shares.

The increase in NCI by P46,256 million was mainly due to the (a) issuance of US$600 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 by the redemption by SMC Global of its US$300 million USCS.

## IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

| *(In millions)* | **June 30** | |
|---|---|---|
| | **2022** | 2021 |
| Net cash flows provided by operating activities | **P7,072** | P36,320 |
| Net cash flows used in investing activities | **(65,915)** | (41,610) |
| Net cash flows provided by financing activities | **53,195** | 2,313 |

Net cash flows provided by operating activities for the period 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 included the following:

| *(In millions)* | **June 30** | |
|---|---|---|
| | **2022** | 2021 |
| Additions to property, plant and equipment | **(P33,465)** | (P27,205) |
| Additions to intangible assets | **(19,881)** | (4,800) |
| Increase in other noncurrent assets and others | **(6,971)** | (763) |
| Additions to advances to contractors and suppliers | **(5,140)** | (6,674) |
| Additions to investments and advances | **(1,529)** | (1,111) |
| Additions to investment property | **(1,523)** | (3,846) |
| Additions to investments in equity and debt instruments | **(479)** | (145) |
| Interest received | **1,628** | 1,454 |
| Dividends received | **1,049** | 544 |
| Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of | **307** | **-** |
| Proceeds from sale of property and equipment | **89** | 936 |

Net cash flows provided by (used in) financing activities included the following:

| *(In millions)* | **June 30** | |
|---|---|---|
| | **2022** | 2021 |
| Proceeds from short-term loans - net | **P50,328** | P20,755 |
| Proceeds from (payment of) long-term debt - net | **39,871** | (21,862) |
| Payment of cash dividends and distributions | **(20,008)** | (18,309) |
| Payment of lease liabilities | **(15,976)** | (12,990) |
| Net proceeds from issuance of capital securities of subsidiaries | **-** | 54,550 |
| Redemption of capital securities of a subsidiary | **-** | (14,582) |
| Redemption of preferred shares | **-** | (5,000) |

The effect of exchange rate changes on cash and cash equivalents amounted to P8,562 million and P2,880 million in June 2022 and 2021, respectively.

## 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" for the discussion of certain Key Performance Indicators.

| | **June 2022** | December 2021 |
|---|---|---|
| Liquidity: | | |
| Current Ratio | **1.23** | 1.36 |
| Quick Ratio | **0.78** | 0.88 |
| Solvency: | | |
| Debt to Equity Ratio | **2.25** | 2.01 |
| Asset to Equity Ratio | **3.25** | 3.01 |
| Profitability: | | |
| Return on Average Equity Attributable to Equity Holders of the Parent Company | **(0.15%)** | 4.09% |
| Interest Rate Coverage Ratio | **2.20** | 2.34 |
| Return on Assets | **1.80%** | 2.43% |

| | **Period Ended June 30** | |
|---|---|---|
| | **2022** | 2021 |
| Operating Efficiency: | | |
| Volume Growth | **22%** | 2% |
| Revenue Growth | **73%** | 16% |
| Operating Margin | **12%** | 15% |

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 | $\dfrac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$ |

| KPI | Formula |
|---|---|
| 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 | $\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$ |

* *Annualized for quarterly reporting.*

## VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P263,135 million and P154,461 million as at June 30, 2022 and December 31, 2021, respectively.

These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

b. 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.

c. 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.

d. There were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 43 (a) of the 2021 Audited Consolidated Financial Statements, that remain outstanding as at June 30, 2022. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

e. 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, except those discussed in Item II - Financial Performance.

f. There are no significant elements of income or loss that did not arise from continuing operations.

g. 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.

h. 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.

**ANNEX "B"**

# SAN MIGUEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

## December 31, 2021, 2020 and 2019

# SAN MIGUEL CORPORATION AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS**
**December 31, 2021, 2020 and 2019**

With Independent Auditors' Report

**Loida E. Prats**

**From:** Mary Rose S. Tan
**Sent:** Friday, 22 April 2022 11:12 AM
**To:** Loida E. Prats
**Subject:** FW: SEC CiFSS-OST Initial Acceptance

**From:** noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
**Sent:** Friday, 22 April 2022 11:05 AM
**Subject:** SEC CiFSS-OST Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

**SEC Registration No:** PW00000277
**Company Name:** SAN MIGUEL CORPORATION
**Document Code:** AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

**SECURITIES AND EXCHANGE COMMISSION**
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City,
1307, Metro Manila, Philippines

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SAN MIGUEL CORPORATION

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**
**FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of San Miguel Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

| | |
|---|---|
| **RAMON S. ANG** | **FERDINAND K. CONSTANTINO** |
| Vice Chairman, President and Chief Executive Officer | Senior Vice President and Chief Finance Officer/Treasurer |

Signed this 10th day of March 2022

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
Mandaluyong City ) S.S.

Before me, a Notary Public for and in Mandaluyong City, this 10th day of March 2022, personally appeared the following:

| Name | Passport No. | Date / Place of Issue |
|---|---|---|
| Ramon S. Ang | P2247867B | 05/22/2019/DFA Manila |
| Ferdinand K. Constantino | P6892447B | 06/02/2021/DFA NCR East |

known to me to be the same persons who executed the foregoing instrument and they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

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. 4884369; 01/14/22; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. V-0022159; 04/14/22; Pasig City

Doc. No.: 10;
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Book No.: VI;
Series of 2022.

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

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

*Opinion*

We have audited the consolidated financial statements of San Miguel Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Revenue recognition (P941,193 million).*
Refer to Notes 6, 25 and 33 of the consolidated financial statements.

*The risk*
Revenue is an important measure used to evaluate the performance of the Group and is generated from various sources. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. While revenue recognition and measurement are not complex for the Group, revenues may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

*Our response*
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies in accordance with PFRS 15, *Revenue from Contracts with Customers*.

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.

- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.

- We vouched, on a sampling basis, sales transactions to supporting documentation such as sales invoices and delivery documents to ascertain that the revenue recognition criteria is met.

- We tested, on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to supporting documentation such as sales invoices and delivery documents to assess whether these transactions are recorded in the appropriate financial year.

- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.

- We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the financial year.

*Valuation of Goodwill (P130,081 million).*
Refer to Notes 4, 5, 17 and 38 of the consolidated financial statements.

*The risk*
The Group has embarked on a diversification strategy and has expanded into new businesses through a number of acquisitions and investments resulting in the recognition of a significant amount of goodwill. The goodwill of the acquired businesses are reviewed annually to evaluate whether events or changes in circumstances affect the recoverability of the Group's investments.

The methods used in the annual impairment test of goodwill are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

*Our response*
We performed the following audit procedures, among others, on the valuation of goodwill:

- We assessed management's determination of the recoverable amounts based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined for each individual cash-generating unit.

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.

- We performed our own sensitivity analyses on the key assumptions used in the models.

*Valuation of Other Intangible Assets (P190,979 million).*
Refer to Notes 4, 5 and 17 of the consolidated financial statements.

*The risk*
The methods used in the annual impairment test for other intangible assets with indefinite useful lives and tests of impairment indicators for other intangible assets with finite useful lives are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. These assumptions include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

*Our response*
We performed the following audit procedures, among others, on the valuation of other intangible assets:

- We evaluated and assessed management's methodology in identifying any potential indicators of impairment.

- We assessed management's determination of the recoverable amounts based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined for each individual cash-generating unit.

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.

- We performed our own sensitivity analyses on the key assumptions used in the models.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854088
Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## DECEMBER 31, 2021 AND 2020
(In Millions)

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *4, 5, 7, 39, 40* | **P300,030** | P347,209 |
| Trade and other receivables - net | *4, 5, 8, 33, 35, 39, 40* | **161,808** | 124,369 |
| Inventories | *4, 5, 9* | **141,209** | 102,822 |
| Current portion of biological assets - net | *4, 16* | **3,106** | 3,401 |
| Prepaid expenses and other current assets | *4, 5, 10, 12, 23, 33, 34, 39, 40* | **108,689** | 94,610 |
| **Total Current Assets** | | **714,842** | 672,411 |
| **Noncurrent Assets** | | | |
| Investments and advances - net | *4, 5, 11, 23* | **55,002** | 50,495 |
| Investments in equity and debt instruments | *4, 12, 39, 40* | **41,966** | 41,766 |
| Property, plant and equipment - net | *4, 5, 13, 34* | **567,609** | 511,624 |
| Right-of-use assets - net | *4, 5, 14, 34* | **163,364** | 169,208 |
| Investment property - net | *4, 15, 34* | **69,825** | 60,678 |
| Biological assets - net of current portion | *4, 16* | **2,244** | 2,352 |
| Goodwill - net | *4, 17* | **130,081** | 129,733 |
| Other intangible assets - net | *4, 5, 17* | **190,979** | 169,532 |
| Deferred tax assets | *4, 5, 23* | **17,141** | 20,946 |
| Other noncurrent assets - net | *4, 5, 18, 33, 34, 35, 39, 40* | **98,600** | 83,462 |
| **Total Noncurrent Assets** | | **1,336,811** | 1,239,796 |
| | | **P2,051,653** | P1,912,207 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Loans payable | *19, 30, 33, 38, 39, 40* | **P190,779** | P140,645 |
| Accounts payable and accrued expenses | *4, 5, 20, 33, 34, 35, 39, 40* | **194,579** | 153,249 |
| Lease liabilities - current portion | *4, 5, 30, 33, 34, 38, 39, 40* | **23,423** | 25,759 |
| Income and other taxes payable | *5, 23* | **23,102** | 20,998 |
| Dividends payable | *33, 36, 38* | **4,296** | 4,231 |
| Current maturities of long-term debt - net of debt issue costs | *21, 30, 33, 38, 39, 40* | **88,857** | 74,502 |
| **Total Current Liabilities** | | **525,036** | 419,384 |
| **Noncurrent Liabilities** | | | |
| Long-term debt - net of current maturities and debt issue costs | *21, 30, 33, 38, 39, 40* | **725,108** | 692,407 |
| Lease liabilities - net of current portion | *4, 5, 30, 33, 34, 38, 39, 40* | **71,569** | 91,278 |
| Deferred tax liabilities | *23* | **28,742** | 27,749 |
| Other noncurrent liabilities | *4, 5, 22, 33, 35, 39, 40* | **19,959** | 26,301 |
| **Total Noncurrent Liabilities** | | **845,378** | 837,735 |

*Forward*

| | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Equity** | *24, 36, 37* | | |
| **Equity Attributable to Equity Holders of the Parent Company** | | | |
| Capital stock - common | | **P16,443** | P16,443 |
| Capital stock - preferred | | **10,187** | 10,187 |
| Additional paid-in capital | | **177,719** | 177,719 |
| Capital securities | | **28,171** | 28,171 |
| Equity reserves | *5, 23* | **14,136** | 10,131 |
| Retained earnings: | | | |
| Appropriated | | **66,630** | 60,155 |
| Unappropriated | *23* | **157,707** | 162,204 |
| Treasury stock | | **(144,363)** | (110,146) |
| | | **326,630** | 354,864 |
| **Non-controlling Interests** | *2, 5, 23, 24* | **354,609** | 300,224 |
| **Total Equity** | | **681,239** | 655,088 |
| | | **P2,051,653** | P1,912,207 |

*See Notes to the Consolidated Financial Statements.*

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Millions, Except Per Share Data)

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| **SALES** | *6, 25, 33* | **P941,193** | P725,797 | P1,020,502 |
| **COST OF SALES** | *26, 34* | **746,050** | 576,449 | 818,815 |
| **GROSS PROFIT** | | **195,143** | 149,348 | 201,687 |
| **SELLING AND ADMINISTRATIVE EXPENSES** | *27, 34* | **(77,991)** | (77,872) | (85,972) |
| **INTEREST EXPENSE AND OTHER FINANCING CHARGES** | *19, 21, 30, 33, 34, 35* | **(49,265)** | (52,035) | (56,019) |
| **INTEREST INCOME** | *7, 31, 33, 35* | **3,591** | 6,182 | 10,675 |
| **EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES** | *11, 23* | **1,040** | 417 | 105 |
| **GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT** | *13, 15, 18* | **167** | (491) | (237) |
| **OTHER INCOME (CHARGES)** - Net | *4, 5, 32, 34, 39, 40* | **(6,733)** | 11,861 | 6,848 |
| **INCOME BEFORE INCOME TAX** | | **65,952** | 37,410 | 77,087 |
| **INCOME TAX EXPENSE** | *23, 42* | **17,793** | 15,531 | 28,513 |
| **NET INCOME** | | **P48,159** | P21,879 | P48,574 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | | **P13,925** | P2,973 | P21,329 |
| Non-controlling interests | *5, 23, 24* | **34,234** | 18,906 | 27,245 |
| | | **P48,159** | P21,879 | P48,574 |
| **Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company** | *37* | **P2.48** | (P1.66) | P5.93 |

*See Notes to the Consolidated Financial Statements.*

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
## FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Millions)

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| **NET INCOME** | | **P48,159** | P21,879 | P48,574 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| **Items that will not be reclassified to profit or loss** | | | | |
| Equity reserve for retirement plan | *35* | **2,143** | (357) | (3,382) |
| Income tax benefit (expense) | *23* | **(1,084)** | 126 | 971 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | *12* | **1** | (172) | (44) |
| Income tax expense | | **(14)** | (1) | (6) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | *11* | **10** | (132) | (25) |
| | | **1,056** | (536) | (2,486) |
| **Items that may be reclassified to profit or loss** | | | | |
| Gain (loss) on exchange differences on translation of foreign operations | | **5,412** | (4,448) | (3,128) |
| Net gain on financial assets at fair value through other comprehensive income | *12* | **-** | 1 | 11 |
| Income tax expense | | **-** | - | (1) |
| Net gain (loss) on cash flow hedges | *40* | **268** | (23) | (679) |
| Income tax benefit (expense) | | **(100)** | 5 | 192 |
| | | **5,580** | (4,465) | (3,605) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - Net of tax | | **6,636** | (5,001) | (6,091) |
| **TOTAL COMPREHENSIVE INCOME** - Net of tax | | **P54,795** | P16,878 | P42,483 |
| **Attributable to:** | | | | |
| Equity holders of the Parent Company | | **P19,387** | (P816) | P16,839 |
| Non-controlling interests | *5, 24* | **35,408** | 17,694 | 25,644 |
| | | **P54,795** | P16,878 | P42,483 |

*See Notes to the Consolidated Financial Statements.*

# SAN MIGUEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

(In Millions)

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Capital Securities | | | | | | | | | | | | | |
| | | | | | | | Equity Reserves | | | | | | | | | | | |
| | | Capital Stock | | | | | | | | | | Retained Earnings | | Treasury Stock | | | | |
| | **Note** | **Common** | **Preferred** | **Additional Paid-in Capital** | **Senior Perpetual Capital Securities** | **Redeemable Perpetual Securities** | **Reserve for Retirement Plan** | **Hedging Reserve** | **Fair Value Reserve** | **Translation Reserve** | **Other Equity Reserve** | **Appro-priated** | **Unappro-priated** | **Common** | **Preferred** | **Total** | **Non-Controlling Interests** | **Total Equity** |
| **As at January 1, 2021** | | **P16,443** | **P10,187** | **P177,719** | **P24,211** | **P3,960** | **(P5,102)** | **(P654)** | **P383** | **(P2,218)** | **P17,722** | **P60,155** | **P162,204** | **(P67,093)** | **(P43,053)** | **P354,864** | **P300,224** | **P655,088** |
| Gain on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | - | 4,455 | - | - | - | - | - | 4,455 | 957 | 5,412 |
| Share in other comprehensive income (loss) of associates and joint ventures - net | *11* | - | - | - | - | - | 101 | - | (96) | 1 | - | - | - | - | - | 6 | 4 | 10 |
| Net gain on cash flow hedges | *40* | - | - | - | - | - | - | 120 | - | - | - | - | - | - | - | 120 | 48 | 168 |
| Net gain (loss) on financial assets at fair value through other comprehensive income | *12* | - | - | - | - | - | - | - | (15) | - | - | - | - | - | - | (15) | 2 | (13) |
| Equity reserve for retirement plan | *23, 35* | - | - | - | - | - | 896 | - | - | - | - | - | - | - | - | 896 | 163 | 1,059 |
| Other comprehensive income (loss) | | - | - | - | - | - | 997 | 120 | (111) | 4,456 | - | - | - | - | - | 5,462 | 1,174 | 6,636 |
| Net income | | - | - | - | - | - | - | - | - | - | - | - | 13,925 | - | - | 13,925 | 34,234 | 48,159 |
| Total comprehensive income (loss) | | - | - | - | - | - | 997 | 120 | (111) | 4,456 | - | - | 13,925 | - | - | 19,387 | 35,408 | 54,795 |
| Redemption of Subseries "2-C", Subseries "2-E" and Subseries "2-G" preferred shares | *24* | - | - | - | - | - | - | - | - | - | - | - | - | - | (34,217) | (34,217) | - | (34,217) |
| Net addition (reduction) to non-controlling interests and others | *5, 11, 24* | - | - | - | - | - | (32) | - | (3) | 27 | (1,449) | - | (604) | - | - | (2,061) | 47,009 | 44,948 |
| Appropriations - net | *24* | - | - | - | - | - | - | - | - | - | - | 6,475 | (6,475) | - | - | - | - | - |
| Cash dividends and distributions: | *36* | | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | - | (3,337) | - | - | (3,337) | (10,170) | (13,507) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | - | (6,002) | - | - | (6,002) | (2,400) | (8,402) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | - | (1,804) | - | - | (1,804) | (14,806) | (16,610) |
| Redeemable perpetual securities | | - | - | - | - | - | - | - | - | - | - | - | (200) | - | - | (200) | - | (200) |
| Undated subordinated capital securities | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (656) | (656) |
| **As at December 31, 2021** | *24* | **P16,443** | **P10,187** | **P177,719** | **P24,211** | **P3,960** | **(P4,137)** | **(P534)** | **P269** | **P2,265** | **P16,273** | **P66,630** | **P157,707** | **(P67,093)** | **(P77,270)** | **P326,630** | **P354,609** | **P681,239** |

*Forward*

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Capital Securities | | | | | | | | | | | | | |
| | | | | | | | Equity Reserves | | | | | | | | | | | |
| | | Capital Stock | | | | | | | | | | Retained Earnings | | Treasury Stock | | | | |
| | Note | Common | Preferred | Additional Paid-in Capital | Senior Perpetual Capital Securities | Redeemable Perpetual Securities | Reserve for Retirement Plan | Hedging Reserve | Fair Value Reserve | Translation Reserve | Other Equity Reserve | Appro-priated | Unappro-priated | Common | Preferred | Total | Non-Controlling Interests | Total Equity |
| As at January 1, 2020 | | P16,443 | P10,187 | P177,938 | P - | P - | (P4,850) | (P614) | P548 | P982 | P18,324 | P56,689 | P173,092 | (P67,093) | (P49,190) | P332,456 | P241,939 | P574,395 |
| Loss on exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | - | (3,211) | - | - | - | - | - | (3,211) | (1,237) | (4,448) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | 11 | - | - | - | - | - | (69) | - | 7 | (53) | - | - | - | - | - | (115) | (17) | (132) |
| Net gain (loss) on cash flow hedges | 40 | - | - | - | - | - | - | (40) | - | - | - | - | - | - | - | (40) | 22 | (18) |
| Net loss on financial assets at fair value through other comprehensive income | 12 | - | - | - | - | - | - | - | (171) | - | - | - | - | - | - | (171) | (1) | (172) |
| Equity reserve for retirement plan | 35 | - | - | - | - | - | (252) | - | - | - | - | - | - | - | - | (252) | 21 | (231) |
| Other comprehensive loss | | - | - | - | - | - | (321) | (40) | (164) | (3,264) | - | - | - | - | - | (3,789) | (1,212) | (5,001) |
| Net income | | - | - | - | - | - | - | - | - | - | - | - | 2,973 | - | - | 2,973 | 18,906 | 21,879 |
| Total comprehensive income (loss) | | - | - | - | - | - | (321) | (40) | (164) | (3,264) | - | - | 2,973 | - | - | (816) | 17,694 | 16,878 |
| Issuance of capital securities | 24 | - | - | - | 24,211 | 14,662 | - | - | - | - | - | - | - | - | - | 38,873 | - | 38,873 |
| Purchase and cancellation of redeemable perpetual securities | 24 | - | - | - | - | (10,702) | - | - | - | - | - | - | (108) | - | - | (10,810) | - | (10,810) |
| Reissuance of treasury shares | 24 | - | - | (219) | - | - | - | - | - | - | - | - | - | - | 33,793 | 33,574 | - | 33,574 |
| Redemption of Series "1" and Subseries "2-D" preferred shares | 24 | - | - | - | - | - | - | - | - | - | - | - | - | - | (27,656) | (27,656) | - | (27,656) |
| Net addition (reduction) to non-controlling interests and others | 5, 11, 24 | - | - | - | - | - | 69 | - | (1) | 64 | (602) | (2,795) | 2,135 | - | - | (1,130) | 62,586 | 61,456 |
| Appropriations - net | 24 | - | - | - | - | - | - | - | - | - | - | 6,261 | (6,261) | - | - | - | - | - |
| Cash dividends and distributions: | 36 | | | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | - | - | (3,337) | - | - | (3,337) | (9,967) | (13,304) |
| Preferred | | - | - | - | - | - | - | - | - | - | - | - | (6,052) | - | - | (6,052) | (1,915) | (7,967) |
| Redeemable perpetual securities | | - | - | - | - | - | - | - | - | - | - | - | (238) | - | - | (238) | - | (238) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (8,666) | (8,666) |
| Undated subordinated capital securities | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,447) | (1,447) |
| As at December 31, 2020 | 24 | P16,443 | P10,187 | P177,719 | P24,211 | P3,960 | (P5,102) | (P654) | P383 | (P2,218) | P17,722 | P60,155 | P162,204 | (P67,093) | (P43,053) | P354,864 | P300,224 | P655,088 |

*Forward*

| | | Equity Attributable to Equity Holders of the Parent Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Equity Reserves | | | | | | | | | | | |
| | | Capital Stock | | Additional | Reserve for | | | | Other | Retained Earnings | | Treasury Stock | | | Non- | |
| | | | | Paid-in | Retirement | Hedging | Fair Value | Translation | Equity | Appro- | Unappro- | | | | controlling | Total |
| | Note | Common | Preferred | Capital | Plan | Reserve | Reserve | Reserve | Reserve | priated | priated | Common | Preferred | Total | Interests | Equity |
| As at January 1, 2019, As adjusted | | P16,443 | P10,187 | P177,938 | (P2,990) | (P173) | P514 | P3,239 | P20,923 | P72,820 | P146,757 | (P67,093) | (P42,408) | P336,157 | P173,368 | P509,525 |
| Loss on exchange differences on translation of foreign operations | | - | - | - | - | - | - | (2,261) | - | - | - | - | - | (2,261) | (867) | (3,128) |
| Share in other comprehensive income (loss) of associates and joint ventures - net | 11 | - | - | - | (113) | - | 77 | 4 | - | - | - | - | - | (32) | 7 | (25) |
| Net loss on cash flow hedges | 40 | - | - | - | - | (441) | - | - | - | - | - | - | - | (441) | (46) | (487) |
| Net gain (loss) on financial assets at fair value through other comprehensive income | 12 | - | - | - | - | - | (43) | - | - | - | - | - | - | (43) | 3 | (40) |
| Equity reserve for retirement plan | 35 | - | - | - | (1,713) | - | - | - | - | - | - | - | - | (1,713) | (698) | (2,411) |
| Other comprehensive income (loss) | | - | - | - | (1,826) | (441) | 34 | (2,257) | - | - | - | - | - | (4,490) | (1,601) | (6,091) |
| Net income | | - | - | - | - | - | - | - | - | - | 21,329 | - | - | 21,329 | 27,245 | 48,574 |
| Total comprehensive income (loss) | | - | - | - | (1,826) | (441) | 34 | (2,257) | - | - | 21,329 | | - | 16,839 | 25,644 | 42,483 |
| Redemption of Subseries "2-B" preferred shares | 24 | - | - | - | - | - | - | - | - | - | - | - | (6,782) | (6,782) | - | (6,782) |
| Net addition (reduction) to non-controlling interests and others | 5, 11, 24 | - | - | - | (34) | - | - | - | (2,599) | 196 | (797) | - | - | (3,234) | 63,127 | 59,893 |
| Reversal of appropriations - net | 24 | - | - | - | - | - | - | - | - | (16,327) | 16,327 | - | - | - | - | - |
| Cash dividends and distributions: | 36 | | | | | | | | | | | | | | | |
| Common | | - | - | - | - | - | - | - | - | - | (3,337) | - | - | (3,337) | (11,161) | (14,498) |
| Preferred | | - | - | - | - | - | - | - | - | - | (7,187) | - | - | (7,187) | (2,426) | (9,613) |
| Senior perpetual capital securities | | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,430) | (3,430) |
| Undated subordinated capital securities | | - | - | - | - | - | - | - | - | - | - | - | - | - | (3,183) | (3,183) |
| As at December 31, 2019 | 24 | P16,443 | P10,187 | P177,938 | (P4,850) | (P614) | P548 | P982 | P18,324 | P56,689 | P173,092 | (P67,093) | (P49,190) | P332,456 | P241,939 | P574,395 |

*See Notes to the Consolidated Financial Statements.*

## SAN MIGUEL CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(In Millions)

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | **P65,952** | P37,410 | P77,087 |
| Adjustments for: | | | | |
| Interest expense and other financing charges | *30* | **49,265** | 52,035 | 56,019 |
| Depreciation, amortization and others - net | *13, 14, 15, 17, 18, 28, 32* | **46,467** | 27,723 | 35,235 |
| Interest income | *31* | **(3,591)** | (6,182) | (10,675) |
| Equity in net earnings of associates and joint ventures | *11* | **(1,040)** | (417) | (105) |
| Loss (gain) on sale of property and equipment | *13, 15, 18* | **(167)** | 491 | 237 |
| Operating income before working capital changes | | **156,886** | 111,060 | 157,798 |
| Changes in noncash current assets, certain current liabilities and others | *38* | **(43,608)** | 12,823 | 16,390 |
| Cash generated from operations | | **113,278** | 123,883 | 174,188 |
| Interest and other financing charges paid | | **(48,612)** | (54,909) | (58,833) |
| Income taxes paid | | **(14,528)** | (16,042) | (21,868) |
| Net cash flows provided by operating activities | | **50,138** | 52,932 | 93,487 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to property, plant and equipment | *13* | **(74,421)** | (60,629) | (65,640) |
| Additions to intangible assets | *17* | **(26,007)** | (16,618) | (17,106) |
| Additions to advances to contractors and suppliers | *18* | **(16,067)** | (4,855) | (13,601) |
| Decrease (increase) in other noncurrent assets and others | *18* | **(7,053)** | 358 | (16,796) |
| Additions to investment property | *15* | **(6,546)** | (8,711) | (9,386) |
| Additions to investments in equity and debt instruments | *12* | **(6,101)** | (70) | (71) |
| Additions to investments and advances | *11* | **(5,223)** | (4,001) | (2,098) |
| Proceeds from the redemption and disposal of investments in equity and debt instruments | *12* | **6,509** | 108 | 94 |
| Interest received | | **3,313** | 6,402 | 10,549 |
| Dividends received | *12* | **2,674** | 1,344 | 1,886 |
| Proceeds from sale of property and equipment | *13, 15, 18* | **1,350** | 912 | 871 |
| Cash and cash equivalents of a consolidated (deconsolidated) subsidiary | *5* | **-** | 1,053 | (626) |
| Acquisitions of subsidiaries, net of cash and cash equivalents acquired | *38* | **-** | - | (1,408) |
| Net cash flows used in investing activities | | **(127,572)** | (84,707) | (113,332) |

*Forward*

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Proceeds from: | | | | |
| Short-term borrowings | *38* | **P760,746** | P813,187 | P1,405,972 |
| Long-term borrowings | *38* | **140,777** | 160,437 | 158,746 |
| Payments of: | | | | |
| Short-term borrowings | *38* | **(711,147)** | (841,775) | (1,416,504) |
| Long-term borrowings | *38* | **(113,419)** | (58,913) | (85,968) |
| Net proceeds from issuance of capital securities and preferred shares of subsidiaries | *24* | **61,899** | 67,799 | 85,733 |
| Redemption of preferred shares | *24* | **(34,217)** | (27,656) | (6,782) |
| Cash dividends and distributions paid to non-controlling shareholders | *38* | **(27,555)** | (21,777) | (20,065) |
| Payments of lease liabilities | *38* | **(26,151)** | (24,825) | (20,673) |
| Redemption of capital securities and preferred shares of subsidiaries | *24* | **(17,459)** | (15,000) | (22,305) |
| Cash dividends and distributions paid | *36, 38* | **(11,755)** | (9,731) | (10,587) |
| Decrease in non-controlling interests' share in the net assets of subsidiaries and others | *24* | **(623)** | (1,526) | (811) |
| Proceeds from reissuance of treasury shares | *24* | **-** | 33,588 | - |
| Net proceeds from issuance of capital securities | *24* | **-** | 28,171 | - |
| Net cash flows provided by financing activities | | **21,096** | 101,979 | 66,756 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **9,159** | (9,452) | (3,604) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(47,179)** | 60,752 | 43,307 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | *7* | **347,209** | 286,457 | 243,150 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | *7* | **P300,030** | P347,209 | P286,457 |

*See Notes to the Consolidated Financial Statements.*

# SAN MIGUEL CORPORATION AND SUBSIDIARIES
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data and Number of Shares)

## 1. Reporting Entity

San Miguel Corporation (SMC or the Parent Company), a subsidiary of Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company), was incorporated on August 21, 1913. On March 16, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation and By-Laws of the Parent Company to extend the corporate term for another fifty (50) years from August 21, 2013, as approved on the March 14, 2011 and June 7, 2011 meetings of the Parent Company's Board of Directors (BOD) and stockholders, respectively.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Parent Company shall have a perpetual corporate life.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code. Its common and preferred shares are listed on The Philippine Stock Exchange, Inc. (PSE).

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries and the Group's interests in associates and joint ventures (collectively referred to as the Group).

The Group is engaged in various businesses, including food and beverage, packaging, energy, fuel and oil, infrastructure, cement and real estate property management and development.

The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

## 2. Basis of Preparation

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 10, 2022.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

| Items | Measurement Basis |
|---|---|
| Derivative financial instruments | Fair value |
| Financial assets at fair value through profit or loss (FVPL) | Fair value |
| Financial assets at fair value through other comprehensive income (FVOCI) | Fair value |
| Defined benefit retirement asset (liability) | Fair value of the plan assets less the present value of the defined benefit retirement obligation |
| Agricultural produce | Fair value less estimated costs to sell at the point of harvest |

Functional and Presentation Currency

The consolidated financial statements are 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.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

| | Percentage of Ownership | | Country of |
|---|---|---|---|
| | **2021** | 2020 | Incorporation |
| **Food and Beverage Business** | | | |
| San Miguel Food and Beverage, Inc. (SMFB) and subsidiaries [including San Miguel Mills, Inc. (SMMI) and subsidiaries, Magnolia Inc. and subsidiary, San Miguel Foods, Inc. (SMFI) and subsidiary, PT San Miguel Foods Indonesia (PTSMFI), San Miguel Super Coffeemix Co., Inc., The Purefoods-Hormel Company, Inc. (PF-Hormel), and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary and San Miguel Pure Foods (VN) Co., Ltd.] | **88.76** | 88.76 | Philippines |
| San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) and subsidiary, and San Miguel Brewing International Limited (SMBIL) and subsidiaries, San Miguel Brewery Hong Kong Limited (SMBHK) and subsidiaries, San Miguel (Baoding) Brewery Co., Ltd. (SMBB), San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited and subsidiaries {including San Miguel Brewery Vietnam Company Limited[(a)] and PT. Delta Djakarta Tbk and subsidiary}] | | | |
| Ginebra San Miguel Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited and Global Beverages Holdings Limited] | | | |

*Forward*

| | Percentage of Ownership | | Country of |
|---|---|---|---|
| | **2021** | 2020 | Incorporation |
| **Packaging Business** | | | |
| San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries [including SMC Yamamura Fuso Molds Corporation (SYFMC) and Can Asia, Inc.] | **65.00** | 65.00 | Philippines |
| San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited[(a)], San Miguel Yamamura Glass (Vietnam) Limited and San Miguel Yamamura Haiphong Glass Company Limited., Zhaoqing San Miguel Yamamura Glass Company Limited[(a)], Foshan San Miguel Yamamura Packaging Company Limited and subsidiary[(a)], San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, San Miguel Yamamura Plastic Films Sdn. Bhd. and San Miguel Yamamura Australasia Pty. Ltd. (SMYA) and subsidiaries {including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co Ltd., SMYV Pty Ltd, SMYB Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australia Pty Ltd and Vinocor Ltd.}] | **65.00** | 65.00 | British Virgin Islands (BVI) |
| Mindanao Corrugated Fibreboard, Inc. | **100.00** | 100.00 | Philippines |
| **Energy Business** | | | |
| SMC Global Power Holdings Corp. (SMC Global) and subsidiaries [including San Miguel Energy Corporation (SMEC) and subsidiaries, South Premiere Power Corp. (SPPC), Strategic Power Devt. Corp. (SPDC), San Miguel Electric Corp. (SMELC), SMC PowerGen Inc., Universal Power Solutions, Inc. (UPSI), SMC Consolidated Power Corporation (SCPC), San Miguel Consolidated Power Corporation (SMCPC), Central Luzon Premiere Power Corp., Lumiere Energy Technologies, Inc. (LETI), PowerOne Ventures Energy Inc. (PVEI), SMCGP Masin Pte. Ltd. and subsidiaries, Masinloc Power Partners Co. Ltd. (MPPCL) and subsidiary, Albay Power and Energy Corp. (APEC), SMCGP Philippines Energy Storage Co. Ltd. (SPESC) and Mariveles Power Generation Corporation (MPGC)] | **100.00** | 100.00 | Philippines |
| **Fuel and Oil Business** | | | |
| SEA Refinery Corporation (SRC) and subsidiary: Petron Corporation (Petron) and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd.[(a)], New Ventures Realty Corporation (NVRC) and subsidiaries, Petron Singapore Trading Pte., Ltd. (PSTPL), Petron Global Limited, Petron Oil & Gas Mauritius Ltd. and subsidiary, Petron Oil & Gas International Sdn. Bhd. and subsidiaries, Petron Malaysia Refining & Marketing Bhd. (PMRMB), Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. (POMSB) (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited[(a)] and subsidiaries] | **100.00** | 100.00 | Philippines |

*Forward*

| | Percentage of Ownership | | Country of Incorporation |
|---|---|---|---|
| | **2021** | 2020 | |
| **Infrastructure Business** | | | |
| San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure (SMHC) and subsidiaries [(a)] [including SMC TPLEX Holdings Company, Inc. and subsidiary, SMC TPLEX Corporation (SMCTC) (formerly Private Infra Dev Corporation), TPLEX Operations & Maintenance Corp., Trans Aire Development Holdings Corp. (TADHC), SMC NAIAX Corporation (SMC NAIAX; formerly Vertex Tollways Devt. Inc.), Universal LRT Corporation (BVI) Limited (ULC BVI), SMC Mass Rail Transit 7 Inc. (SMC MRT 7), ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation (MMSS4; formerly Citra Intercity Tollways, Inc.), Luzon Clean Water Development Corporation (LCWDC), 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 (SIDC) and Star Tollway Corporation (collectively the Cypress Group)}, Atlantic Aurum Investments B.V. (AAIBV) and subsidiaries {including SMC Tollways Corporation (SMC Tollways; formerly Atlantic Aurum Investments Philippines Corporation) and subsidiaries {including Stage 3 Connector Tollways Holding Corporation (S3HC) and subsidiary, SMC Skyway Stage 3 Corporation (MMSS3; formerly Citra Central Expressway Corp.) and SMC Skyway Corporation (SMC Skyway; formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corporation (SOMCO), SMC SLEX Holdings Company Inc. (SSHCI; formerly MTD Manila Expressways Inc.) and subsidiaries, Alloy Manila Toll Expressways, Inc. (AMTEX), Manila Toll Expressway Systems, Inc. (MATES) and SMC SLEX Inc. (SMC SLEX; formerly South Luzon Tollway Corporation)}, San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport" (SMAI) and Pasig River Expressway Corporation (PREC)] | **100.00** | 100.00 | Philippines |
| **Cement Business** | | | |
| San Miguel Equity Investments Inc. (SMEII) and subsidiaries[(a)] [including Northern Cement Corporation (NCC)[(b)], Southern Concrete Industries, Inc. (SCII; formerly Oro Cemento Industries Corporation) and First Stronghold Cement Industries Inc. (FSCII)] | **100.00** | 100.00 | Philippines |
| **Real Estate Business** | | | |
| San Miguel Properties, Inc. (SMPI) and subsidiaries[(a)] [including SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.] | **99.97** | 99.96 | Philippines |
| Davana Heights Development Corporation (DHDC) and subsidiaries | **100.00** | 100.00 | Philippines |
| **Others** | | | |
| San Miguel International Limited and subsidiary, San Miguel Holdings Limited (SMHL) and subsidiaries [including SMYPIL and San Miguel Insurance Company, Ltd. (SMICL)] | **100.00** | 100.00 | Bermuda |
| SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiaries[(a)], including SL Harbor Bulk Terminal Corporation (SLHBTC) | **70.00** | 70.00 | Philippines |
| San Miguel Integrated Logistics Services, Inc. (SMILSI) and subsidiary | **100.00** | 100.00 | Philippines |
| SMC Stock Transfer Service Corporation[(a)] | **100.00** | 100.00 | Philippines |
| ArchEn Technologies Inc.[(a)] | **100.00** | 100.00 | Philippines |
| SMITS, Inc. and subsidiaries[(a)] | **100.00** | 100.00 | Philippines |
| Petrogen Insurance Corporation (Petrogen)[(c)] | **92.05** | 68.26 | Philippines |
| Anchor Insurance Brokerage Corporation (AIBC)[(a)] | **58.33** | 58.33 | Philippines |
| SMC Asia Car Distributors Corp. (SMCACDC) and subsidiaries[(a)] | **65.00** | 65.00 | Philippines |
| SMC Equivest Corporation (SMCEC) | **100.00** | 100.00 | Philippines |

*(a) The financial statements of these subsidiaries were audited by other auditors.*
*(b) Consolidated to SMEII effective August 24, 2020 (Note 5).*
*(c) Became a 92.05% owned subsidiary of the Parent Company and deconsolidated from Petron effective February 4, 2021 (Note 5).*

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: SMFB, SMYPC, SMYPIL, Petron, SMCTC, TADHC, AMTEX, AAIBV, SMPI, SMCSLC, Petrogen, AIBC and SMCACDC in 2021 and 2020 (Note 5).

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and (iii) reclassify the Parent Company’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

## 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standard

Effective January 1, 2021, the Group has adopted Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16, *Leases*) beyond June 30, 2021 and as a result, has accordingly changed its accounting policy. The optional practical expedient introduced in the 2020 amendments that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19 and which solely applies to reduction in lease payments originally due on or before June 30, 2021 has been extended to June 30, 2022. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021.

The adoption of the amended standard did not have a material effect on the consolidated financial statements.

Amended Standards Not Yet Adopted

A number of amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following amended standards on the respective effective dates:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of an entity's ordinary activities, the amendments require the entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The Group is currently performing detailed assessment of the potential effect of adopting the amendments and has yet to reasonably estimate the impact.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

    - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

    - clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

    - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

    The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

    In November 2021, the IASB issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend PAS 1 as follows:

    - Conditions which the entity must comply within 12 months after the reporting period will have no effect on the classification as current or non-current.

    - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within 12 months.

    - Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

    - The effective date of the amendments will be deferred to no earlier than January 1, 2024.

    Comments on the Exposure Draft is due on March 21, 2022.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity’s rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the ‘premium allocation approach’, investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

*Recognition and Initial Measurement.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group’s cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category (Notes 7, 8, 10, 12, 18, 39 and 40).

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

*Financial Assets at FVOCI.* Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category (Notes 10, 12, 39 and 40).

*Financial Assets at FVPL*. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category (Notes 10, 18, 39 and 40).

Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Financial Liabilities at FVPL*. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 20, 22, 39 and 40).

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 19, 20, 21, 22, 34, 39 and 40).

Derecognition of Financial Assets and Financial Liabilities
*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

*Financial Liabilities*. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses in other comprehensive income, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

<u>Classification of Financial Instruments between Liability and Equity</u>
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting
The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

*Freestanding Derivatives*
The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

*Cash Flow Hedge.* When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the "Hedging reserve" account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

The Group has outstanding derivatives accounted for as cash flow hedge as at December 31, 2021 and 2020 (Note 40).

*Embedded Derivatives*
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has embedded derivatives as at December 31, 2021 and 2020 (Note 40).

Inventories

Finished goods, goods in process, materials and supplies, raw land inventory and real estate projects are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

| | | |
|---|---|---|
| Finished goods and goods in process | - | at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method. |
| Petroleum products (except lubes and greases) and crude oil | - | at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the first-in, first-out method. |
| Lubes and greases, blending components and polypropylene | - | at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the moving-average method. |
| Raw land inventory | - | at cost, which includes acquisition costs of raw land intended for sale or development and other costs and expenses incurred to effect the transfer of title of the property; costs are determined using the specific identification of individual costs. |
| Real estate projects | - | at cost, which includes acquisition costs of property and other costs and expenses incurred to develop the property; costs are determined using the specific identification of individual costs. |
| Materials, supplies and others | - | at cost, using the specific identification method, first-in, first-out method or moving-average method. |
| Coal | - | at cost, using the specific identification method and weighted average method. |

*Finished Goods.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

*Goods in Process.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

*Petroleum Products, Crude Oil, Lubes and Greases, and Aftermarket Specialties.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

*Materials and Supplies, including Coal.* Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals of write-down of inventories arising from an increase in net realizable value, if any, are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

*Real Estate Projects.* Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

*Raw Land Inventory.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Biological Assets and Agricultural Produce
The Group's biological assets include breeding stocks, growing hogs, poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably.

The Group's agricultural produce, which consists of grown broilers and marketable hogs harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers and hogs or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

| | Amortization Period |
|---|---|
| Hogs - sow | 3 years or 6 births, whichever is shorter |
| Hogs - boar | 2.5 - 3 years |
| Poultry breeding stock | 38 - 42 weeks |

Contract Assets

A contract asset is the right to consideration that is conditioned on something other than the passage of time, in exchange for goods or services that the Group has transferred to a customer. The contract asset is transferred to receivable when the right becomes unconditional.

A receivable represents the Group's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations 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 interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements 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 only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Shares of Stock of Associates and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group’s investments in shares of stock of associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in shares of stock of an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group’s share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of an associate or joint venture is recognized as "Equity in net earnings (losses) of associates and joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate or joint venture arising from changes in the associate or joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income (loss) of associates and joint ventures - net" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in the shares of stock of an associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in shares of stock of an associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in shares of stock of an associate or joint venture and then recognizes the loss as part of "Equity in net earnings (losses) of associates and joint ventures" account in the consolidated statements of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in an associate or joint venture upon loss of significant influence or joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

| | Number of Years |
|---|---|
| Land improvements | 5 - 50 |
| Buildings and improvements | 2 - 50 |
| Power plants | 5 - 43 |
| Refinery and plant equipment | 4 - 35 |
| Service stations and other equipment | 3 - 33 |
| Equipment, furniture and fixtures | 2 - 55 |
| Mine properties | 55 |
| Leasehold improvements | 2 - 50 or term of the lease, whichever is shorter |

Effective January 1, 2020, the Group adopted the units of production method (UOP) for the depreciation of refinery and plant equipment and certain power plant assets used in production of fuel, using expected capacity over the estimated useful lives of these assets (Note 13).

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

<u>Leases</u>

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

*Group as Lessee*
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

| | Number of Years |
|---|---|
| Land | 2 - 999 |
| Buildings and improvements | 2 - 15 |
| Power plants | 29 - 43 |
| Service stations and other equipment | 10 - 12 |
| Machinery and equipment | 2 - 7 |

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

*Group as Lessor*
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Investment Property
Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

| | Number of Years |
|---|---|
| Land and leasehold improvements | 5 - 50 or term of the lease, whichever is shorter |
| Buildings and improvements | 2 - 50 |
| Machinery and equipment | 3 - 40 |
| Right-of-use assets | 2 - 50 |

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Except for mineral rights and evaluation asset which is amortized using UOP method, amortization of other intangible assets with finite lives is computed using the straight-line method over the following estimated useful lives:

| | Number of Years |
|---|---|
| Toll road concession rights | 28 - 36 |
| Airport concession rights | 25 - 50 |
| Power concession right | 25 |
| Water concession right | 30 |
| Computer software and licenses | 2 - 10 |

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

*Service Concession Arrangements*
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (i) infrastructure that the entities in the Group construct or acquire from a third party for the purpose of the service arrangement; and (ii) existing infrastructure to which the grantor gives the entities in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (i) to maintain the infrastructure to a specified level of serviceability; or (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures the contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs,* borrowing costs attributable to the arrangement are recognized as expenses in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

The following are the concession rights covered by the service concession arrangements entered into by the Group:

- *Airport Concession Rights*
  *Boracay Airport.* The airport concession right pertains to the right granted by the Republic of the Philippines (ROP) to TADHC: (i) to operate the Caticlan Airport (the Airport Project or the Boracay Airport); (ii) to design and finance the Airport Projects; and (iii) to operate and maintain the Airport Projects during the concession period. This also includes the present value of the annual franchise fee, as defined in the Concession Agreement, payable to the ROP over the concession period of 25 years. Except for the portion that relates to the annual franchise fee, which is recognized immediately as intangible asset, the right is earned and recognized by the Group as the project progresses (Note 4).

  The airport concession right is carried at cost less accumulated amortization and any impairment in value. Amortization is computed using the straight-line method over the remaining concession periods and assessed for impairment whenever there is an indication that the asset may be impaired.

  The airport concession right is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss from derecognition of the airport concession rights are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

  *Manila International Airport.* The airport concession right pertains to the right granted by the ROP to SMAI: (i) to operate; (ii) to design and finance; and (iii) to operate and maintain the Manila International Airport during the concession period.

  The airport concession right represents the design and construction costs incurred to obtain the right during the construction period. It is carried at cost less accumulated amortization and any impairment in value. Subsequent expenditures or replacement of parts of it, are normally recognized in profit or loss as these are incurred to maintain the expected future economic benefits embodied in the airport concession right unless it can be demonstrated that the expenditures will contribute to the increase in revenue from airport and toll operations which meet the definition of an intangible asset (Note 4).

The airport concession right will be amortized on a straight-line basis over the period stated in the Concession Agreement which is approximately 50 years from issuance of the Certificate of Substantial Completion for the First Phase of the Project, and will be assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed at least at each reporting year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates.

The airport concession right will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition as the concession right which is expected to be fully amortized by then and will be handed over to the ROP with no consideration.

- *Toll Road Concession Rights.* The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects:

  - South Luzon Expressway (SLEX);
  - Ninoy Aquino International Airport (NAIA) Expressway;
  - Metro Manila Skyway (Skyway);
  - Tarlac-Pangasinan-La Union Toll Expressway (TPLEX);
  - Southern Tagalog Arterial Road (STAR); and
  - North Luzon Expressway (NLEX) - SLEX Link (Skyway Stage 3).

  In exchange for the fulfillment of the Group's obligations under the Concession Agreement, the Group is given the right to operate the toll road facilities over the concession period. Toll road concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the toll road concession rights are carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of parts of it are normally recognized in the consolidated statements of income as these are incurred to maintain the expected future economic benefits embodied in the toll road concession rights. Expenditures that will contribute to the increase in revenue from toll operations are recognized as an intangible asset.

  The toll road concession rights are amortized using the straight-line method over the term of the Concession Agreement. The toll road concession rights are assessed for impairment whenever there is an indication that the toll road concession rights may be impaired.

  The toll road concession rights will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition of the toll road concession rights as these are expected to be fully amortized upon turnover to the ROP.

- *Water Concession Right*. The Group's water concession right pertains to the right granted by the Metropolitan Waterworks and Sewerage System (MWSS) to LCWDC as the concessionaire of the supply of treated bulk water, planning, financing, development, design, engineering, and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the Province of Bulacan. The Concession Agreement is for a period of 30 years and may be extended for up to 50 years. The Group's water concession right represents the upfront fee, cost of design, construction and development of the Bulacan Bulk Water Supply Project. The service concession right is not yet amortized until the construction is completed.

  The carrying amount of the water concession right is reviewed for impairment annually, or more frequently when an indication of impairment arises during the reporting year.

  The water concession right will be derecognized upon turnover to MWSS. There will be no gain or loss upon derecognition of the water concession right, as this is expected to be fully amortized upon turnover to MWSS.

- *Power Concession Right*. The Group's power concession right pertains to the right granted by the ROP to SMC Global, through APEC, to operate and maintain the franchise of Albay Electric Cooperative, Inc. (ALECO). On January 24, 2014, SMC Global and APEC entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations under the Concession Agreement effective January 2, 2014. The power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

  The power concession right is amortized using the straight-line method over the concession period which is 25 years and assessed for impairment whenever there is an indication that the asset may be impaired.

  The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

- *Metro Rail Transit Line 7 (MRT 7 Project).* The Group's capitalized project costs incurred for the MRT 7 Project is recognized as a financial asset as it does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services.

  The Group can finance, design, test, commission, construct and operate and maintain the MRT 7 Project on behalf of the ROP in accordance with the terms specified in the Concession Agreement.

  As payment, the ROP shall pay fixed amortization payment on a semi-annual basis in accordance with the scheduled payment described in the Concession Agreement (Note 34).

The amortization period and method are reviewed at least at each reporting date. Changes in the terms of the Concession Agreement or the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

*Mineral Rights and Evaluation Assets*
The Group's mineral rights and evaluation assets have finite lives and are carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of income as incurred.

Amortization of mineral rights and evaluation assets is recognized in the consolidated statements of income based on UOP method utilizing only recoverable coal, limestone and shale reserves as the depletion base. In applying the UOP method, amortization is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

The Group's mineral rights and evaluation asset is amortized using UOP method over 25 years.

Gain or loss from derecognition of mineral rights and evaluation assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

<u>Deferred Exploration and Development Costs</u>
Deferred exploration and development costs comprise of expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mineral rights and evaluation assets, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment.

Deferred Containers
Returnable bottles, shells and pallets are measured at cost less accumulated amortization and impairment, if any. These are presented as “Deferred containers - net” under “Other noncurrent assets - net” account in the consolidated statements of financial position and are amortized over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Amortization of deferred containers is included under “Selling and administrative expenses” account in the consolidated statements of income.

The remaining useful lives, residual values, and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of amortization are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are presented as “Customers’ deposits” under “Accounts payable and accrued expenses” account in the consolidated statements of financial position.

Impairment of Non-financial Assets
The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Cylinder Deposits

The Group purchases liquefied petroleum gas cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

Contract Liabilities

A deferred income is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred income is recognized when the payment is made or the payment is due (whichever is earlier). Deferred income is recognized as revenue when the Group performs under the contract.

Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital

*Common Shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

*Preferred Shares*

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

*Additional Paid-in Capital*
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Capital Securities
Redeemable Perpetual Securities (RPS) and Senior Perpetual Capital Securities (SPCS) are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or financial liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of RPS and SPCS are recognized as a deduction from equity, net of tax.

Retained Earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares
Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company’s own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue
The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

*Revenue from Sale of Food and Beverage, Packaging, and Petroleum Products*
Revenue is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts and volume rebate do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each period. Payment is generally due within 30 to 60 days from delivery.

Revenue from sale of petroleum products is allocated between the consumer loyalty program and the other component of the sale. The allocation is based on the relative stand-alone selling price of the points. The amount allocated to the consumer loyalty program is deducted from revenue at the time points are awarded to the consumer. A deferred liability included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position is set up until the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is an indication of a material change.

*Revenue from Power Generation and Trading*
Revenue from power generation and trading is recognized over time when actual power or capacity is generated, transmitted and/or made available to the customers, net of related discounts and adjustments.

Revenues from retail and other power-related services are recognized over time upon the supply of electricity to the customers. The Uniform Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) currency exchange rate adjustments, where applicable, and (h) interclass and life subsidies. Feed-in tariffs allowance, Value-added Tax (VAT) and universal charges are billed and collected on behalf of the national and local government and do not form part of the Group's revenue. Generation, transmission and system loss charges, which are part of revenues, are pass-through charges.

*Revenue from Sale of Real Estate*
Revenue from sale of real estate projects under pre-completion stage is recognized over time based on percentage of completion since the Group does not have an alternative use of the specific real estate property sold as the Group is precluded by the contract from redirecting the use of the property for a different purpose. Further, the Group has rights to payment for the development completed to date as the Group can choose to complete the development and enforce its rights to full payment under the contract even if the customer defaults on amortization payments. The Group determines the stage of completion based on surveys done by the Group's engineers and total costs to be incurred on a per unit basis. Revenue is recognized when 10% of the total contract price has already been collected.

Revenue from sale of completed real estate projects, and undeveloped land or raw land is recognized at a point in time. The Group recognizes in full the revenue and cost from sale of completed real estate projects and undeveloped land when 10% or more of the contract price is received.

If the transaction does not qualify for revenue recognition, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue, payments received from customers are presented under “Accounts payable and accrued expenses” account in the consolidated statements of financial position.

Cancellation of real estate sales is accounted for on the year of forfeiture. The repossessed real estate projects are recognized at fair value less cost to repossess. Any gain or loss on cancellation is recognized as part of “Other income (charges) - net” account in the consolidated statements of income.

*Revenue from Service Concession Arrangements*
Revenue from toll operations is recognized upon the use by the road users of the toll road and is paid by way of cash or charge against Radio Frequency Identification account. Toll fees are set and regulated by the Toll Regulatory Board (TRB).

Landing, take-off and parking fees are recognized as the services are rendered over time which is the period from landing up to take-off of aircrafts.

Terminal fees are recognized upon receipt of fees charged to passengers for the use of airport and port terminals.

Revenue from port cargo handling and ancillary services is recognized as the services are rendered over time based on the quantity of items handled during the period multiplied by a predetermined rate.

Revenue from construction contracts is recognized over time based on the percentage of completion, measured by reference to the proportion of costs incurred to date to estimated total costs for each contract.

*Revenue from Sale of Other Services*
Revenue from freight services is recognized as the services are rendered over time based on every voyage contracted with customers during the period multiplied by a predetermined rate.

*Revenue from Other Sources*
*Revenue from Agricultural Produce.* Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

*Interest Income.* Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

*Dividend Income.* Dividend income is recognized when the Group’s right to receive the payment is established.

*Rent Income.* Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

*Gain or Loss on Sale of Investments in Shares of Stock*. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

*Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Retirement Costs*

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

*Foreign Currency Translations*

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

*Foreign Operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity.

<u>Taxes</u>
*Current Tax.* Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*VAT.* Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Income and other taxes payable” accounts in the consolidated statements of financial position.

Non-cash Distribution to Equity Holders of the Parent Company and Assets Held for Sale

The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for some assets which are covered by other standards. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale or distribution is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision on distribution or sale will be withdrawn. Management must be committed to the sale or distribution within one year from date of classification.

The Group recognizes a liability to make non-cash distributions to equity holders of the Parent Company when the distribution is authorized and no longer at the discretion of the Parent Company. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurements recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets to be distributed is recognized in the consolidated statements of income.

Intangible assets, property, plant and equipment and investment property once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Assets and liabilities classified as held for sale or distribution are presented separately as current items in the consolidated statements of financial position.

Discontinued Operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Income after income tax from discontinued operations" in the consolidated statements of income.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of RPS and SPCS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

*Measurement of Biological Assets.* Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

*Determining whether a Contract Contains a Lease*. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

*Operating Lease Commitments - Group as Lessor*. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized in the consolidated statements of income amounted to P1,496, P1,382 and P1,751 in 2021, 2020 and 2019, respectively (Notes 32 and 34).

*Determining the Lease Term of Contracts with Renewal Options - Group as Lessee.* The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

*Estimating the Incremental Borrowing Rate.* The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group’s lease liabilities amounted to P94,992 and P117,037 as at December 31, 2021 and 2020 respectively (Notes 34, 38, 39 and 40).

*Identification of Distinct Performance Obligation.* The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and lease of equipment to its customers and allocates the transaction price into these several performance obligations.

*Applicability of Philippine Interpretation IFRIC 12.* In accounting for the Group’s transactions in connection with its Concession Agreement with the ROP, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the interpretation since it specifically indicated that the ROP will regulate what services the Group must provide, at what prices these services will be offered, and that at the end of the concession period, the entire infrastructure, as defined in the Concession Agreement, will be turned over to the ROP (Note 34).

Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the Group’s obligations under the Concession Agreement, may either be an intangible asset in the form of a right (license) to charge fees to users or financial asset in the form of an unconditional right to receive cash or another financial asset. Judgment was further exercised by management in determining the cost components of acquiring the right. Further reference to the terms of the Concession Agreement (Note 34) was made to determine such costs.

a. *Airport Concession Rights*

   *Boracay Airport.* The airport concession right consists of: (i) Airport Project cost; (ii) present value of infrastructure retirement obligation (IRO); and (iii) present value of total franchise fees over 25 years and its subsequent amortization.

   (i) The Airport Project cost is recognized as part of intangible assets as the construction progresses. The cost-to-cost method was used as management believes that the actual cost of construction is most relevant in determining the amount that should be recognized as cost of the intangible asset at each reporting date as opposed to cost plus and other methods of percentage-of-completion.

   (ii) The present value of the IRO is recorded under construction in progress (CIP) - airport concession arrangements and transferred to the related intangible assets upon completion of the Airport Project and to be amortized simultaneously with the cost related to the Airport Project because only at that time will significant maintenance of the Boracay Airport would commence.

(iii) The present value of the obligation to pay annual franchise fees over 25 years has been immediately recognized as part of intangible assets because the right related to it has already been granted and is already being enjoyed by the Group as evidenced by its taking over the operations of the Boracay Airport during the last quarter of 2010. Consequently, management has started amortizing the related value of the intangible asset and the corresponding obligation has likewise been recognized.

*Manila International Airport.* The airport concession right consists of the pre-design costs, consultancy fees and other directly attributable costs incurred in the development of the project.

b. *Toll Road Concession Rights*. The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects: (i) SLEX; (ii) NAIA Expressway; (iii) Skyway; (iv) TPLEX; (v) STAR; and (vi) Skyway Stage 3.

   Pursuant to the Concession Agreements, any stage or phase or ancillary facilities thereof, of a fixed and permanent nature, shall be owned by the ROP.

c. *Water Concession Right.* The Group's water concession right represents the right to collect charges from water service providers and third party purchasers availing of a public service, grant control or regulate the price and transfer significant residual interest of the water treatment facilities at the end of the Concession Agreement.

d. *Power Concession Right*. The Group's power concession right represents the right to operate and maintain the franchise of ALECO; i.e., the right to collect electricity fees from the consumers of ALECO. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.

e. *MRT 7 Project.* The Concession Agreement related to the MRT 7 Project does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the obligation under the Concession Agreement, is a financial asset in the form of an unconditional right to receive cash or another financial asset.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

*Recognition of Profit Margin on the Airport and Toll Road Concession Arrangements.* The Group has not recognized any profit margin on the construction of the airport and toll road projects as it believes that the fair value of the intangible asset reasonably approximates the cost. The Group also believes that the profit margin of its contractors on the rehabilitation of the existing airport and its subsequent upgrade is enough to cover any difference between the fair value and the carrying amount of the intangible asset.

*Recognition of Revenue from Sale of Real Estate and Raw Land.* The Group recognizes its revenue from sale of real estate projects and raw land in full when 10% or more of the total contract price is received and when development of the real estate property is 100% completed. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

*Distinction Between Investment Property and Owner-occupied Property.* The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*Classification of Redeemable Preferred Shares.* Based on the features of the preferred shares of TADHC, particularly on mandatory redemption, management determined that the shares are, in substance, financial liabilities. Accordingly, these were classified as part of ''Accounts payable and accrued expenses" account in the consolidated statements of financial position as at December 31, 2021 and 2020, respectively (Note 20).

*Evaluating Control over its Investees.* Determining whether the Group has control in an investee requires significant judgment. The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

*Classification of Joint Arrangements.* The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Angat Hydropower Corporation (Angat Hydro), KWPP Holdings Corporation (KWPP) and Manila North Harbour Port, Inc. (MNHPI) as joint ventures (Note 11).

*Adequacy of Tax Liabilities.* The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

*Classification of Financial Instruments*. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 40.

*Contingencies*. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 43).

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

*Assessment of ECL on Trade Receivables.* The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written off amounted to P186 and P138 in 2021 and 2020, respectively. The allowance for impairment losses on trade receivables amounted to P4,094 and P4,522 as at December 31, 2021 and 2020, respectively. The carrying amount of trade receivables amounted to P97,013 and P71,134, as at December 31, 2021 and 2020, respectively (Note 8).

*Assessment of ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;

- existing or forecasted adverse changes in business, financial or economic conditions; and

- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020.

The carrying amounts of other financial assets at amortized cost are as follows:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| **Other Financial Assets at Amortized Cost** | | | |
| Cash and cash equivalents (excluding cash on hand) | *7, 39* | **P298,783** | P345,425 |
| Other current receivables - net (included under “Trade and other receivables - net” account) | *8* | **64,795** | 53,235 |
| Financial assets at amortized cost (included under “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts) | *10, 12, 39, 40* | **577** | 255 |
| Noncurrent receivables and deposits - net (included under “Other noncurrent assets - net” account) | *18, 39, 40* | **32,310** | 28,095 |
| Restricted cash (included under “Prepaid expenses and other current assets” and “Other noncurrent assets - net” accounts) | *10, 18, 39, 40* | **12,965** | 7,890 |

The allowance for impairment losses on other current receivables, included as part of “Trade and other receivables - net” account and noncurrent receivables and deposits included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position, amounted to P9,174 and P572, respectively, as at December 31, 2021, and P9,219 and P606, respectively, as at December 31, 2020 (Notes 8 and 18).

*Fair Value Measurements*. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 11, 12, 15, 16, 17, 18, 20, 35 and 40.

*Write-down of Inventory.* The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P1,505 and P1,624 as at December 31, 2021 and 2020, respectively (Note 9).

The carrying amounts of inventories amounted to P141,209 and P102,822 as at December 31, 2021 and 2020, respectively (Note 9).

*Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Investment Property and Deferred Containers.* The Group estimates the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Except for refinery and plant equipment and certain power plant assets used in production of fuel, there is no change in estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on management's review at the reporting date.

Starting January 1, 2020, the Group adopted the UOP method of accounting for depreciation of refinery and plant equipment and certain power plant assets used in production of fuel. The UOP method closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets. Depreciation of said assets is computed using the expected consumption over the estimated useful lives of these assets. Previously, depreciation was computed using the straight-line method over the estimated useful lives of the assets.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P582,092 and P525,035 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P243,297 and P219,246 as at December 31, 2021 and 2020, respectively (Note 13).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P163,446 and P169,285 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P20,308 and P14,228 as at December 31, 2021 and 2020, respectively (Note 14).

Investment property, net of accumulated depreciation and amortization amounted to P69,833 and P60,686 as at December 31, 2021 and 2020, respectively. Accumulated depreciation and amortization of investment property amounted to P19,470 and P16,838 as at December 31, 2021 and 2020, respectively (Note 15).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P19,800 and P19,749 as at December 31, 2021 and 2020, respectively. Accumulated amortization of deferred containers amounted to P14,714 and P13,178 as at December 31, 2021 and 2020, respectively (Note 18).

*Estimated Useful Lives of Intangible Assets.* The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, net of accumulated amortization, included as part of “Other intangible assets - net” account in the consolidated statements of financial position amounted to P188,873 and P166,907 as at December 31, 2021 and 2020, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P49,717 and P43,643, as at December 31, 2021 and 2020, respectively (Note 17).

*Estimated Useful Lives of Intangible Assets - Concession Rights.* The Group estimates the useful lives of airport, toll road, port, power and water concession rights based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as at the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The combined carrying amounts of toll road, airport, power and water concession rights amounted to P178,833 and P158,919 as at December 31, 2021 and 2020, respectively (Note 17).

*Impairment of Goodwill, Licenses and Trademarks and Brand Names with Indefinite Useful Lives.* The Group determines whether goodwill, licenses and trademarks and brand names are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the licenses and trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the licenses and trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P130,081 and P129,733 as at December 31, 2021 and 2020, respectively (Note 17).

The combined carrying amounts of licenses and trademarks and brand names amounted to P2,286 and P2,806 as at December 31, 2021 and 2020, respectively (Note 17).

*Acquisition Accounting.* At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

*Estimating Coal Reserves.* Coal reserve estimates are based on measurements and geological interpretation obtained from natural outcrops, trenches, tunnels and drill holes. In contrast with "coal resource" estimates, profitability of mining the coal during a defined operating period or "mine-life" is a necessary attribute of "coal reserve".

The Philippine Department of Energy (DOE) is the government agency authorized to implement coal operating contracts (COC) and regulate the operation of contractors pursuant to DOE Circular No. 81-11-10: Guidelines for Coal Operations in the Philippines. For the purpose of the five-year development and production program required for each COC, the agency classifies coal reserves, according to increasing degree of uncertainty, into: (i) positive, (ii) probable and (iii) inferred. The DOE also prescribes the use of "total in-situ reserves" as the sum of positive reserves and two-thirds of probable reserve; and "mineable reserve" as 60% of total in-situ reserve for underground, and 85% for surface (including open-pit) coal mines.

*Recoverability of Deferred Exploration and Development Costs.* A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group's mining activities related to coal are all in the exploratory stages as at December 31, 2021. All related costs and expenses from exploration are currently deferred as mine exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as at December 31, 2021 and 2020.

Deferred exploration and development costs included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P719 and P715 as at December 31, 2021 and 2020, respectively (Notes 18 and 34).

*Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P17,141 and P20,946 as at December 31, 2021 and 2020, respectively (Note 23).

*Impairment of Non-financial Assets.* PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on property, plant and equipment, right-of-use assets and investment property, other intangible assets with finite useful lives and deferred containers amounted to P15,490 and P14,411 as at December 31, 2021 and 2020, respectively (Notes 13, 14, 15, 17 and 18).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets amounted to P1,068,884 and P982,815 as at December 31, 2021 and 2020, respectively (Notes 11, 13, 14, 15, 16, 17 and 18).

*Present Value of Defined Benefit Retirement Obligation.* The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 35 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P30,539 and P31,617 as at December 31, 2021 and 2020, respectively (Note 35).

*Asset Retirement Obligation.* The Group has ARO arising from refinery, power plants, leased service stations, terminals, blending plant and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 1.85% to 12.64% and 3.21% to 12.64% as at December 31, 2021 and 2020, respectively, depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P3,668 and P3,735 as at December 31, 2021 and 2020, respectively (Notes 20 and 22).

*Present Value of Annual Franchise Fee and IRO - Airport Concession Arrangement.* Portion of the amount recognized as airport concession right as at December 31, 2021 and 2020 pertains to the present value of the annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in CIP - airport concession arrangements until the completion of the Airport Project.

The present values of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate.

A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect in profit or loss.

The present value of the annual franchise fees payable to the ROP over 25 years discounted using the 8% internal borrowing rates in 2021 and 2020, included as part of "Airport concession right" under "Other intangible assets - net" account amounted to P57 and P59 as at December 31, 2021 and 2020, respectively (Note 17).

The cost of infrastructure maintenance and restoration represents the present value of TADHC's IRO recognized and is presented as part of IRO under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P16 and P74 in 2021 and P13 and P74 in 2020, respectively (Notes 20 and 22).

*Present Value of Mine Rehabilitation Obligation (MRO) and Decommissioning.* The Group has MRO arising from NCC's mining operations. Determining MRO requires estimation of the costs of dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites, and restoring, reclaiming and revegetating affected areas. The estimated rehabilitation costs are then discounted using a discount rate that reflects current market assessments and the risks specific to the liability. Discount rate used by the Group as at December 31, 2021 and 2020 was 7.04%. The ultimate cost of MRO and decommissioning is uncertain, and cost estimates can vary in response to many factors including estimates of the extent and costs of rehabilitation activities, changes in the relevant legal requirements, emergence of new restoration techniques or experience, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change in response to changes in quarry reserves or production rates. These uncertainties may result in future actual expenditure different from the amounts currently provided. As a result, there could be significant adjustments in provision for MRO and decommissioning, which would affect future financial results.

Provision for MRO and decommissioning presented as part of "Other noncurrent liabilities" account amounted to P47 and P46 as at December 31, 2021 and 2020, respectively (Note 22).

*Percentage-of-Completion - Airport and Toll Road Concession Arrangements.* The Group determines the percentage-of-completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total airport and toll road project cost. The Group reviews and revises, when necessary, the estimate of airport and toll road project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period. Construction revenue and construction costs, reported as part of "Other income (charges) - net" account in the consolidated statements of income, amounted to P29,769, P22,747 and P25,386 as at December 31, 2021, 2020 and 2019, respectively (Note 32).

*Accrual for Repairs and Maintenance - Toll Road Concession Arrangements.* The Group recognizes accruals for repairs and maintenance based on estimates of periodic costs, generally estimated to be every 5 to 12 years as at December 31, 2021 and 2020, or the expected period to restore the toll road facilities to a level of serviceability and to maintain its good condition before the turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate, ranging from 1.66% to 4.88% and 1.7% to 3.97% as at December 31, 2021 and 2020, respectively, that reflects the current market assessment of the time value of money.

The accrual for repairs and maintenance, included as part of "IRO" under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P698 and P656 as at December 31, 2021 and 2020, respectively (Note 22).

The current portion included as part of "Accounts payable and accrued expenses" account amounted to P419 and P412 as at December 31, 2021 and 2020, respectively (Note 20).

## 5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments:

Infrastructure

- SMHC

  On November 27, 2020, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P71,500 divided into 71,500,000 common shares to P91,500 divided into 91,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Parent Company executed a Subscription Agreement to subscribe to 10,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P1,500.00 per common share. The Parent Company paid P6,606 in 2020, while the remaining balance of the subscription price amounting to P8,394 was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 18, 2020 and was approved on January 7, 2021.

  On June 30, 2021, SMHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 10,000,000 common shares for a total subscription price of P15,000 or P1,500.00 per common share, which was fully paid in 2021.

  On December 17, 2021, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P91,500 divided into 91,500,000 common shares to P106,500 divided into 106,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 5,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P7,500 or P1,500.00 per common share. The Parent Company paid P3,823 as at December 31, 2021.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on March 9, 2022 and still pending approval as at March 10, 2022.

- SMAI

  On December 27, 2021, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 3,792,881,031 common shares of SMAI for a total subscription price of P7,586 or P2.00 per common share, which was fully paid in 2021.

  As at December 31, 2021, the Parent Company has 25.81% direct ownership interest in SMAI, in addition to the 74.19% indirect ownership interest through SMHC.

Packaging

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

  On September 12, 2019, the BOD of the Parent Company approved the merger of SMYAC with SMYPC, where SMYPC was the surviving entity.

  On September 19, 2019, the merger was approved by the respective BOD and stockholders of SMYPC and SMYAC. On the same date, the BOD and stockholders of SMYPC resolved and approved to increase its authorized capital stock from P11,000 divided into 11,000,000 common shares to P20,000 divided into 20,000,000 common shares, both with a par value of P1,000.00 per common share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on October 25, 2019 and was approved on February 24, 2020.

  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 was transferred to and absorbed by SMYPC.

  On October 31, 2019, the Parent Company and SMYPC executed a subscription agreement whereby the Parent Company agreed to subscribe to 3,901,011 common shares from the increase in authorized capital stock of SMYPC.

  On February 24, 2020, the SEC approved the merger and issued the Certificate of Filing of the Articles and Plan of Merger.

  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 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.

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

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.

Real Estate

- SMPI

a) Subscription of Common Shares

On various dates in 2020, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 241,393,750 common shares of SMPI for a total subscription price of P4,828 or P20.00 per common share. The Parent Company paid P4,092 in 2020, while the remaining balance of the subscription price amounting to P736 was paid in 2021.

On various dates in 2021, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 168,783,058 common shares of SMPI for a total subscription price of P3,375 or P20.00 per common share. In 2021, the Parent Company paid P3,018.

b) Acquisition of Subsidiaries

On February 2, 2021, the Parent Company through SMPI acquired a total of 95,252 common shares, equivalent to 70% of the outstanding capital stock of Agricultural Investors, Inc., Unexplored Land Developers, Inc., Ocean-Side Maritime Enterprises, Inc., Labayug Air Terminals, Incorporated, Pura Electric Co., Inc., Punong Bayan Housing Development Corporation, Habagat Realty Development Incorporated and Spade One Resorts Corporation, for a total consideration of P3,500. The acquisition gave SMPI 70% ownership and control over these entities and consequently were consolidated to the Group effective February 2, 2021. The related advances for investments amounting to P2,975 was reclassified from “Investments and advances” to Investment in shares of stock of subsidiaries as part of the total consideration transferred (Note 11). SMPI fully paid the remaining balance of P525 in 2021.

The entities are Philippine companies engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law.

The acquisition of the entities is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

On December 17, 2021, SMPI acquired a total of 8,165 additional common shares, equivalent to 6% of the outstanding capital stock of the entities, at a purchase price of P36,742.19 per share or P300, of which P150 was paid in 2021.

- DHDC

  On May 4 and November 26, 2020, DHDC and the Parent Company executed Subscription Agreements to subscribe to a total of 90,500,000 common shares of DHDC for a total subscription price of P181 or P2.00 per common share, which was fully paid in 2020.

  On February 3, 2021, DHDC and the Parent Company executed a Subscription Agreement to subscribe to a total of 30,000,000 common shares of DHDC for a total subscription price of P60 or P2.00 per common share, which was fully paid in 2021.

  On June 1, 2021, the BOD and stockholders of DHDC approved the additional increase in its authorized capital stock from P2,100 divided into 2,100,000,000 common shares to P2,400 divided into 2,400,000,000 common shares, both with a par value of P1.00 per common share. On the same date, the Parent Company in a Subscription Agreement, subscribed to 75,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P150 or P2.00 per common share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on September 10, 2021 and was approved on September 14, 2021.

  On December 15, 2021, DHDC and the Parent Company executed a Subscription Agreement to subscribe to an additional 7,750,000 common shares of DHDC for a subscription price of P15 or P2.00 per share, which was fully paid in 2021.

<u>Cement</u>

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

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

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

  On the same date, the SEC approved the increase in the authorized capital stock of NCC which was filed on April 27, 2021.

  On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 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.

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

  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.

- 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, 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.

NCC is primarily engaged in the business of manufacturing, developing, processing, exploiting, buying, selling, or otherwise dealing in such goods as cement and other goods of similar nature and/or other products.

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 following summarizes the recognized amount of assets acquired and liabilities assumed at the acquisition date:

| | *Note* | 2020 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | | P1,053 |
| Trade and other receivables - net | | 82 |
| Inventories | | 1,526 |
| Prepaid expenses and other current assets | | 253 |
| Property, plant and equipment - net | *13* | 10,009 |
| Right-of-use assets - net | *14* | 35 |
| Other intangible assets - net | *17* | 4,626 |
| Deferred tax assets | *23* | 260 |
| Other noncurrent assets - net | | 258 |
| Liabilities | | |
| Accounts payable and accrued expenses | | (1,162) |
| Income and other taxes payable | | (158) |
| Lease liabilities (including current portion) | | (40) |
| Other noncurrent liabilities | *22* | (182) |
| Total Identifiable Net Assets at Fair Value | | P16,560 |

The Group remeasured its equity interest held before business combination resulting in the recognition of gain amounting to P894, included as part of “Other income (charges) - net” account in the consolidated statements of income (Note 32).

The fair value of trade and other receivables amounted to P82. The gross amount of the receivables is P87, of which P5 is expected to be uncollectible as at the acquisition date (Note 8).

A gain was recognized as a result of the business combination as follows:

| | *Note* | 2020 |
|---|---|---|
| Equity interest held before business combination | *11* | P4,902 |
| Gain on fair valuation of investment | *32* | 894 |
| Non-controlling interest | | 10,001 |
| Total identifiable net assets at fair value | | (16,560) |
| Gain | *32* | (P763) |

The gain recognized from the business combination was presented as part of “Other income (charges) - net” account in the consolidated statements of income (Note 32).

The completion of the purchase price allocation exercise did not result in any adjustments to the recognized amounts of assets acquired and liabilities assumed as at December 31, 2021.

- SMEII

On various dates in 2020, SMEII and the Parent Company executed Subscription Agreements to subscribe to a total of 3,063,600,000 common shares of SMEII for a total subscription price of P4,595 or P1.50 per share, which was fully paid in 2020.

On various dates in 2021, SMEII and the Parent Company executed Subscription Agreements to subscribe to a total of 1,956,500,000 common shares of SMEII for a total subscription price of P2,935 or P1.50 per share, which was fully paid in 2021.

- SMNCI

On June 19, 2020, SMEII entered into a Deed of Absolute Sale of Shares with NCC covering the sale by the latter of its 750,000,000 common shares of SMNCI representing 10.76% direct equity interest, for a total consideration of P750. As a result, SMNCI became a wholly-owned subsidiary of SMEII.

The transaction was accounted for as an equity transaction as it only resulted to an increase in the ownership interest of SMEII in SMNCI.

In 2020, SMEII subscribed to a total additional 933,330,000 common shares of SMNCI out of the unissued capital stock for a total subscription price of P1,400 or P1.50 per share. The subscription price was paid in 2020.

Food and Beverage

- GSMI

  On December 1, 2020, the BOD of GSMI approved the redemption of the 32,786,885 outstanding preferred shares, all of which were held by SMC equivalent to 10.27% equity interest in GSMI. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. On January 4, 2021, GSMI paid the redemption price of P1,000 or P30.50 per share and all accumulated unpaid cash dividends. The transaction reduced the effective ownership of SMC from 70.62% to 67.26%.

- SMBB

  On March 10, 2020, SMBIL and San Miguel (China) Investment Company, Limited (SMCIC), the shareholders of SMBB, passed a resolution approving the dissolution and liquidation of SMBB. SMBB has stopped operations and production activities and started the liquidation process from the date of the resolution (Note 32).

- PTSMFI

  On November 10, 2021, the BOD of SMFB approved the closure of the operations of PTSMFI effective October 31, 2021. SMFB made cash advances to PTSMFI amounting to US$3, representing its proportionate share to the total cash advances necessary to settle PTSMFI's outstanding obligations. PTSMFI is in the process of liquidation as at December 31, 2021.

Others

- SMCEC

  On June 29, 2021, the BOD and stockholders of SMCEC approved the increase in its authorized capital stock from P1,100 divided into 1,100,000,000 common shares to P3,520 divided into 3,520,000,000 common shares, both with a par value of P1.00 per common share. On July 9, 2021, the Parent Company in a Subscription Agreement, subscribed to 605,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P1,210 or P2.00 per common share. The subscription price was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on July 30, 2021 and was approved on August 3, 2021.

  On August 5, 2021, SMCEC and the Parent Company executed a Subscription Agreement to subscribe to an additional 350,000,000 common shares of SMCEC for a total subscription price of P700 or P2.00 per share, which was fully paid in 2021. On the same date, SMCEC and the Parent Company executed a Subscription Agreement to subscribe to an additional 1,815,000,000 common shares out of the increase in authorized capital stock of SMCEC for a total subscription price of P3,630 or P2.00 per common share, which was fully paid in 2021.

On October 19, 2021, the BOD and stockholders of SMCEC approved the additional increase in its authorized capital stock from P3,520 divided into 3,520,000,000 common shares to P3,875 divided into 3,875,000,000 common shares, both with a par value of P1.00 per common share. On October 20, 2021, the Parent Company in a Subscription Agreement, subscribed to 177,500,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P355 or P2.00 per common share. The subscription price was paid in 2021.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with and approved by the SEC on December 31, 2021.

- Petrogen

On December 3, 2020, the BOD and stockholders of Petrogen approved the increase in its authorized capital stock from P750 divided into 750,000 common shares to P2,250 divided into 2,250,000 common shares, both with a par value of P1,000.00 per common share. On January 5, 2021, the Parent Company in a Subscription Agreement, subscribed to 1,494,973 common shares out of the increase in authorized capital stock for a total subscription price of P3,000 or P2,006.73 per common share. The subscription price was fully paid in 2021.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on January 27, 2021 and was approved on February 4, 2021.

As a result, Petrogen became 74.94% directly owned by the Parent Company and was deconsolidated from Petron effective February 4, 2021.

As at December 31, 2021, the Parent Company's effective equity interest in Petrogen is 92.05%, including the 17.11% indirect equity interest through Petron.

- SMCACDC

On December 18, 2020, the BOD of SMCACDC approved the redemption of the 730,000 preferred shares held by the Parent Company, which was issued in 2019.

On March 19, 2021, SMCACDC paid the redemption price of P730 or P1,000.00 per share.

The preferred shares issued by SMCACDC are nonvoting, nonconvertible, and redeemable at the sole option of SMCACDC at a price and at such time that the BOD of SMCACDC shall determine. The preferred shares are entitled to dividends as declared by the BOD of SMCACDC. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of SMCACDC, the holders of preferred stocks that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of SMCACDC.

- SMICL

  On July 13, 2021, the BOD of SMICL approved to increase its authorized capital stock from US$0.12 to US$66 divided into 120,000 common shares with par value of US$1.00 per share and creation of 6,600,000 preferred shares with par value of US$10.00 per share. On the same date, the Parent Company subscribed to 6,600,000 preferred shares out of the increase in authorized capital stock of SMICL, for a total subscription price of US$66 or US$10.00 per share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMICL was filed with the Registrar of Companies of the Government of Bermuda on August 5, 2021 and was approved on the same date.

  The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMICL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preference shares. SMICL has the right to convert the preferred shares into common shares at a rate of one common share for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

- SMILSI

  On January 14, 2020, SMILSI and the Parent Company executed a Subscription Agreement to subscribe to an additional 5,646,200 common shares of SMILSI for a subscription price of P8 or P1.50 per common share. The subscription price was fully paid in 2020.

  On January 14, 2020, the BOD and stockholders of SMILSI approved the increase in its authorized capital stock from P1,020 divided into 1,020,000,000 common shares to P4,020 divided into 4,020,000,000 common shares, both with a par value of P1.00 per common share. On the same date, the Parent Company in a Subscription Agreement, subscribed to 1,000,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P1,500 or P1.50 per common share. The subscription price was paid in 2020.

  On various dates in 2020, SMILSI and the Parent Company executed Subscription Agreements to subscribe to a total of 733,110,500 additional common shares out of the proposed increase in authorized capital stock of SMILSI for a total subscription price of P1,100 or P1.50 per common share. The subscription price was paid in 2020.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2020 and was approved on January 6, 2021.

- SMHL

  On September 16, 2020, SMHL issued to the Parent Company an additional 2,500,000 preferred shares from the unissued capital stock of SMHL, for a subscription price of US$25 or US$10.00 per preferred share. In 2019 and 2020, the Parent Company paid a total of US$23. The balance amounting to US$2 was subsequently paid on March 29, 2021.

The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMHL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preference shares. SMHL has the right to convert the preferred shares into common shares at a rate of one common share for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

- Petrofuel Logistics Inc. (PLI)

  On August 28, 2020, Petron signed a Share Purchase Agreement with SMILSI for the sale by Petron of its 2,010,000 shares in PLI, equivalent to 100% equity interest in the outstanding common shares of PLI, for a total consideration of P230.

  The transfer was accounted for as a transaction under common control using the pooling of interest method where the entity was controlled by SMC before and after the transaction and the control was not transitory.

## 6. Segment Information

Operating Segments

The reporting format of the Group’s operating segments is determined based on the Group’s risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group’s reportable segments are food and beverage, packaging, energy, fuel and oil, and infrastructure.

The food and beverage segment is engaged in: (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as “Prepared and Packaged Food”), (ii) the production and sale of feeds (“Animal Nutrition and Health”), (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats (“Protein”), and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations. It is also engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets; and production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other liquor variants which are available nationwide, while some are exported to select countries.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment sells, retails and distributes power, through power supply agreements (PSA), retail supply contracts (RSC), concession agreement and other power-related service agreements, either directly to customers, including Manila Electric Company (Meralco), other generators, distribution utilities (DUs), electric cooperatives and industrial customers, or through the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining crude oil and marketing and distribution of refined petroleum products.

The infrastructure segment has investments in companies which hold long-term concessions in the infrastructure sector in the Philippines. It is engaged in the management and operation, as well as, construction and development of various infrastructure projects such as major toll roads, airports, railways and bulk water.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

## Operating Segments

Financial information about reportable segments follows:

| | Food and Beverage | | | Packaging | | | Energy | | | Fuel and Oil | | | Infrastructure | | | Cement, Real Estate and Others | | | Eliminations | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| **Sales** | | | | | | | | | | | | | | | | | | | | | | | | |
| External sales | **P309,576** | P279,122 | P310,482 | **P24,033** | P22,832 | P25,327 | **P129,420** | P111,798 | P131,580 | **P430,662** | P281,667 | P508,700 | **P19,688** | P14,564 | P23,399 | **P27,814** | P15,814 | P21,014 | **P -** | P - | P - | **P941,193** | P725,797 | P1,020,502 |
| Inter-segment sales | **202** | 168 | 303 | **9,670** | 8,672 | 12,547 | **4,290** | 3,231 | 3,480 | **7,395** | 4,366 | 5,662 | **2** | 1 | 7 | **31,483** | 21,985 | 19,873 | **(53,042)** | (38,423) | (41,872) | **-** | - | - |
| Total sales | **P309,778** | P279,290 | P310,785 | **P33,703** | P31,504 | P37,874 | **P133,710** | P115,029 | P135,060 | **P438,057** | P286,033 | P514,362 | **P19,690** | P14,565 | P23,406 | **P59,297** | P37,799 | P40,887 | **(P53,042)** | (P38,423) | (P41,872) | **P941,193** | P725,797 | P1,020,502 |
| **Result** | | | | | | | | | | | | | | | | | | | | | | | | |
| Segment result | **P43,695** | P33,412 | P47,781 | **P1,162** | P961 | P3,598 | **P31,886** | P36,923 | P35,954 | **P26,927** | (P4,674) | P16,101 | **P6,788** | P2,571 | P11,444 | **P4,086** | P2,166 | P991 | **P2,608** | P117 | (P154) | **P117,152** | P71,476 | P115,715 |
| 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 |
| Income tax expense | | | | | | | | | | | | | | | | | | | | | | **(17,793)** | (15,531) | (28,513) |
| **Net Income** | | | | | | | | | | | | | | | | | | | | | | **P48,159** | P21,879 | P48,574 |
| Attributable to: | | | | | | | | | | | | | | | | | | | | | | | | |
| Equity holders of the Parent Company | | | | | | | | | | | | | | | | | | | | | | **P13,925** | P2,973 | P21,329 |
| Non-controlling interests | | | | | | | | | | | | | | | | | | | | | | **34,234** | 18,906 | 27,245 |
| **Net Income** | | | | | | | | | | | | | | | | | | | | | | **P48,159** | P21,879 | P48,574 |
| **Other Information** | | | | | | | | | | | | | | | | | | | | | | | | |
| Segment assets | **P252,307** | P230,208 | P224,862 | **P66,337** | P68,053 | P58,436 | **P553,573** | P528,587 | P475,143 | **P396,054** | P339,241 | P385,838 | **P279,269** | P239,407 | P230,375 | **P395,834** | P383,871 | P308,290 | **(P136,417)** | (P121,035) | (P109,714) | **P1,806,957** | P1,668,332 | P1,573,230 |
| Investments in and advances to associates and joint ventures | **-** | 4 | 58 | **-** | - | - | **10,837** | 9,956 | 11,001 | **9** | 6 | 12 | **5,330** | 4,465 | 3,968 | **38,826** | 36,064 | 37,822 | **-** | - | - | **55,002** | 50,495 | 52,861 |
| Goodwill and trademarks and brand names | | | | | | | | | | | | | | | | | | | | | | **130,357** | 130,434 | 130,777 |
| Other assets | | | | | | | | | | | | | | | | | | | | | | **42,196** | 42,000 | 42,814 |
| Deferred tax assets | | | | | | | | | | | | | | | | | | | | | | **17,141** | 20,946 | 18,052 |
| **Consolidated Total Assets** | | | | | | | | | | | | | | | | | | | | | | **P2,051,653** | P1,912,207 | P1,817,734 |

*Forward*

| | Food and Beverage | | | Packaging | | | Energy | | | Fuel and Oil | | | Infrastructure | | | Cement, Real Estate and Others | | | Eliminations | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| Segment liabilities | **P62,807** | P55,255 | P50,773 | **P10,265** | P10,213 | P10,343 | **P52,019** | P35,245 | P28,129 | **P58,909** | P42,110 | P71,831 | **P47,960** | P45,696 | P45,193 | **P89,333** | P80,571 | P81,903 | **(P110,173)** | (P92,569) | (P93,459) | **P211,120** | P176,521 | P194,713 |
| Loans payable | | | | | | | | | | | | | | | | | | | | | | **190,779** | 140,645 | 169,492 |
| Long-term debt | | | | | | | | | | | | | | | | | | | | | | **813,965** | 766,909 | 682,804 |
| Lease liabilities | | | | | | | | | | | | | | | | | | | | | | **94,992** | 117,037 | 142,248 |
| Income and other taxes payable | | | | | | | | | | | | | | | | | | | | | | **23,102** | 20,998 | 21,185 |
| Dividends payable and others | | | | | | | | | | | | | | | | | | | | | | **7,714** | 7,260 | 7,632 |
| Deferred tax liabilities | | | | | | | | | | | | | | | | | | | | | | **28,742** | 27,749 | 25,265 |
| **Consolidated Total Liabilities** | | | | | | | | | | | | | | | | | | | | | | **P1,370,414** | P1,257,119 | P1,243,339 |
| Capital expenditures (Note 13) | **P10,802** | P13,888 | P18,163 | **P2,605** | P3,149 | P5,207 | **P39,597** | P23,931 | P9,595 | **P9,158** | P8,167 | P19,769 | **P906** | P452 | P598 | **P11,353** | P11,042 | P12,308 | **P -** | P - | P - | **P74,421** | P60,629 | P65,640 |
| Depreciation and amortization of property, plant and equipment (Notes 13 and 28) | **5,062** | 4,392 | 3,621 | **2,086** | 2,164 | 1,960 | **5,960** | 5,215 | 4,587 | **7,047** | 6,525 | 10,328 | **369** | 377 | 371 | **3,382** | 3,027 | 2,794 | **-** | - | - | **23,906** | 21,700 | 23,661 |
| Noncash items other than depreciation and amortization of property, plant and equipment | **6,588** | 6,274 | 5,387 | **590** | 347 | 691 | **5,924** | 2,438 | 2,224 | **3,912** | (889) | 180 | **5,113** | 5,349 | 5,219 | **(15)** | (7,304) | (3,700) | **-** | - | - | **22,112** | 6,215 | 10,001 |
| Loss on (reversal of) impairment of property, plant and equipment, trademark and brand names and other noncurrent assets (Notes 13, 17, 18 and 32) | **455** | (3) | 1,015 | **-** | (99) | 241 | **12** | (103) | 35 | **1** | - | 282 | **-** | - | - | **(19)** | 13 | - | **-** | - | - | **449** | (192) | 1,573 |

## Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

| | Food and Beverage | | | Packaging | | | Energy | | | Fuel and Oil | | | Infrastructure | | | Cement, Real Estate and Others | | | Consolidated | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 | **2021** | 2020 | 2019 |
| **Timing of Revenue Recognition** | | | | | | | | | | | | | | | | | | | | | |
| Sales recognized at point in time | **P309,565** | P279,110 | P310,410 | **P23,408** | P21,897 | P24,570 | **P -** | P - | P - | **P430,662** | P281,667 | P508,700 | **P -** | P - | P - | **P24,832** | P13,361 | P16,659 | **P788,467** | P596,035 | P860,339 |
| Sales recognized over time | **11** | 12 | 72 | **625** | 935 | 757 | **129,420** | 111,798 | 131,580 | **-** | - | - | **19,688** | 14,564 | 23,399 | **2,982** | 2,453 | 4,355 | **152,726** | 129,762 | 160,163 |
| **Total External Sales** | **P309,576** | P279,122 | P310,482 | **P24,033** | P22,832 | P25,327 | **P129,420** | P111,798 | P131,580 | **P430,662** | P281,667 | P508,700 | **P19,688** | P14,564 | P23,399 | **P27,814** | P15,814 | P21,014 | **P941,193** | P725,797 | P1,020,502 |

## 7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

| | *Note* | 2021 | 2020 |
|---|---|---|---|
| Cash in banks and on hand | | **P70,124** | P102,378 |
| Short-term investments | | **229,906** | 244,831 |
| | *4, 39, 40* | **P300,030** | P347,209 |

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 31).

## 8. Trade and Other Receivables

Trade and other receivables consist of:

| | *Note* | 2021 | 2020 |
|---|---|---|---|
| Trade | | **P99,056** | P74,662 |
| Non-trade | | **60,457** | 48,971 |
| Amounts owed by related parties | *33, 35* | **15,563** | 14,477 |
| | | **175,076** | 138,110 |
| Less allowance for impairment losses | *4, 5* | **13,268** | 13,741 |
| | *4, 39, 40* | **P161,808** | P124,369 |

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables include claims from the Government, interest receivable, claims receivable, contracts receivable and others.

a. Claims from the Government consist of duty drawback, VAT and specific tax claims, subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism and due from Power Sector Assets and Liabilities Management Corporation (PSALM). Due from PSALM amounting to US$60 pertains to SPPC’s performance bond pursuant to the Ilijan Independent Power Producer (IPP) Administration (IPPA) Agreements that was drawn by PSALM in September 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court (RTC) of Mandaluyong City (Note 43).

b. As at December 31, 2021 and 2020, SMEC has receivables for the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant amounting to P252 and P291, respectively. In addition, SMEC has receivables arising from WESM transactions related to the excess capacity amounting to P3,662 and P3,022 as at December 31, 2021 and 2020, respectively. The issue on excess capacity is the subject of ongoing cases (Note 43).

Amounts owed by related parties include trade receivables amounting to P2,051 and P994 as at December 31, 2021 and 2020, respectively.

The movements in the allowance for impairment losses are as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P13,741** | P12,688 |
| Charges (reversal) for the year | *27, 32* | **(225)** | 1,196 |
| Consolidation of subsidiaries | *5* | **-** | 5 |
| Amounts written off | *4* | **(281)** | (151) |
| Translation adjustments and others | | **33** | 3 |
| Balance at end of year | | **P13,268** | P13,741 |

## 9. Inventories

Inventories consist of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| At net realizable value: | | | |
| Finished goods and goods in process (including petroleum products) | | **P84,093** | P57,957 |
| Materials and supplies (including coal) | | **52,589** | 41,059 |
| At cost: | | | |
| Raw land inventory and real estate projects | | **4,527** | 3,806 |
| | *4* | **P141,209** | P102,822 |

The cost of finished goods and goods in process amounted to P84,514 and P58,433 as at December 31, 2021 and 2020, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have increased by P994 and P142 as at December 31, 2021 and 2020, respectively.

The cost of materials and supplies amounted to P53,673 and P42,207 as at December 31, 2021 and 2020, respectively.

Inventories (including distribution or transshipment costs) charged to cost of sales amounted to P514,638, P367,125 and P565,273 in 2021, 2020 and 2019, respectively (Note 26).

The movements in allowance for write-down of inventories to net realizable value and inventory obsolescence at the beginning and end of 2021 and 2020 follow:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P1,624** | P1,939 |
| Provisions (reversals) | *26, 27* | **227** | (165) |
| Consolidation of a subsidiary | *5* | **-** | 136 |
| Write-off and others | | **(346)** | (286) |
| Balance at end of year | | **P1,505** | P1,624 |

Provisions for inventory losses amounted to P277 and P331 in 2021 and 2020, respectively. Reversals of provision for inventory losses pertain to inventories sold amounting to P50 and P496 in 2021 and 2020, respectively. Provisions (reversals) of inventory losses are included as part of “Cost of sales” and “Selling and administrative expenses” accounts in the consolidated statements of income (Notes 26 and 27).

The fair value of agricultural produce less costs to sell, which formed part of the cost of finished goods inventory, amounted to P112 and P200 as at December 31, 2021 and 2020, respectively, with corresponding costs at point of harvest amounting to P86 and P130, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P26, P70 and P26 in 2021, 2020 and 2019, respectively (Note 16).

The fair values of marketable hogs and grown broilers, which comprised the Group’s agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The net realizable value of raw land inventory and real estate projects is higher than the carrying amount as at December 31, 2021 and 2020, based on management’s assessment.

The fair value of raw land inventory amounted to P11,613 and P10,713 as at December 31, 2021 and 2020, respectively. The fair value has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

In estimating the fair value of the raw land inventory, management takes into account the market participant’s ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group’s raw land inventory are their current use.

The Level 3 fair value of raw land inventory was derived using the observable recent transaction prices for similar raw land inventory in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value (Note 4).

## 10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Prepaid taxes and licenses | *23* | **P87,358** | P81,925 |
| Restricted cash - current | *4, 18, 39, 40* | **10,872** | 3,111 |
| Advances to contractors and suppliers | *33* | **2,619** | 1,020 |
| PSALM monthly fee outage credits | | **1,397** | 1,681 |
| Prepaid insurance | | **940** | 1,182 |
| Derivative assets | *3, 39, 40* | **870** | 596 |
| Financial assets at amortized cost - current portion | *4, 12, 39, 40* | **547** | 105 |
| Financial assets at FVPL | *39, 40* | **298** | 275 |
| Prepaid rent | | **290** | 270 |
| Catalyst | | **178** | 241 |
| Financial assets at FVOCI - current portion | *4, 12, 39, 40* | **46** | 80 |
| Others | *34* | **3,274** | 4,124 |
| | | **P108,689** | P94,610 |

Restricted cash - current represents: (i) cash in banks maintained by SMC NAIAX, SMCTC, SIDC, MMSS3, SMC Tollways and LCWDC in accordance with the specific purposes and terms as required under certain loan and concession agreements. Certain loan agreements provide that the Security Trustee shall have control over and the exclusive right of withdrawal from the restricted bank accounts; and (ii) funds maintained in various financial institutions, as (a) cash flow waterfall accounts required under the respective credit facilities of SCPC and SMCPC, (b) environmental guarantee fund for remittance to the DENR and (c) financial benefits to host communities, as required by law.

PSALM monthly fee outage credits pertain to the approved reduction in SMEC's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2021 and 2020.

Advances to contractors and suppliers include amounts owed by a related party amounting to P19 as at December 31, 2020 (Note 33).

"Others" consist mainly of prepayments for various operating expenses and contract assets pertaining to the Group's right to consideration for work completed but not billed at the reporting date on the sale of real estate projects.

The methods and assumptions used to estimate the fair values of restricted cash, derivative assets, financial assets at FVPL, and financial assets at FVOCI are discussed in Note 40.

## 11. Investments and Advances

Investments and advances consist of:

| | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Investments in Shares of Stock of Associates and Joint Ventures - at Equity** | | | |
| **Acquisition Cost** | | | |
| Balance at beginning of year | | **P20,430** | P23,930 |
| Additions | | **357** | - |
| Reclassification to investment in shares of stock of subsidiaries | *5* | **-** | (3,500) |
| Balance at end of year | | **20,787** | 20,430 |
| **Accumulated Equity in Net Earnings** | | | |
| Balance at beginning of year | | **836** | 1,953 |
| Equity in net earnings | | **1,040** | 417 |
| Share in other comprehensive income (loss) | | **10** | (132) |
| Reclassification to investment in shares of stock of subsidiaries | *5* | **-** | (1,402) |
| Balance at end of year | | **1,886** | 836 |
| | | **22,673** | 21,266 |
| **Advances for Investments** | | **32,329** | 29,229 |
| | *4* | **P55,002** | P50,495 |

Investments in Shares of Stock of Associates

a. NCC

As discussed in Note 5, NCC became a wholly-owned subsidiary of SMEII and was consolidated to the Group effective August 24, 2020.

b. Bank of Commerce (BOC)

- Acquisition of Additional Common Shares

  On October 20, 2021, SMC through SMCEC acquired 1,571,600 common shares of BOC at P226.48 per share or P357, 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 and presented as part of "Equity securities" under "Investments in equity and debt instruments" account in the 2021 consolidated statement of financial position (Note 12).

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

- Approval of the Upgrade of Banking License

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

- Initial Public Offering of Common Shares

  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.

Investments in Shares of Stock of Joint Ventures

a. Angat Hydro and KWPP

   PVEI, a subsidiary of SMC Global has an existing joint venture agreement with Korea Water Resources Corporation (K-Water), covering the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) which was previously awarded by PSALM to K-Water.

   PVEI holds 30,541,470 shares or 60% of the outstanding capital stock of Angat Hydro and 75 shares representing 60% of KWPP outstanding capital stock. PVEI and K-Water are jointly in control of the management and operation of Angat Hydro and KWPP.

   In January 2017, PVEI granted shareholder advances amounting to US$32 to Angat Hydro. The advances bear annual interest rate of 4.5% and were due on April 30, 2017. The due date of the advances was extended as agreed amongst the parties. As at December 31, 2021 and 2020, the remaining balance of the shareholder advances amounted to US$2 and due date was extended to December 31, 2022.

   In June and October 2021, PVEI granted shareholder advances to Angat Hydro amounting to P600 and P408, respectively. The advances bear interest rates of 4.6% and 6.125%, respectively, and are due on January 5, 2032. As at December 31, 2021, the outstanding balance of the advances amounted to a total of P1,008.

b. MNHPI

The Parent Company through SMHC owns 50% of the outstanding capital stock of MNHPI as at December 31, 2021 and 2020. MNHPI is the terminal operator of Manila North Harbor, a 63.5-hectare port facility situated in 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.

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. The Group recognized a gain on fair valuation of investment amounting to P727 in 2019, included as part of "Other income (charges) - net" account in the consolidated statements of income (Note 32).

In December 2019, SMHC acquired additional 1,950,000 and 50,000 common shares of stock of MNHPI from IZ Investment Holdings, Inc. and Petron, respectively, increasing its equity interest in MNHPI from 43.33% to 50%.

Advances for Investments

a. SMPI made advances to future investees amounting to P1,034 and P3,854 as at December 31, 2021 and 2020, respectively. These advances will be applied against future subscriptions of SMPI to the shares of stock of the future investee companies.

   In 2021, advances for investments amounting to P2,975 were reclassified to investment in shares of stock of subsidiaries as part of the consideration transferred for the acquisition of various entities (Notes 5 and 15).

b. SMC Global and SMEC made deposits to certain landholding companies amounting to P5,587 and P4,589 as at December 31, 2021 and 2020, respectively. These deposits will be applied against future stock subscriptions.

c. On June 29, 2016, SMHL entered into an Investment Agreement (the Agreement) with Bryce Canyon Investments Limited, a British Virgin Island business company, for the sale and purchase of assets, as defined in the Agreement, upon the satisfaction of certain conditions set out in the Agreement. As at December 31, 2021 and 2020, outstanding investment advances amounted to P20,865 and P19,318, respectively.

d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

The details of the Group's material investments in shares of stock of associates and joint ventures which are accounted for using the equity method are as follows:

| | December 31, 2021 | | | | | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Angat Hydro and KWPP** | **BOC** | **MNHPI** | **Others** | **Total** | Angat Hydro and KWPP | NCC | BOC | MNHPI | Others | Total |
| **Country of incorporation** | **Philippines** | **Philippines** | **Philippines** | | | Philippines | Philippines | Philippines | Philippines | | |
| **Percentage of ownership** | **60.00%** | **46.02%** | **50.00%** | | | 60.00% | - | 44.62% | 50.00% | | |
| **Share in net income (loss)** | **(P134)** | **P582** | **P550** | **P42** | **P1,040** | (P480) | P127 | P314 | P428 | P28 | P417 |
| **Share in other comprehensive income (loss)** | **-** | **-** | **14** | **(4)** | **10** | - | - | (57) | (11) | (64) | (132) |
| **Share in total comprehensive income (loss)** | **(P134)** | **P582** | **P564** | **P38** | **P1,050** | (P480) | P127 | P257 | P417 | (P36) | P285 |
| **Carrying amounts of investments in shares of stock of associates and joint ventures** | **P5,020** | **P11,869** | **P4,854** | **P930** | **P22,673** | P5,154 | P - | P10,930 | P4,290 | P892 | P21,266 |

The following are the audited condensed financial information of the Group's material investments in shares of stock of associates and joint ventures:

| | December 31, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Angat Hydro and KWPP** | **BOC** | **MNHPI** | **Others** | Angat Hydro and KWPP | BOC | MNHPI | Others |
| **Current assets** | **P2,649** | **P100,520** | **P1,901** | **P5,281** | P2,225 | P94,964 | P1,599 | P5,490 |
| **Noncurrent assets** | **17,185** | **99,193** | **9,999** | **2,640** | 16,989 | 75,957 | 10,427 | 2,742 |
| **Current liabilities** | **(1,154)** | **(169,937)** | **(2,580)** | **(4,250)** | (1,319) | (146,840) | (2,951) | (4,493) |
| **Noncurrent liabilities** | **(12,483)** | **(6,413)** | **(2,679)** | **(514)** | (11,474) | (7,314) | (2,747) | (585) |
| **Net assets** | **P6,197** | **P23,363** | **P6,641** | **P3,157** | P6,421 | P16,767 | P6,328 | P3,154 |
| **Sales** | **P1,927** | **P6,095** | **P4,341** | **P4,049** | P1,341 | P6,280 | P3,831 | P4,177 |
| **Net income (loss)** | **(P224)** | **P1,207** | **P1,283** | **(P33)** | (P800) | P784 | P759 | P20 |
| **Other comprehensive income (loss)** | **-** | **(11)** | **28** | **31** | - | (113) | 7 | (20) |
| **Total comprehensive income (loss)** | **(P224)** | **P1,196** | **P1,311** | **(P2)** | (P800) | P671 | P766 | P - |

## 12. Investments in Equity and Debt Instruments

Investments in equity and debt instruments consist of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Equity securities | | **P41,477** | P41,148 |
| Government and other debt securities | | **623** | 381 |
| Proprietary membership shares and others | | **459** | 422 |
| | *4, 39, 40* | **42,559** | 41,951 |
| Less current portion | *10* | **593** | 185 |
| | | **P41,966** | P41,766 |

*Equity Securities*
Equity securities include:

a. Parent Company's investment in the shares of stock of Top Frontier consisting of 2,561,031 common shares and 1,904,540 preferred shares with a total amount of P35,737 and P35,781 as at December 31, 2021 and 2020, respectively.

b. Parent Company's investment in redeemable preferred shares of stock of Carmen Red Ltd. (CRL) amounting to US$123 or P5,139 as at December 31, 2020. On December 28, 2021, the investment in preferred shares was redeemed by CRL at the redemption price of US$123 or P6,181. The Parent Company also received dividends of US$32 or P1,594 presented as part of "Dividend income" under "Other income (charges) - net" account in the consolidated statements of income (Note 32).

c. Parent Company through SMCEC's subscription to 41,666,667 Series 1 Preferred Shares of BOC at P132.00 per share or P5,500 on August 5, 2021.

   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.

   As discussed in Note 11, the investment in preferred shares increased from 41,666,667 shares to 416,666,670 shares following the approval of the Amendment of Articles of Incorporation of BOC for the change in the par value from P100.00 per share to P10.00 per share.

*Debt Securities*
Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 1.23% to 7.02% in 2021 and 1.78% to 7.02% in 2020. (Note 31).

The movements in investments in equity and debt instruments are as follows:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P41,951** | P42,164 |
| Additions | | **6,101** | 70 |
| Redemption/disposals | | **(5,467)** | (108) |
| Fair value gain (loss) | | **1** | (172) |
| Amortization of premium | | **1** | (1) |
| Currency translation adjustments and others | | **(28)** | (2) |
| Balance at end of year | *4, 10, 39, 40* | **P42,559** | P41,951 |

The investments in equity and debt instruments are classified as follows:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| **Noncurrent** | | | |
| Financial assets at FVOCI | | **P41,936** | P41,616 |
| Financial assets at amortized cost | | **30** | 150 |
| | | **41,966** | 41,766 |
| **Current** | | | |
| Financial assets at FVOCI | *10* | **46** | 80 |
| Financial assets at amortized cost | *10* | **547** | 105 |
| | | **593** | 185 |
| | | **P42,559** | P41,951 |

The carrying amount of the investments approximate their fair value (Note 40).

The methods and assumptions used to estimate the fair value of investments in equity and debt instruments are discussed in Notes 3, 4 and 40.

## 13. Property, Plant and Equipment

Property, plant and equipment consist of:

| | Note | Land and Land Improvements | Buildings and Improvements | Power Plants | Refinery and Plant Equipment | Service Stations and Other Equipment | Equipment, Furniture and Fixtures | Leasehold Improvements | Capital Projects in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| January 1, 2020 | | P36,710 | P51,108 | P123,507 | P174,189 | P19,283 | P169,083 | P6,973 | P93,439 | P674,292 |
| Additions | | 1,272 | 342 | 953 | 446 | 560 | 3,717 | 66 | 53,273 | 60,629 |
| Consolidation of a subsidiary | *5* | 2,581 | 2,042 | - | - | - | 11,425 | - | 790 | 16,838 |
| Disposals/retirement | | (20) | (172) | - | (5) | (91) | (5,189) | (28) | (38) | (5,543) |
| Reclassifications and others | *15* | 1,564 | 8,624 | 24,903 | 1,757 | 349 | 12,671 | 566 | (46,252) | 4,182 |
| Currency translation adjustments | | (143) | (261) | (2,671) | (430) | (315) | (750) | 10 | (1,557) | (6,117) |
| December 31, 2020 | | 41,964 | 61,683 | 146,692 | 175,957 | 19,786 | 190,957 | 7,587 | 99,655 | 744,281 |
| Additions | | 1,524 | 173 | 527 | 1,903 | 149 | 3,858 | 180 | 66,107 | 74,421 |
| Acquisition of subsidiaries | *5, 11* | 867 | 120 | - | - | - | 43 | - | - | 1,030 |
| Disposals/retirement | | (2) | (262) | - | (5) | (24) | (2,823) | (110) | (15) | (3,241) |
| Reclassifications and others | *5, 15* | (490) | 2,564 | 2,620 | 9,923 | (65) | 6,523 | 917 | (21,211) | 781 |
| Currency translation adjustments | | 32 | 758 | 4,287 | 754 | 246 | 2,109 | 6 | (75) | 8,117 |
| **December 31, 2021** | | **43,895** | **65,036** | **154,126** | **188,532** | **20,092** | **200,667** | **8,580** | **144,461** | **825,389** |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | |
| January 1, 2020 | | 3,036 | 17,521 | 11,682 | 57,721 | 12,878 | 93,125 | 1,636 | - | 197,599 |
| Depreciation and amortization | *6, 28* | 380 | 1,571 | 5,713 | 3,128 | 1,028 | 9,484 | 396 | - | 21,700 |
| Consolidation of a subsidiary | *5* | 88 | 511 | - | - | - | 5,900 | - | - | 6,499 |
| Disposals/retirement | | (16) | (109) | - | (5) | (60) | (3,988) | (27) | - | (4,205) |
| Reclassifications | | (5) | 30 | - | 81 | 15 | (248) | (39) | - | (166) |
| Currency translation adjustments | | (6) | (131) | (1,103) | (318) | (172) | (454) | 3 | - | (2,181) |
| December 31, 2020 | | 3,477 | 19,393 | 16,292 | 60,607 | 13,689 | 103,819 | 1,969 | - | 219,246 |
| Depreciation and amortization | *6, 28* | 465 | 1,852 | 6,265 | 3,665 | 941 | 10,294 | 424 | - | 23,906 |
| Acquisition of subsidiaries | *5, 11* | 88 | 119 | - | - | - | 42 | - | - | 249 |
| Disposals/retirement | | (2) | (215) | - | (1) | (15) | (1,781) | (104) | - | (2,118) |
| Reclassifications | | (83) | (131) | - | - | 2 | (997) | 53 | - | (1,156) |
| Currency translation adjustments | | 3 | 244 | 1,562 | 245 | 134 | 976 | 6 | - | 3,170 |
| **December 31, 2021** | | **3,948** | **21,262** | **24,119** | **64,516** | **14,751** | **112,353** | **2,348** | **-** | **243,297** |
| **Accumulated Impairment Losses** | | | | | | | | | | |
| January 1, 2020 | | - | 3,102 | - | - | - | 9,952 | 25 | - | 13,079 |
| Impairment | *32* | - | - | - | - | - | 35 | - | - | 35 |
| Consolidation of a subsidiary | *5* | - | - | - | - | - | 330 | - | - | 330 |
| Disposals/retirement | | - | - | - | - | - | (13) | - | - | (13) |
| Reclassifications | | - | - | - | - | - | (11) | - | - | (11) |
| Currency translation adjustments | | - | 27 | - | - | - | (38) | 2 | - | (9) |
| December 31, 2020 | | - | 3,129 | - | - | - | 10,255 | 27 | - | 13,411 |
| Impairment | *32* | 38 | 2 | - | - | 1 | 45 | - | - | 86 |
| Disposals/retirement | | - | - | - | - | - | (24) | (1) | - | (25) |
| Currency translation adjustments | | - | 264 | - | - | - | 747 | - | - | 1,011 |
| **December 31, 2021** | | **38** | **3,395** | **-** | **-** | **1** | **11,023** | **26** | **-** | **14,483** |
| **Carrying Amount** | | | | | | | | | | |
| December 31, 2020 | | P38,487 | P39,161 | P130,400 | P115,350 | P6,097 | P76,883 | P5,591 | P99,655 | P511,624 |
| **December 31, 2021** | | **P39,909** | **P40,379** | **P130,007** | **P124,016** | **P5,340** | **P77,291** | **P6,206** | **P144,461** | **P567,609** |

“Equipment, furniture and fixtures” includes machinery, transportation equipment, office equipment and tools and small equipment.

Total depreciation, amortization and impairment losses recognized in the consolidated statements of income amounted to P23,992, P21,735 and P24,537 in 2021, 2020 and 2019, respectively (Notes 28 and 32). These amounts include annual amortization of capitalized interest amounting to P942, P997 and P562 in 2021, 2020 and 2019. respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 15) and reclassifications from capital projects in progress account to specific property, plant and equipment accounts.

In 2020, property, plant and equipment of the Group’s hog farm were reclassified to idle assets included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2021 and 2020 due to the impact of the African Swine Fever that resulted in extended downtime of the facility (Note 18).

As discussed in Notes 3 and 4, the Group has changed its depreciation method for refinery and plant equipment and certain power plant assets used in the production of fuel from straight-line to UOP method.

The Group has capitalized interest amounting to P2,035 and P2,323 in 2021 and 2020, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 0.06% to 8.21% and 1.45% to 12.96% in 2021 and 2020, respectively. The unamortized capitalized borrowing costs amounted to P19,119 and P18,026 as at December 31, 2021 and 2020, respectively.

Certain fully depreciated property, plant and equipment with aggregate costs of P76,855 and P68,242 as at December 31, 2021 and 2020 respectively, are still being used in the Group’s operations.

As at December 31, 2021 and 2020, certain property, plant and equipment amounting to P127,663 and P125,835 respectively, are pledged as security for syndicated project finance loans (Note 21).

## 14. Right-of-Use Assets

The movements in right-of-use assets are as follows:

| | Note | Land | Buildings and Improvements | Power Plants | Service Stations and Other Equipment | Machinery and Equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| January 1, 2020 | | P12,169 | P1,086 | P167,387 | P24 | P615 | P181,281 |
| Additions | | 1,190 | 170 | - | - | 100 | 1,460 |
| Consolidation of a subsidiary | *5* | 7 | 47 | - | - | - | 54 |
| Disposals/retirement | | (148) | (206) | - | - | (33) | (387) |
| Remeasurement and others | | 1,153 | (77) | - | - | (11) | 1,065 |
| Currency translation adjustments | | 39 | (4) | - | - | 5 | 40 |
| December 31, 2020 | | 14,410 | 1,016 | 167,387 | 24 | 676 | 183,513 |
| Additions | | 654 | 548 | - | - | 70 | 1,272 |
| Disposals/retirement | | (284) | (441) | - | - | (75) | (800) |
| Remeasurement and others | | (295) | (75) | - | - | - | (370) |
| Currency translation adjustments | | 127 | 10 | - | - | 2 | 139 |
| **December 31, 2021** | | **14,612** | **1,058** | **167,387** | **24** | **673** | **183,754** |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| January 1, 2020 | | 1,463 | 695 | 5,186 | 3 | 220 | 7,567 |
| Depreciation and amortization | *28* | 866 | 419 | 5,187 | 3 | 219 | 6,694 |
| Consolidation of a subsidiary | *5* | 3 | 16 | - | - | - | 19 |
| Disposals/retirement | | (46) | (193) | - | - | (33) | (272) |
| Remeasurement and others | | 518 | (314) | - | - | (4) | 200 |
| Currency translation adjustments | | 9 | 11 | - | - | - | 20 |
| December 31, 2020 | | 2,813 | 634 | 10,373 | 6 | 402 | 14,228 |
| Depreciation and amortization | *28* | 835 | 336 | 5,186 | 3 | 164 | 6,524 |
| Disposals/retirement | | (104) | (391) | - | - | (72) | (567) |
| Remeasurement and others | | 49 | 4 | - | - | - | 53 |
| Currency translation adjustments | | 63 | 6 | - | - | 1 | 70 |
| **December 31, 2021** | | **3,656** | **589** | **15,559** | **9** | **495** | **20,308** |
| **Accumulated Impairment Losses** | | | | | | | |
| January 1, 2020 | | 110 | - | - | - | - | 110 |
| Remeasurement and others | | (29) | - | - | - | - | (29) |
| Currency translation adjustments | | (4) | - | - | - | - | (4) |
| December 31, 2020 | | 77 | - | - | - | - | 77 |
| Currency translation adjustments | | 5 | - | - | - | - | 5 |
| **December 31, 2021** | | **82** | **-** | **-** | **-** | **-** | **82** |
| **Carrying Amount** | | | | | | | |
| December 31, 2020 | | P11,520 | P382 | P157,014 | P18 | P274 | P169,208 |
| **December 31, 2021** | | **P10,874** | **P469** | **P151,828** | **P15** | **P178** | **P163,364** |

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to 50 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

The Group recognized interest expense related to these leases amounting to P6,057, P7,465 and 8,734 in 2021, 2020 and 2019, respectively (Note 30).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P288, P6 and P2,766, respectively, in 2021, P877, P10 and P2,565, respectively, in 2020, and P731, P3 and P2,727, respectively, in 2019.

The Group had total cash outflows for leases of P35,164, P35,556 and P32,335 in 2021, 2020 and 2019, respectively.

## 15. Investment Property

The movements in investment property are as follows:

| | *Note* | Land, Land and Leasehold Improvements | Buildings and Improvements | Machinery and Equipment | Construction in Progress | Right-of-Use Asset | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| January 1, 2020 | | P35,370 | P18,846 | P438 | P389 | P12,242 | P67,285 |
| Additions | | 7,109 | 473 | - | 280 | 849 | 8,711 |
| Reclassifications | *13* | 4,846 | 542 | - | (193) | (2,721) | 2,474 |
| Disposals/retirement | | - | (34) | - | - | (110) | (144) |
| Currency translation adjustments | | (402) | (335) | - | (34) | (31) | (802) |
| December 31, 2020 | | 46,923 | 19,492 | 438 | 442 | 10,229 | 77,524 |
| Additions | | 5,512 | 274 | - | 285 | 475 | 6,546 |
| Acquisition of subsidiaries | *5, 11* | 3,682 | - | - | - | - | 3,682 |
| Reclassifications | *13* | 712 | 588 | - | (201) | 6 | 1,105 |
| Disposals/retirement | | (6) | (17) | - | (19) | (136) | (178) |
| Currency translation adjustments | | 299 | 293 | - | (3) | 35 | 624 |
| **December 31, 2021** | | **57,122** | **20,630** | **438** | **504** | **10,609** | **89,303** |
| **Accumulated Depreciation and Amortization** | | | | | | | |
| January 1, 2020 | | 4,137 | 9,697 | 425 | - | 1,239 | 15,498 |
| Depreciation and amortization | *28* | 320 | 740 | 2 | - | 994 | 2,056 |
| Reclassifications | | (7) | 3 | - | - | 30 | 26 |
| Disposals/retirement | | - | (31) | - | - | (110) | (141) |
| Currency translation adjustments | | (221) | (369) | - | - | (11) | (601) |
| December 31, 2020 | | 4,229 | 10,040 | 427 | - | 2,142 | 16,838 |
| Depreciation and amortization | *28* | 331 | 756 | 2 | - | 936 | 2,025 |
| Reclassifications | | (4) | 55 | - | - | (25) | 26 |
| Disposals/retirement | | - | (16) | - | - | (130) | (146) |
| Currency translation adjustments | | 269 | 444 | - | - | 14 | 727 |
| **December 31, 2021** | | **4,825** | **11,279** | **429** | **-** | **2,937** | **19,470** |
| **Accumulated Impairment Losses** | | | | | | | |
| **December 31, 2020 and 2021** | | **8** | - | - | - | - | **8** |
| **Carrying Amount** | | | | | | | |
| December 31, 2020 | | P42,686 | P9,452 | P11 | P442 | P8,087 | P60,678 |
| **December 31, 2021** | | **P52,289** | **P9,351** | **P9** | **P504** | **P7,672** | **P69,825** |

In 2021 and 2020, property, plant and equipment were reclassified to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 13).

No impairment loss was recognized in 2021, 2020 and 2019.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2021, 2020 and 2019.

The fair value of investment property amounting to P94,390 and P75,305 as at December 31, 2021 and 2020, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches:

*Cost Approach*. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

*Sales Comparison Approach.* The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

*Income Approach.* The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment range from 3.00% to 6.27%.

## 16. Biological Assets

Biological assets consist of:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Current: | | | |
| Growing stocks | | **P2,509** | P2,591 |
| Goods in process | | **597** | 810 |
| | | **3,106** | 3,401 |
| Noncurrent: | | | |
| Breeding stocks - net | | **2,244** | 2,352 |
| | *4* | **P5,350** | P5,753 |

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P2,896, P3,565 and P3,152 in 2021, 2020 and 2019, respectively (Note 28).

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| **Cost** | | | |
| Balance at beginning of year | | **P6,338** | P8,511 |
| Increase (decrease) due to: | | | |
| Production | | **47,234** | 47,131 |
| Purchases | | **306** | 349 |
| Mortality | | **(405)** | (1,396) |
| Harvest | | **(44,551)** | (43,622) |
| Retirement | | **(3,021)** | (4,635) |
| Balance at end of year | | **5,901** | 6,338 |
| **Accumulated Amortization** | | | |
| Balance at beginning of year | | **585** | 1,552 |
| Amortization | *28* | **2,896** | 3,565 |
| Retirement | | **(2,930)** | (4,532) |
| Balance at end of year | | **551** | 585 |
| **Carrying Amount** | | **P5,350** | P5,753 |

The Group harvested approximately 599.9 million and 575.7 million kilograms of grown broilers in 2021 and 2020, respectively, and 0.29 million and 0.45 million heads of marketable hogs and cattle in 2021 and 2020, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P63,349 and P64,875 in 2021 and 2020, respectively.

## 17. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

| | **2021** | 2020 |
|---|---|---|
| Goodwill | **P130,081** | P129,733 |
| Other intangible assets | **190,979** | 169,532 |
| | **P321,060** | P299,265 |

The movements in goodwill are as follows:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| **Gross Carrying Amount** | | | |
| Balance at beginning of year | | **P130,612** | P130,952 |
| Cumulative translation adjustments | | **348** | (340) |
| Balance at end of year | | **130,960** | 130,612 |
| **Accumulated Impairment Losses** | | | |
| Balance at beginning and end of year | | **879** | 879 |
| | *4* | **P130,081** | P129,733 |

The movements in other intangible assets with indefinite useful lives are as follows:

| | ***Note*** | **Licenses** | **Trademarks and Brand Names** | **Total** |
|---|---|---|---|---|
| **Cost** | | | | |
| January 1, 2020 | | P2,211 | P949 | P3,160 |
| Currency translation adjustments | | (106) | (15) | (121) |
| December 31, 2020 | | 2,105 | 934 | 3,039 |
| Disposals | | - | (45) | (45) |
| Currency translation adjustments | | (95) | 21 | (74) |
| **December 31, 2021** | | **2,010** | **910** | **2,920** |
| **Accumulated Impairment Losses** | | | | |
| January 1, 2020 | | - | 245 | 245 |
| Currency translation adjustments | | - | (12) | (12) |
| December 31, 2020 | | - | 233 | 233 |
| Impairment | *32* | - | 386 | 386 |
| Currency translation adjustments | | - | 15 | 15 |
| **December 31, 2021** | | **-** | **634** | **634** |
| **Carrying Amount** | | | | |
| December 31, 2020 | | P2,105 | P701 | P2,806 |
| **December 31, 2021** | | **P2,010** | **P276** | **P2,286** |

The movements in other intangible assets with finite useful lives are as follows:

| | Note | Concession Rights Toll Road | Concession Rights Airport | Concession Rights Power | Concession Rights Water | Mineral Rights and Evaluation Assets | Computer Software and Licenses and Others | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| January 1, 2020 | | P160,872 | P9,020 | P1,240 | P6,887 | P1,759 | P5,313 | P185,091 |
| Additions | | 14,083 | 1,960 | 211 | 7 | - | 357 | 16,618 |
| Consolidation of a subsidiary | *5, 38* | - | - | - | - | 4,625 | 23 | 4,648 |
| Reclassifications and others | | 5,269 | - | (17) | - | - | (1,052) | 4,200 |
| Currency translation adjustments | | - | - | - | - | - | (7) | (7) |
| December 31, 2020 | | 180,224 | 10,980 | 1,434 | 6,894 | 6,384 | 4,634 | 210,550 |
| Additions | | 8,570 | 14,831 | 127 | 4 | - | 2,475 | 26,007 |
| Reclassifications and others | | 2,022 | 122 | (4) | - | - | (135) | 2,005 |
| Currency translation adjustments | | - | - | - | - | - | 28 | 28 |
| **December 31, 2021** | | **190,816** | **25,933** | **1,557** | **6,898** | **6,384** | **7,002** | **238,590** |
| **Accumulated Amortization** | | | | | | | | |
| January 1, 2020 | | 34,358 | 1,039 | 181 | 206 | 23 | 3,095 | 38,902 |
| Amortization | *28* | 4,027 | 349 | 55 | 257 | 62 | 221 | 4,971 |
| Consolidation of a subsidiary | *5, 38* | - | - | - | - | - | 22 | 22 |
| Reclassifications and others | | - | - | - | - | - | (226) | (226) |
| Currency translation adjustments | | - | - | - | - | - | (26) | (26) |
| December 31, 2020 | | 38,385 | 1,388 | 236 | 463 | 85 | 3,086 | 43,643 |
| Amortization | *28* | 5,090 | 351 | 60 | 257 | 180 | 225 | 6,163 |
| Reclassifications and others | | - | - | - | - | - | (120) | (120) |
| Currency translation adjustments | | - | - | - | - | - | 31 | 31 |
| **December 31, 2021** | | **43,475** | **1,739** | **296** | **720** | **265** | **3,222** | **49,717** |
| **Accumulated Impairment** | | | | | | | | |
| January 1, 2020 | | - | - | 50 | - | - | 40 | 90 |
| Impairment | *32* | - | - | 91 | - | - | - | 91 |
| December 31, 2020 | | - | - | 141 | - | - | 40 | 181 |
| Disposals | | - | - | - | - | - | (1) | (1) |
| **December 31, 2021** | | **-** | **-** | **141** | **-** | **-** | **39** | **180** |
| **Carrying Amount** | | | | | | | | |
| December 31, 2020 | | P141,839 | P9,592 | P1,057 | P6,431 | P6,299 | P1,508 | P166,726 |
| **December 31, 2021** | | **P147,341** | **P24,194** | **P1,120** | **P6,178** | **P6,119** | **P3,741** | **P188,693** |

Goodwill, licenses and trademarks and brand names with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

| | **2021** Goodwill | **2021** Licenses, Trademarks and Brand Names | 2020 Goodwill | 2020 Licenses, Trademarks and Brand Names |
|---|---|---|---|---|
| Energy | **P69,944** | **P -** | P69,944 | P - |
| Fuel and oil | **30,260** | **-** | 30,057 | - |
| Infrastructure | **21,950** | **-** | 21,950 | - |
| Packaging | **4,214** | **-** | 4,069 | - |
| Food and beverage | **3,639** | **2,286** | 3,639 | 2,806 |
| Others | **74** | **-** | 74 | - |
| Total | **P130,081** | **P2,286** | P129,733 | P2,806 |

The recoverable amount of goodwill has been determined based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 2% to 10.5% and 2% to 12.9% in 2021 and 2020, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 6% to 13% in 2021 and 2020. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for goodwill in 2021, 2020 and 2019.

The recoverable amount of licenses, trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% and 2% to 3% in 2021 and 2020, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 5.9% to 12% and 6% to 15.1% in 2021 and 2020, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2021, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

Impairment loss recognized in 2021 for La Pacita trademark amounted to P386 with a recoverable amount of P60 (Note 32). No impairment loss was recognized for licenses in 2021, 2020 and 2019 and for trademarks and brand names in 2020 and 2019.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

- *Gross Margins*. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates*. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

As at December 31, 2021 and 2020, certain other intangible assets amounting to P101,769 and P97,954, respectively, were pledged as security for syndicated project finance loans (Note 21).

## 18. Other Noncurrent Assets

Other noncurrent assets consist of:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Noncurrent receivables and deposits - net | *4, 33, 34, 39, 40* | **P32,310** | P28,095 |
| Advances to contractors and suppliers | | **29,016** | 17,443 |
| Deferred containers - net | *4* | **19,063** | 19,015 |
| Retirement assets | *35* | **4,175** | 2,699 |
| Deposits on land for future development | | **4,049** | 3,626 |
| Idle assets | *4* | **2,365** | 2,002 |
| Restricted cash | *4, 39, 40* | **2,093** | 4,779 |
| Noncurrent prepaid input tax | | **1,506** | 2,341 |
| Deferred exploration and development costs | *4* | **719** | 715 |
| Derivative assets - noncurrent | *3, 39, 40* | **659** | 39 |
| Catalyst | | **489** | 552 |
| Noncurrent prepaid rent | | **316** | 383 |
| Others | *21* | **1,840** | 1,773 |
| | | **P98,600** | P83,462 |

The movements in deferred containers - net are as follows:

| | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Gross Carrying Amount** | | | |
| Balance at beginning of year | | **P32,927** | P32,332 |
| Additions | | **3,025** | 1,798 |
| Disposals/retirement/reclassifications | | **(1,543)** | (1,090) |
| Currency translation adjustments | | **105** | (113) |
| Balance at end of year | | **34,514** | 32,927 |
| **Accumulated Amortization** | | | |
| Balance at beginning of year | | **13,178** | 11,526 |
| Amortization | *28* | **2,323** | 2,038 |
| Disposals/retirement/reclassifications | | **(833)** | (362) |
| Currency translation adjustments | | **46** | (24) |
| Balance at end of year | | **14,714** | 13,178 |
| **Accumulated Impairment** | | | |
| Balance at beginning of year | | **734** | 681 |
| Impairment | *27, 32* | **738** | 682 |
| Disposals/reclassifications | | **(736)** | (626) |
| Currency translation adjustments | | **1** | (3) |
| Balance at end of year | | **737** | 734 |
| | | **P19,063** | P19,015 |

Noncurrent receivables and deposits include amounts owed by related parties amounting to P4,147 and P3,186 as at December 31, 2021 and 2020, respectively (Note 33) and the costs related to the development of the MRT 7 Project amounting to P27,299 and P23,157 as at December 31, 2021 and 2020, respectively (Note 34).

Noncurrent receivables and deposits are net of allowance for impairment losses amounting to P572 and P606 as at December 31, 2021 and 2020, respectively (Note 4).

Restricted cash represents:

i. SCPC's cash flow waterfall accounts amounting to P1,145 and P1,144 as at December 31, 2021 and 2020, respectively;

ii. The amount received from Independent Electricity Market Operator of the Philippines (IEMOP), totaling P491 as at December 31, 2021 and 2020, representing the proceeds of sale on WESM for a specific period in 2016, for the electricity generated from the excess capacity of the Sual Power Plant, which SMEC consigned with the Regional Trial Court of Pasig City (RTC Pasig);

iii. APEC's reinvestment fund for sustainable capital expenditures and contributions collected from customers for bill deposits which are refundable amounting to P187 and P148 as at December 31, 2021 and 2020, respectively;

iv. MPPCL's cash flow waterfall accounts and environmental guarantee fund, amounting to P56 and P2,133, as at December 31, 2021 and 2020, respectively;

v. Cash in bank maintained by MMSS3 and TADHC in accordance with the specific purposes and terms as required under certain loan agreements, amounting to P2,952 and P822 as at December 31, 2021 and 2020, respectively, of which P2,948 is included as part of "Prepaid expenses and other current assets" account under "Restricted cash - current" as at December 31, 2021 (Note 10);

vi. Cash in bank maintained by NCC and SCII in accordance with the specific purpose and term as required under its loan agreement, amounting to P88 and P78, respectively, as at December 31, 2021; and

vii. Rehabilitation funds established by NCC which are deposited with a local bank in compliance with DENR Administrative Order No. 2005-07 for environmental protection and enhancement amounting to P44 and P41 as at December 31, 2021 and 2020, respectively.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 40.

"Others" include marketing assistance to dealers, deferred financing costs and other noncurrent prepaid expenses. In 2020, deferred financing costs representing loan facilitation fees and other filing and agency fees related to loans drawn totaling to P1,986 were reclassified as an addition to debt issue cost presented as a deduction from "Long-term debt" account in the consolidated statements of financial position (Note 21).

## 19. Loans Payable

Loans payable consist of:

| | *Note* | 2021 | 2020 |
|---|---|---|---|
| **Parent Company** | | | |
| Peso-denominated | | **P51,450** | P23,950 |
| **Subsidiaries** | | | |
| Peso-denominated | | **122,445** | 108,684 |
| Foreign currency-denominated | | **16,884** | 8,011 |
| | *38, 39, 40* | **P190,779** | P140,645 |

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates per annum for peso-denominated loans ranged from 1.97% to 3.00% and 0.92% to 6.75% in 2021 and 2020, respectively. Interest rates per annum for foreign currency-denominated loans ranged from 1.18% to 4.64% and 1.27% to 4.64% in 2021 and 2020, respectively (Note 30).

Loans payable include interest-bearing amounts payable to BOC amounting to P6,994 and P8,200 as at December 31, 2021 and 2020, respectively (Note 33).

## 20. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Trade | *34* | **P88,970** | P65,797 |
| Non-trade | | **81,053** | 62,970 |
| Customers' deposits | *3* | **8,445** | 7,697 |
| Accrued payroll | | **6,565** | 6,022 |
| Accrued interest payable | | **3,394** | 3,579 |
| Amounts owed to related parties | *33* | **2,666** | 2,804 |
| Derivative liabilities | *39, 40* | **1,247** | 1,731 |
| Deferred liability on consumer loyalty program | | **814** | 1,406 |
| Retention payable | | **482** | 534 |
| Current portion of IRO | *4* | **435** | 425 |
| Retirement liabilities | *35* | **187** | 160 |
| Deferred rent income | | **57** | 65 |
| Redeemable preferred shares | *4* | **19** | 19 |
| Others | | **245** | 40 |
| | *39, 40* | **P194,579** | P153,249 |

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

*Redeemable Preferred Shares.* These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year Bloomberg Valuation or BVAL). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares are required to be redeemed at the end of the 10-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

As at December 31, 2021 and 2020, the preferred shares remain outstanding as other requirements prior to redemption are pending from the shareholder.

"Others" include ARO, accruals for materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 40.

## 21. Long-term Debt

Long-term debt consists of:

| | 2021 | 2020 |
|---|---|---|
| **Parent Company** | | |
| Peso-denominated Bonds: | | |
| Fixed interest rate of 4.8243% and 5.1923%, 6.25%, 5.284% and 5.55%, 6.625%, 5.7613%, and 7.125% maturing in 2022, 2023, 2024, 2025, 2027 and 2028, respectively (a) | **P59,748** | P59,622 |
| Fixed interest rate of 3.3832% maturing in 2027 (b) | **29,640** | - |
| Peso-denominated Term Notes: | | |
| Fixed interest rate of 6.9375% with maturities up to 2026 (c) | **15,517** | 15,661 |
| Foreign currency-denominated Term Notes: | | |
| Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2024 (d) | **100,417** | 93,914 |
| Floating interest rate based on LIBOR plus margin, maturing in 2026 (e) | **21,887** | - |
| Floating interest rate based on LIBOR plus margin, maturing in 2023 (f) | **20,278** | 18,991 |
| Floating interest rate based on LIBOR plus margin, maturing in 2023 (g) | **15,211** | 14,261 |
| Floating interest rate based on LIBOR plus margin, maturing in 2023 (h) | **15,194** | 14,244 |
| Floating interest rate based on LIBOR plus margin, maturing in 2023 (i) | **10,127** | 9,494 |
| Floating interest rate based on LIBOR plus margin, maturing in 2026 (j) | **5,020** | - |
| Floating interest rate based on LIBOR plus margin, maturing in 2024 (k) | **4,561** | 10,489 |
| Fixed interest rate of 4.875% (l) | **-** | 24,706 |
| | **297,600** | 261,382 |
| **Subsidiaries** | | |
| Peso-denominated Bonds: | | |
| Fixed interest rate of 5.3750%, 6.7500%, 6.2500% and 6.6250% maturing in 2022, 2023, 2024 and 2027, respectively (m) | **34,845** | 34,770 |
| Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (n) | **29,857** | 29,759 |
| Fixed interest rate of 4.5219%, 7.8183% and 8.0551% maturing in 2023, 2024 and 2025, respectively (o) | **26,846** | 39,776 |
| Fixed interest rate of 3.4408% and 4.3368% maturing in 2025 and 2027, respectively (p) | **17,779** | - |
| Fixed interest rate of 5.05% and 5.25% maturing in 2025 and 2027, respectively (q) | **14,860** | 14,829 |
| Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2026, respectively (r) | **8,808** | 14,941 |

*Forward*

| | 2021 | 2020 |
|---|---|---|
| Fixed interest rate of 6.60% maturing in 2022 (s) | **P6,998** | P6,988 |
| Fixed interest rate of 5.5796% and 6.4872% maturing in 2022 and 2025, respectively (t) | **4,885** | 4,877 |
| Fixed interest rate of 6.00% maturing in 2024 (u) | **2,531** | 14,984 |
| Peso-denominated Term Notes: | | |
| Fixed interest rate of 5.556%, 5.825% and 5.997% with maturities up to 2029 (v) | **38,407** | 26,800 |
| Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (w) | **37,626** | 39,843 |
| Fixed interest rate of 6.865% to 9.8754% with maturities up to 2027 (x) | **29,049** | 30,049 |
| Fixed interest rate of 6.5077% and 7.7521% with maturities up to 2030 (y) | **17,154** | 18,412 |
| Fixed interest rate of 6.9265% with maturities up to 2024 (z) | **14,341** | 14,468 |
| Fixed interest rate of 3.80%, 3.875%, 3.95% and 4.15% with maturities up to 2028 (aa) | **11,906** | - |
| Fixed interest rate of 5.6276% with maturities up to 2029 (bb) | **11,116** | 11,516 |
| Fixed interest rate of 4.63% maturing in 2024 (cc) | **9,953** | 9,939 |
| Fixed interest rate of 3.5483% maturing in 2029 (dd) | **9,938** | 9,932 |
| Fixed interest rate of 3.846% maturing in 2026 (ee) | **6,950** | - |
| Fixed interest rate of 4.8356% with maturities up to 2031 (ff) | **6,853** | - |
| Fixed interest rate of 5.5276% with maturities up to 2024 (gg) | **5,878** | 8,008 |
| Fixed interest rate of 5.00% with maturities up to 2025 (hh) | **4,925** | - |
| Fixed interest rate of 6.37239% with maturities up to 2028 (ii) | **4,762** | - |
| Fixed interest rate of 4.59% with maturities up to 2025 (jj) | **4,356** | 4,970 |
| Fixed interest rate of 6.7495%, 6.7701%, 7.165%, 7.5933% and 7.6567% with maturities up to 2025 (kk) | **4,070** | 5,003 |
| Fixed interest rate of 7.1243%, 7.4022%, 7.9812% and 8.5885% with maturities up to 2030 (ll) | **3,921** | 4,064 |
| Fixed interest rate of 5.1657% with maturities up to 2025 (mm) | **3,692** | 4,419 |
| Fixed interest rate of 5.7584% with maturities up to 2022 (nn) | **2,497** | 4,990 |
| Fixed interest rate of 3.2837%, with maturities up to 2026 (oo) | **1,989** | 1,987 |
| Fixed interest rate of 4.20% maturing in 2026 (pp) | **1,986** | - |
| Fixed interest rate of 5.4583% with maturities up to 2022 (qq) | **1,000** | 1,998 |

*Forward*

| | Note | 2021 | 2020 |
|---|---|---|---|
| Fixed interest rate of 6.6583% with maturities up to 2023 (rr) | | **P860** | P1,342 |
| Fixed interest rate of 4.2105% with maturities up to 2023 (ss) | | **331** | 496 |
| Fixed interest rate of 5.00% (tt) | | **-** | 1,499 |
| Floating interest rate based on BVAL plus margin, or BSP overnight rate plus margin, whichever is higher, with maturities up to 2029 (dd) | | **7,950** | 7,944 |
| Floating interest rate based on BVAL plus margin, with maturities up to 2023 (uu) | | **2,049** | 3,216 |
| Floating interest rate based on BVAL plus margin, with maturities up to 2024 (vv) | | **1,753** | 1,909 |
| Floating interest rate based on BVAL plus margin, with maturities up to 2022 (ww) | | **1,378** | 1,879 |
| Foreign currency-denominated Term Notes: | | | |
| Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (xx/yy) | | **24,488** | 25,597 |
| Floating interest rate based on LIBOR plus margin, maturing in 2023 (zz) | | **25,337** | 33,306 |
| Floating interest rate based on LIBOR plus margin, with maturities up to 2024 (aaa) | | **22,992** | 32,334 |
| Floating interest rate based on LIBOR plus margin, maturing in 2026 (bbb) | | **14,949** | - |
| Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (xx/yy) | | **8,087** | 8,457 |
| Floating interest rate based on LIBOR plus margin, maturing in 2023 (ccc) | | **7,522** | 7,003 |
| Floating interest rate based on LIBOR plus margin, with maturities up to 2022 (ddd) | | **7,219** | 13,530 |
| Floating interest rate based on LIBOR plus margin, with maturities up to 2025 (eee) | | **6,556** | 6,845 |
| Floating interest rate based on LIBOR plus margin, maturing in 2023 (fff) | | **2,504** | - |
| Floating interest rate based on Bank Bill Swap Rate (BBSY) plus margin, with maturities up to 2024 (ggg) | | **2,470** | 2,827 |
| Floating interest rate based on BBSY plus margin, with maturities up to 2026 (hhh) | | **142** | - |
| Floating interest rate based on Cost of Fund (COF) plus margin (iii) | | **-** | 21 |
| | | **516,365** | 505,527 |
| | *38, 39, 40* | **813,965** | 766,909 |
| Less current maturities | | **88,857** | 74,502 |
| | | **P725,108** | P692,407 |

a. The amount represents the first, second, third and fourth tranche of the P60,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P20,000, P10,000, P20,000 and P10,000, respectively. The Bonds were listed in the Philippine Dealing & Exchange Corp. (PDEx).

    - The first tranche of the fixed rate bonds listed on March 1, 2017 amounting to P20,000 consists of: (i) five-year Series A Bonds, due in 2022 with an interest rate of 4.8243% per annum; (ii) seven-year Series B Bonds, due in 2024 with an interest rate of 5.284% per annum; and, (iii) 10-year Series C Bonds, due in 2027 with an interest rate of 5.7613% per annum. Interest is payable every 1st of March, June, September and December of each year.

    - The second tranche of the fixed rate bonds listed on April 7, 2017 amounting to P10,000 comprise of five-year Series D Bonds, due in 2022 with an interest rate of 5.1923% per annum. Interest is payable every 7th of January, April, July and October of each year.

    - The third tranche of the fixed rate bonds listed on March 19, 2018 amounting to P20,000, consist of: (i) five-year Series E Bonds, due in 2023 with an interest rate of 6.25% per annum; (ii) seven-year Series F Bonds, due in 2025 with an interest rate of 6.625% per annum; and, (iii) 10-year Series G Bonds, due in 2028 with an interest rate of 7.125% per annum. Interest is payable every 19th of March, June, September and December of each year.

    - The fourth tranche of the fixed rate bonds listed on October 4, 2019 amounting to P10,000 comprise of five-year Series H Bonds, due in 2024 with an interest rate of 5.55% per annum. Interest is payable every 4th of January, April, July and October of each year.

    Proceeds from the issuance of the bonds were used to partially refinance various loans.

    Unamortized debt issue costs amounted to P252 and P378 as at December 31, 2021 and 2020, respectively.

b. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P30,000. The Bonds were listed in the PDEx.

    The first tranche of the fixed rate bonds listed on July 8, 2021 comprise of Series I Bonds, 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.

    Proceeds from the issuance of the bonds were used to repay existing obligations.

    Unamortized debt issue costs amounted to P360 as at December 31, 2021.

c. The amount represents the drawdown by the Parent Company on June 24, 2019 from its term loan facility amounting to P16,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9375% per annum payable quarterly. The proceeds were used for general corporate purposes.

    The Parent Company paid the scheduled amortizations amounting to P400 and P240 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P83 and P99 as at December 31, 2021 and 2020, respectively.

d. The amount represents the drawdown by the Parent Company of US$50 and US$1,950 on December 27, 2019 and March 19, 2020, respectively, from its term loan facility amounting to US$2,000. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loans were used for general corporate purposes.

   Unamortized debt issue costs amounted to P1,581 and P2,132 as at December 31, 2021 and 2020, respectively.

e. The amount represents the drawdown by the Parent Company of US$250 and US$200 on October 28 and December 23, 2021, respectively, from its term loan facility amounting to US$900. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were and will be used for general corporate purposes.

   Unamortized debt issue costs amounted to P1,062 as at December 31, 2021.

f. The amount represents the drawdown by the Parent Company on March 16, 2018 from its term loan facility amounting to US$400. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund the subscription of RPS in SMC Global to partially finance the acquisition of Masinloc Group of Companies.

   Unamortized debt issue costs amounted to P121 and P218 as at December 31, 2021 and 2020, respectively.

g. The amount represents the drawdown by the Parent Company on June 26, 2018 from its term loan facility amounting to US$300. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund general corporate requirements and/or additional investments to its subsidiaries.

   Unamortized debt issue costs amounted to P89 and P146 as at December 31, 2021 and 2020, respectively.

h. The amount represents the drawdown by the Parent Company of US$120 and US$180 on September 25, 2018 and October 25, 2018, respectively, from its term loan facility amounting to US$300. The term of the loans is for five years and is subject to a floating interest rate. The proceeds were used to refinance existing US dollar-denominated obligations and/or for general corporate purposes.

   Unamortized debt issue costs amounted to P106 and P163 as at December 31, 2021 and 2020, respectively.

i. The amount represents the drawdown by the Parent Company on November 21, 2018 from its term loan facility amounting to US$200. The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to repay existing US dollar-denominated obligations.

   Unamortized debt issue costs amounted to P73 and P111 as at December 31, 2021 and 2020, respectively.

j. The amount represents the drawdown by the Parent Company on December 23, 2021 from its term loan facility amounting to US$100. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes.

   Unamortized debt issue costs amounted to P80 as at December 31, 2021.

k. The amount represents the drawdown by the Parent Company on October 24, 2017 from its term loan facilities amounting to US$300 entered into with various banks. The loans have various maturities and is subject to floating interest rate. The proceeds were used to fund general corporate requirements and/or partially repay existing loans.

   Payments made amounted to $210 and $80 as at December 31, 2021 and 2020, respectively.

   Unamortized debt issue costs amounted to P29 and P75 as at December 31, 2021 and 2020, respectively.

l. The amount represents the drawdown of US$800 Notes (the "Notes") issued on April 19, 2013, from the US$2,000 Medium Term Note (MTN) Programme of the Parent Company. The Notes were listed on the same date at the Singapore Exchange Securities Trading Ltd. (SGX-ST), with an interest rate of 4.875% per annum payable every 26th of April and October of each year.

   Proceeds from the Notes were used for refinancing of US dollar-denominated loans, working capital and general corporate purposes.

   In 2015, the Parent Company purchased US$284 out of US$400 Notes offered for purchase in a tender offer.
   The Parent Company redeemed the Notes on April 26, 2021.

   Unamortized debt issue costs amounted to P92 as at December 31, 2020.

m. The amount represents the first and second tranche of the P35,000 shelf registered fixed rate bonds (the "Bonds") issued by SMC Global amounting to P20,000 on December 22, 2017 and P15,000 on August 17, 2018, respectively. The Bonds were listed in the PDEx.

   - The first tranche of the fixed rate bonds listed on December 22, 2017 amounting to P20,000, consists of: (i) five-year Series D Bonds, due in 2022 with an interest rate of 5.3750% per annum; (ii) seven-year Series E Bonds, due in 2024 with an interest rate of 6.2500% per annum; and, (iii) 10-year Series F Bonds, due in 2027 with an interest rate of 6.6250% per annum. Interest is payable every 22nd of March, June, September and December of each year.

   - The second tranche of the fixed rate bonds listed on August 17, 2018 amounting to P15,000 pertains to the five-year Series G Bonds, due in 2023 with an interest rate of 6.7500% per annum. Interest is payable every 17th of February, May, August and November of each year.

   Proceeds from the first tranche were used to refinance peso-denominated short-term loans.

Proceeds from the second tranche were used to refinance the outstanding shareholder advances and partially refinance existing US dollar-denominated loan obligations and payment of transaction-related expenses.

Unamortized debt issue costs amounted to P155 and P230 as at December 31, 2021 and 2020, respectively.

n. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds (the "Bonds") issued by SMC Global amounting to P30,000 on April 24, 2019. The Bonds were listed in the PDEx.

   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 were used for refinancing of maturing long-term and short-term loans, investments in power-related assets and payment of transaction-related expenses.

   Unamortized debt issue costs amounted to P143 and P241 as at December 31, 2021 and 2020, respectively.

o. The amount represents the first and second tranche of the P40,000 shelf registered fixed retail bonds (the "Bonds") issued by Petron amounting to P20,000 and P20,000 on October 27, 2016 and October 19, 2018, respectively. The Bonds were listed in the PDEx.

   - The first tranche of the fixed rate bonds listed on October 27, 2016 amounting to P20,000, consist of: (i) five-year Series A Bonds, due in 2021 with an interest rate of 4.0032% per annum; and, (ii) Series B Bonds, due in 2023 with an interest rate of 4.5219% per annum. Interest is payable every 27th of January, April, July and October of each year.

   - The second tranche of the fixed rate bonds listed on October 19, 2018 amounting to P20,000, consist of: (i) 5.5-year Series C Bonds, due in 2024 with an interest rate of 7.8183% per annum; and, (ii) seven-year Series D Bonds, due in 2025 with an interest rate of 8.0551% per annum. Interest is payable every 19th of January, April, July and October of each year.

   The proceeds from the first tranche were used to partially settle the US$475 and US$550 Term Loan, repay short-term loans and for general corporate purposes.

   The proceeds from the second tranche were used for the payment of short-term loans, redemption of a portion of Petron's Undated Subordinated Capital Securities (USCS) and for general corporate purposes.

   On October 27, 2021, Petron redeemed the Series A Bonds, amounting to P13,000.

   Unamortized debt issue costs amounted to P154 and P224 as at December 31, 2021 and 2020, respectively.

p. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds (the "Bonds") issued by Petron amounting to P18,000 on October 12, 2021. The Bonds were listed in the PDEx.

The first tranche of the fixed rate bonds amounting to P18,000, consist of four-year Series E Bonds, due in 2025 with an interest rate of 3.4408% per annum and six-year Series F Bonds, due in 2027 with an interest rate of 4.3368% per annum. Interest is payable every 12th of January, April, July and October of each year.

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

Unamortized debt issue costs amounted to P221 as at December 31, 2021.

q. The amount represents the P15,000 fixed rate bonds (the “Bonds”) issued by SMFB on March 10, 2020, divided into Series A Bonds, due in 2025 with an interest rate of 5.05% per annum, and Series B Bonds, due in 2027 with an interest rate of 5.25% per annum. Interest is payable every 10th of March, June, September and December of each year. The Bonds were listed in the PDEx.

   Proceeds from the issuance were used to redeem the outstanding Series “2” Perpetual Preferred Shares of SMFB and payment of transaction-related fees, costs and expenses.

   Unamortized debt issue costs amounted to P140 and P171 as at December 31, 2021 and 2020, respectively.

r. The amount represents P15,000 fixed rate bonds (the “Bonds”) issued by SMC Global on July 11, 2016, divided into: (i) Series A Bonds, due in 2021 with an interest rate of 4.3458% per annum; (ii) Series B Bonds, due in 2023 with an interest rate of 4.7575% per annum; and, (iii) Series C Bonds, due in 2026 with an interest rate of 5.1792% per annum. Interest is payable every 11th of January, April, July and October of each year.

   Proceeds from the issuance were used to refinance the US$300 short-term loan that matured on July 25, 2016, which were used for the redemption of the US$300 bond in January 2016.

   The Bonds were listed in the PDEx.

   On July 12, 2021, SMC Global redeemed the Series A Bonds amounting to P6,153.

   Unamortized debt issue costs amounted to P39 and P59 as at December 31, 2021 and 2020, respectively.

s. The amount represents P17,000 fixed rate bonds (the “Bonds”) issued by SMB on April 2, 2012, divided into: (i) seven-year Series E Bonds, due in 2019 with an interest rate of 5.93% per annum; and, (ii) ten-year Series F Bonds, due in 2022 with an interest rate of 6.60% per annum. The Series E and F Bonds were part of the P20,000 fixed rate bonds of SMB. Interest is payable every 2nd of April and October of each year.

   The proceeds from the issuance were used to refinance existing financial indebtedness and for general working capital purposes.

   The Bonds were listed in the PDEx.

The Series E Bonds with a principal of P10,000 was redeemed by SMB on April 12, 2019.

Unamortized debt issue costs amounted to P2 and P12 as at December 31, 2021 and 2020, respectively.

t. The amount represents P7,300 fixed rate bonds (the “Bonds”) issued by SMC SLEX on May 22, 2015, divided into: (i) Series A Bonds, due in 2020 with an interest rate of 4.9925% per annum; (ii) Series B Bonds, due in 2022 with an interest rate of 5.5796% per annum; and, (iii) Series C Bonds, due in 2025 with an interest rate of 6.4872% per annum. Interest is payable every 22nd of February, May, August and November of each year.

   The proceeds from the issuance were used to prepay the peso-denominated Corporate Notes drawn in 2012.

   The Bonds were listed in the PDEx.

   The Series A Bonds with a principal of P2,400 was redeemed by SMC SLEX on August 24, 2020.

   Unamortized debt issue costs amounted to P15 and P23 as at December 31, 2021 and 2020, respectively.

u. The amount represents P15,000 fixed rate bonds (the “Bonds”) issued by SMB on April 2, 2014, divided into: (i) Series G Bonds, due in 2021 with an interest rate of 5.50% per annum; and (ii) Series H Bonds, due in 2024 with an interest rate of 6.00% per annum. Interest is payable every 2nd of April and October of each year.

   Proceeds from the Series G Bonds and Series H Bonds issuance were used to partially refinance the redemption of Series B Bonds.

   The Bonds were listed in the PDEx.

   The Series G Bonds with an aggregate principal amount of P12,462 matured on April 5, 2021 (April 2 being a non-business day) and were accordingly redeemed by SMB on the same date.

   Unamortized debt issue costs amounted to P7 and P16 as at December 31, 2021 and 2020, respectively.

v. The amount represents the loan drawn by SMC Tollways from its P41,200 Corporate Notes Facility Agreement dated December 9, 2019 with various local banks amounting to P41,200 and P28,300 as at December 31, 2021 and 2020, respectively.

   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 payable in 40 quarterly installments commencing on the third month from initial issue date. Final repayment date is 10 years from initial issue date.

   The Notes are subject to repricing on the fifth year from initial issue date.

   Payments made amounted to P2,327 and P1,140 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P466 and P360 as at December 31, 2021 and 2020, respectively.

w. The amount represents the drawdown by SCPC from its P44,000 Omnibus Loan and Security Agreement (OLSA) dated June 22, 2017 with various banks, consisting of Tranche A and Tranche B amounting to P42,000 and the remaining balance of Tranche B amounting to P2,000 on June 28, 2017 and January 31, 2018, respectively.

   Proceeds from the loan were used for the settlement of the US$360 short-term loan, acquisition of the Phase II Limay Greenfield Power Plant in Limay, Bataan from LETI, repayment of shareholder advances and financing of transaction costs relating to the OLSA. The loan is payable in 46 unequal quarterly installments commencing on the 9th month from initial advance for Tranche A, 36 unequal quarterly installments commencing on the 39th month from initial advance for Tranche B. Final repayment date is 12 years from initial advance.

   The loan is subject to repricing on the seventh year from the date of initial advance.

   Payments made amounted to P5,905 and P3,610 as at December 31, 2021 and 2020, respectively.

   Unamortized debt issue costs amounted to P469 and P547 as at December 31, 2021 and 2020, respectively.

x. The amount represents loan drawn by MMSS3 from its P31,000 OLSA dated December 15, 2014 with various banks.

   Proceeds of the loan were used to partially finance the design, construction and the operation and maintenance of the Skyway Stage 3 Project. The loan is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one quarter after issuance of toll operation certificate by TRB. Final repayment date is 12 years after initial drawdown date.

   Payments made amounted to P1,733 and P679 as at December 31, 2021 and 2020, respectively.

   The drawdown includes payable to BOC amounting to P3,493 and P3,619 as at December 31, 2021 and 2020, respectively (Note 33).

   Unamortized debt issue costs amounted to P218 and P272 as at December 31, 2021 and 2020, respectively.

y. The amount represents loan drawn by SMCPC from its P21,300 12-year OLSA dated August 9, 2018 with various banks.

   The proceeds were used by SMCPC for the repayment of the short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant and payment of transaction-related fees and expenses.

   Payments made amounted to P3,888 and P2,592 as at December 31, 2021 and 2020, respectively.

   The drawdown includes payable to BOC amounting to P2,616 and P2,811 as at December 31, 2021 and 2020, respectively (Note 33).

Unamortized debt issue costs amounted to P258 and P296 as at December 31, 2021 and 2020, respectively.

z. The amount represents the drawdown by SMC Global on April 26, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9265% per annum, payable quarterly. The proceeds were used for debt refinancing.

   Payments made amounted to P600 and P450 pursuant to the loan agreement as at December 31, 2021 and 2020, respectively.

   Unamortized debt issue costs amounted to P59 and P82 as at December 31, 2021 and 2020, respectively.

aa. The amount represents the loan drawn by SMB on March 30, 2021 from its loan facilities amounting to P12,000 with various banks. The loans are subject to fixed interest rates, where P10,000 will mature on March 30, 2026 and P2,000 will mature on March 30, 2028. The proceeds of the loan were used to refinance the redemption of Series G Bonds.

   Payments made amounted to P16 as at December 31, 2021.

   Unamortized debt issue costs amounted to P78 as at December 31, 2021.

bb. The amount represents the drawdown by SMCTC on December 19, 2019 amounting to P12,000 from its P42,000 Second Amendment to the OLSA dated December 16, 2019 with various local banks.

   Proceeds of the loan were used for consolidation of project loans, releveraging the project, repayment of certain shareholder advance and partial financing of operation and maintenance of the project. The loan is payable in 39 quarterly installments commencing on the third month from initial drawdown. Final repayment date is 11 years and 9 months from initial drawdown.

   The loan is subject to repricing on the fifth year from date of initial drawdown.

   Payments made amounted to P780 and P360 as at December 31, 2021 and 2020, respectively.

   Unamortized debt issue costs amounted to P104 and P124 as at December 31, 2021 and 2020, respectively.

cc. The amount represents the drawdown by SMB on December 19, 2019 from its term loan facility amounting to P10,000. The loan will mature on December 26, 2024 and is subject to a fixed interest rate of 4.63% per annum. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P47 and P61 as at December 31, 2021 and 2020, respectively.

dd. The amount represents the loan drawn by SMFI amounting to P8,000 and P10,000 in 2020 and 2019, respectively, from its term loan facility amounting to P18,000. The loan is amortized for 10 years and is subject to a floating interest rate based on BVAL plus margin or BSP Term Deposit Auction Facility overnight rate plus margin, whichever is higher with a one-time option to convert to a fixed interest rate. The proceeds were used to refinance its existing short-term obligations, fund capital expansion projects and for other general corporate purposes.

    On December 14, 2020, SMFI exercised its one-time option to convert to fixed interest rate for its P10,000 loan.

    Unamortized debt issue costs for the fixed interest loan amounted to P62 and P68 as at December 31, 2021 and 2020, respectively.

    Unamortized debt issue costs for the floating interest amounted to P50 and P56 as at December 31, 2021 and 2020, respectively.

ee. The amount represents the drawdown by PF-Hormel on September 29, 2021 from its loan facilities amounting to P7,000 with various banks. The loans will mature on September 29, 2026 and is subject to a fixed interest rate of 3.846% per annum. The proceeds of the loan were used for refinancing of existing indebtedness and general corporate purposes.

    Unamortized debt issue costs amounted to P50 as at December 31, 2021.

ff. The amount represents the loan drawn by SMNCI on June 30, 2021 amounting to P7,075, from its P12,500 OLSA dated June 22, 2021 with various banks.

    The loan is subject to a fixed interest rate of 4.8356% per annum and is payable in 34 unequal quarterly installments commencing on the seventh quarter from initial advance. Final repayment date is ten years from initial advance.

    Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan.

    On July 1, 2021, the balance of the loan was transferred to NCC following the merger (Note 5).

    The drawdown includes payable to BOC amounting to P1,245 as at December 31, 2021 (Note 33).

    Unamortized debt issue costs amounted to P222 as at December 31, 2021.

gg. The amount represents the drawdown by Petron on July 25, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 5.5276% per annum payable quarterly. The proceeds were used to refinance the short-term loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-fired Power Plant.

    Payments made amounted to P9,107 and P6,965 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P15 and P27 as at December 31, 2021 and 2020, respectively.

hh. The amount represents the drawdown by SMC Global on May 28, 2021 from its term loan facility amounting to P5,000. The loan will mature on May 28, 2025 and is subject to a fixed interest rate of 5.00% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P25 as at December 31, 2021.

Unamortized debt issue costs amounted to P50 as at December 31, 2021.

ii. The amount represents loan drawn by SCII on December 29, 2021 from its P4,800 OLSA dated December 22, 2021 with various local banks.

The loan is subject to a fixed interest rate of 6.37239% and is payable in 23 unequal quarterly installments commencing on the 6th quarter from initial advance. Final repayment date is seven years from initial advance.

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.

The drawdown includes payable to BOC amounting to P2,000 as at December 31, 2021 (Note 33).

Unamortized debt issue costs amounted to P38 as at December 31, 2021.

jj. The amount represents the drawdown by Petron on April 27, 2020 from its term loan facility amounting to P5,000. The loan is amortized over five years and is subject to a fixed interest rate of 4.59% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P625 as at December 31, 2021.

Unamortized debt issue costs amounted to P19 and P30 as at December 31, 2021 and 2020, respectively.

kk. The amount represents the drawdown by SMC NAIAX amounting to P1,100 and P6,400 in 2016 and 2015, respectively, from its P7,500 OLSA dated July 8, 2014. Proceeds of the loan were used to finance the construction of the NAIA Expressway. The loan is payable in 32 unequal consecutive quarterly installments commencing on the period ending the earlier of 24 months from initial drawdown date or the date of the issuance by the TRB of the Toll Operations Certificate. Final repayment date is 10 years after initial drawdown date.

The drawdown includes payable to BOC amounting to P1,090 and P1,342 as at December 31, 2021 and 2020, respectively (Note 33).

Payments made amounted to P3,412 and P2,469 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P18 and P28 as at December 31, 2021 and 2020, respectively.

ll. The amount represents the drawdown by LCWDC in 2018 of the first tranche amounting to P4,200 from its P5,400 OLSA dated September 16, 2016 with various local banks.

Proceeds of the loan were used for the Bulacan Bulk Water Supply Project.

The loan is subject to repricing on the seventh year from the initial drawdown date.

Payments made amounted to P252 and P105 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P27 and P31 as at December 31, 2021 and 2020, respectively.

mm. The amount represents the drawdown by SMYPC from its term loan facility amounting to P5,000. The loan will mature on January 30, 2025 and is subject to a fixed interest rate of 5.1657% per annum payable quarterly. The proceeds were used to refinance existing short-term loans.

Payments made amounted to P1,289 and P553 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P19 and P28 as at December 31, 2021 and 2020, respectively.

nn. The amount represents the drawdown by Petron on December 29, 2017 from its term loan facility amounting to P10,000. The loan is amortized over five years and is subject to a fixed interest rate of 5.7584% per annum payable quarterly. The proceeds were used to finance working capital requirements.

Payments made amounted to P7,500 and P5,000 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P3 and P10 as at December 31, 2021 and 2020, respectively.

oo. The amount represents the P2,000 seven-year term loan availed by SMMI on December 19, 2019. The loan is amortized for seven years and is subject to a floating interest rate based on BVAL plus margin with a one-time option to convert to a fixed interest 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.

On December 19, 2020, SMMI exercised its option to convert the interest rate from floating to fixed. As a result, the interest rate was fixed at 3.2837% per annum.

Unamortized debt issue costs amounted to P11 and P13 as at December 31, 2021 and 2020, respectively.

pp. The amount represents the drawdown by SMCSLC on July 14, 2021 from its term loan facilities amounting to P2,000 with various banks. The loan will mature on July 14, 2026 and is subject to a fixed interest rate of 4.20% per annum payable quarterly. The proceeds were used to refinance existing indebtedness and for general corporate purposes.

Unamortized debt issue costs amounted to P14 as at December 31, 2021.

qq. The amount represents the drawdown by Petron on October 13, 2015 amounting to P5,000 from its term loan facility. The loan is amortized over seven years with a two-year grace period and is subject to a fixed interest rate of 5.4583% per annum payable quarterly. The proceeds were used to repay maturing obligations and for general corporate purposes.

Payments made amounted to P4,000 and P3,000 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P2 as at December 31, 2020.

rr. The amount represents the P3,500 loan facility with local banks, entered into by SIDC in 2013. The proceeds of the loan were used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project. Repayment period is within 32 unequal consecutive quarterly installments on each repayment date in accordance with the agreement beginning on the earlier of the 27th month from initial drawdown date or the third month from the date of receipt by SIDC of the financial completion certificate for the Project.

Payments made amounted to P2,638 and P2,154 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P2 and P4 as at December 31, 2021 and 2020, respectively.

ss. The amount represents drawdown by GSMI on December 28, 2020 from its term-loan facility amounting to P500. The loan is amortized over three years and is subject to a fixed interest rate of 4.2105% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P167 as at December 31, 2021.

Unamortized debt issue costs amounted to P2 and P4 as at December 31, 2021 and 2020, respectively.

tt. The amount represents drawdown by SMCSLC in 2011 amounting to P1,500, from a local bank, which was used for working capital requirements. The said loan was rolled-over for five years in July 2016.

The loan was fully paid on July 15, 2021.

Unamortized debt issue costs amounted to P1 as at December 31, 2020.

uu. The amount represents drawdown of SMYAC from its term loan facility amounting to P4,000. The term of the loan is for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

On March 1, 2020, the balance of the loan was transferred to SMYPC following the merger (Note 5).

Payments made amounted to P1,947 and P773 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P4 and P11 as at December 31, 2021 and 2020, respectively.

vv. The amount represents drawdowns by SMYAC of P1,449 and P551 in 2020 and 2019, respectively from its term loan facility amounting to P2,000. The loan is amortized for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

On March 1, 2020, the balance of the loan was transferred to SMYPC following the merger (Note 5).

Payments made amounted to P240 and P80 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P7 and P11 as at December 31, 2021 and 2020, respectively.

ww. The amount represents series of drawdowns in 2014 and 2013, from a loan agreement entered into by TADHC with BOC amounting to P3,300, used for financing the Airport Project. The loan is payable in 28 quarterly installments commencing on the 12th quarter.

TADHC paid P1,921 and P1,419 as at December 31, 2021 and 2020, respectively, as partial settlement of the loan principal (Note 33).

Unamortized debt issue costs amounted to P1 and P2 as at December 31, 2021 and 2020, respectively.

xx. The amount represents the total outstanding loan drawn in various tranches by MPPCL from its Omnibus Refinancing Agreement dated December 28, 2012, with various local banks. The proceeds of the loan were used to refinance its debt obligations previously obtained to partially finance the acquisition, operation, maintenance and repair of the power plant facilities purchased from PSALM by MPPCL. The loan is divided into fixed interest tranche amounting to US$129 and US$163 as at December 31, 2021 and 2020, respectively, and floating interest tranche based on LIBOR plus margin amounting to US$43 and US$54 as at December 31, 2021 and 2020, respectively. The loan will mature on January 23, 2023.

Unamortized debt issue costs amounted to P2 and P7 as at December 31, 2021 and 2020, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P1 and P2 as at December 31, 2021 and 2020, respectively, for the floating interest tranche.

yy. The amount represents total outstanding loan drawn in various tranches by MPPCL from its Omnibus Expansion Financing Agreement dated December 1, 2015, with various local banks, to finance the construction of the additional 335 MW coal-fired plant within MPPCL existing facilities. The loan is divided into fixed interest tranche amounting to US$356 and US$376 as at December 31, 2021 and 2020, respectively, and floating interest tranche based on LIBOR plus margin amounting to US$117 and US$124 as at December 31, 2021 and 2020, respectively. The loan will mature on December 16, 2030.

Unamortized debt issue costs amounted to P247 and P271 as at December 31, 2021 and 2020, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P81 and P90 as at December 31, 2021 and 2020, respectively, for the floating interest tranche.

zz. The amount represents the balance of the US$700 term loan facility availed by SMC Global on March 16, 2018. The US$700 term loan facility is divided into Facility A Loan amounting to US$200 maturing on March 12, 2021 and Facility B Loan amounting to US$500 maturing on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

SMC Global fully paid the Facility A Loan using the proceeds from its US$200 term loan availed on the same date.

Unamortized debt issue costs amounted to P163 and P310 as at December 31, 2021 and 2020, respectively.

aaa. In May and July 2019, Petron availed of US$536 and US$264 loans, respectively, from its US$800 term loan facility. The loan is amortized for five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to refinance Dollar-denominated and Peso-denominated bilateral short-term loans, to partially prepay its existing US$1,000 term loan and for general corporate purposes.

Payments made amounted to US$343 and US$115 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P315 and P562 as at December 31, 2021 and 2020, respectively.

bbb. The amount represents the US$200 five-year term loan drawn by SMC Global on March 12, 2021 from a US$200 Facility Agreement with a syndicate of foreign banks executed on March 9, 2021. The loan is subject to a floating interest rate based on LIBOR plus margin and will mature in March 2026. The proceeds were used as repayment of Facility A Loan of US$700 term loan facility.

On June 7, 2021, SMC Global availed an additional US$100 term loan from its Syndication Agreement executed on May 21, 2021. The Syndication Agreement amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200 to US$300. The proceeds were used mainly for the redemption of Series A Bonds in July 2021.

Unamortized debt issue costs amounted to P351 as at December 31, 2021.

ccc. The amount represents the drawdown by Petron on August 26, 2020 from its term loan facility amounting to US$150 with various banks. The loan is amortized for three years and is subject to a floating interest rate based on LIBOR plus margin payable (1, 3, or 6) months as selected by the borrower. The proceeds were used to prepay part of the existing US$1,000 term loan facility and US$800 loan.

Unamortized debt issue costs amounted to P128 and P201 as at December 31, 2021 and 2020, respectively.

ddd. The amount represents the drawdown of US$600 and US$400 by Petron on June 28, 2017 and October 10, 2017, respectively, from its US$1,000 term loan facility, which was signed and executed on June 16, 2017. The loan is subject to a floating interest rate plus spread and is amortized over five years with a two-year grace period. The proceeds were used to fully pay the outstanding loan balances.

Payments made amounted to US$858 and US$715 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P37 and P170 as at December 31, 2021 and 2020, respectively.

eee. The amount represents the drawdown by Petron on April 22, 2020 from its term loan facility amounting to JPY15,000 with various banks. The loan is amortized over five years and is subject to a floating interest rate based on JPY LIBOR plus a spread payable every 1, 3 or 6 months as selected by the borrower. The proceeds of the loan were used to partially prepay its US$1,000 term loan facility.

Unamortized debt issue costs amounted to P91 and P142 as at December 31, 2021 and 2020, respectively.

fff. The amount represents the drawdown by SMC Global on April 12, 2021 from its term loan facility amounting to US$50. The term of the loan is for three years and is subject to a floating interest rate based on LIBOR plus margin payable 1/3/6 months as selected by the borrower.

The proceeds were used to finance the capital expenditures of the Ilijan Natural Gas-fired Power Plant (including expansion projects related thereto); the liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for Battery Energy Storage Systems (BESS) projects, and transaction-related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P46 as at December 31, 2021.

ggg. The amount represents the drawdown by SMYA on July 31, 2019 amounting to AU$80 from AU$100 syndicated facility agreement entered into by SMYA on July 23, 2019. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$13 and AU$3 as at December 31, 2021 and 2020, respectively.

Unamortized debt issue costs amounted to P24 and P36 as at December 31, 2021 and 2020, respectively.

hhh. The amount represents the loan drawn by SMYA on February 25, 2021 amounting to AU$5. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$1 as at December 31, 2021.

iii. The amount represents total outstanding loans drawn in various tranches by INSA Alliance Sdn. Bhd., a subsidiary of SMYPIL, in 2015 to 2017 with various local banks, to finance working capital requirements. The loans are divided into fixed interest tranche and floating interest tranche based on COF plus margin. The loans under fixed interest tranche were prepaid on March 11, 2019. The loans under floating interest tranche have various maturities with the earliest one due on July 31, 2021 and the last one due on October 31, 2027.

    The loan was fully paid as at December 31, 2021.

The gross amount of long-term debt payable to BOC amounted to P11,823 and P9,653 as at December 31, 2021 and 2020, respectively (Note 33).

The debt agreements contain, among others, covenants relating to merger and consolidation, negative pledge, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group is in compliance with the covenants of the debt agreements or obtained the necessary waivers as at December 31, 2021 and 2020.

Long-term debt includes syndicated project finance loans amounting to P148,811 and P144,608 as at December 31, 2021 and 2020, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

The movements in debt issue costs are as follows:

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Balance at beginning of year | | **P8,249** | P7,345 |
| Additions | *18* | **2,746** | 3,308 |
| Amortization | *30* | **(2,630)** | (2,282) |
| Reclassification, capitalized and others | | **146** | (122) |
| Balance at end of year | | **P8,511** | P8,249 |

Repayment Schedule
The annual maturities of long-term debt are as follows:

| **Year** | **Gross Amount** | **Debt Issue Costs** | **Net** |
|---|---|---|---|
| 2022 | P89,610 | P753 | P88,857 |
| 2023 | 179,259 | 1,607 | 177,652 |
| 2024 | 212,083 | 2,789 | 209,294 |
| 2025 | 58,333 | 547 | 57,786 |
| 2026 and thereafter | 283,191 | 2,815 | 280,376 |
| **Total** | **P822,476** | **P8,511** | **P813,965** |

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 39.

## 22. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

| | Note | 2021 | 2020 |
|---|---|---|---|
| Retirement liabilities - noncurrent | 5, 35 | **P6,843** | P6,734 |
| Retention payable - noncurrent | | **5,510** | 3,243 |
| ARO | 4 | **3,648** | 3,735 |
| IRO | 4 | **772** | 730 |
| Derivative liabilities - noncurrent | 4, 39, 40 | **745** | 2,167 |
| Cylinder deposits | | **687** | 617 |
| Cash bonds | | **450** | 947 |
| Concession liabilities | | **88** | 91 |
| Obligation to ROP - service concession agreement | 4, 34 | **58** | 66 |
| Amounts owed to related parties | 33 | **53** | 7,277 |
| MRO | 4, 5 | **47** | 46 |
| Others | | **1,058** | 648 |
| | 39, 40 | **P19,959** | P26,301 |

"Others" include customers' deposits, deferred rent income and liability to contractor and supplier.

## 23. Income Taxes

The components of income tax expense are shown below:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Current | **P14,258** | P15,540 | P22,691 |
| Deferred | **3,535** | (9) | 5,822 |
| | **P17,793** | P15,531 | P28,513 |

The movements of deferred tax assets and liabilities are accounted for as follows:

| 2021 | Balance at January 1 | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Others | Balance at December 31 |
|---|---|---|---|---|---|
| Allowance for impairment losses on trade and other receivables and inventory | P4,742 | (P1,992) | P - | P2 | P2,752 |
| MCIT | 1,137 | (92) | - | - | 1,045 |
| NOLCO | 10,852 | (2,478) | - | - | 8,374 |
| Undistributed net earnings of foreign subsidiaries | (962) | 116 | - | - | (846) |
| Leases | (17,104) | (2,278) | - | 338 | (19,044) |
| Unrealized intercompany charges and others | (5,468) | 3,189 | (1,198) | (405) | (3,882) |
| | (P6,803) | (P3,535) | (P1,198) | (P65) | (P11,601) |

| 2020 | Balance at January 1 | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Others | Balance at December 31 |
|---|---|---|---|---|---|
| Allowance for impairment losses on trade and other receivables and inventory | P4,615 | P145 | P - | (P18) | P4,742 |
| MCIT | 876 | 261 | - | - | 1,137 |
| NOLCO | 1,750 | 9,102 | - | - | 10,852 |
| Undistributed net earnings of foreign subsidiaries | (1,040) | (64) | 37 | 105 | (962) |
| Leases | (11,233) | (5,860) | - | (11) | (17,104) |
| Unrealized intercompany charges and others | (2,181) | (3,575) | 93 | 195 | (5,468) |
| | (P7,213) | P9 | P130 | P271 | (P6,803) |

The above amounts are reported in the consolidated statements of financial position as follows:

| | *Note* | **2021** | 2020 |
|---|---|---|---|
| Deferred tax assets | *4* | **P17,141** | P20,946 |
| Deferred tax liabilities | | **(28,472)** | (27,749) |
| | | **(P11,331)** | (P6,803) |

As at December 31, 2021, the NOLCO of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statements of financial position, that can be claimed as deduction from future taxable income are as follows:

| Year Incurred/Paid | Carryforward Benefits Up To | NOLCO |
|---|---|---|
| 2019 | December 31, 2022 | **P308** |
| 2020 | December 31, 2025 | **4** |
| 2021 | December 31, 2026 | **33,184** |
| | | **P33,496** |

As at December 31, 2021, the MCIT of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statements of financial position, that can be claimed as deduction from corporate income tax due are as follows:

| Year Incurred/Paid | Carryforward Benefits Up To | MCIT |
|---|---|---|
| 2019 | December 31, 2022 | **P4** |
| 2020 | December 31, 2023 | **88** |
| 2021 | December 31, 2024 | **953** |
| | | **P1,045** |

As at December 31, 2021, deferred tax assets in respect of NOLCO and others amounting to P9,009 has not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Statutory income tax rate | **25.00%** | 30.00% | 30.00% |
| Increase (decrease) in income tax rate resulting from: | | | |
| Impact of change in tax rate | **(5.47%)** | - | - |
| Interest income subject to final tax | **(1.36%)** | (4.96%) | (4.15%) |
| Equity in net earnings of associates and joint ventures | **(0.39%)** | (0.33%) | (0.04%) |
| Loss (gain) on sale of investments subject to final or capital gains tax | **(0.06%)** | 0.39% | 0.09% |
| Others, mainly income subject to different tax rates - net | **9.26%** | 16.42% | 11.09% |
| Effective income tax rate | **26.98%** | 41.52% | 36.99% |

*Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e., 25% RCIT, 1% MCIT) for financial reporting purposes.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE Law are as follows:

| | Increase (Decrease) |
|---|---|
| **ASSETS** | |
| Prepaid expenses and other current assets | P407 |
| Investments and advances - net | 9 |
| Deferred tax assets | (2,075) |
| | (P1,659) |
| **LIABILITIES** | |
| Income and other taxes payable | (P881) |
| Deferred tax liabilities | (3,877) |
| | (4,758) |
| **EQUITY** | |
| Equity reserves | (329) |
| Retained earnings | 3,342 |
| Non-controlling interests | 86 |
| | 3,099 |
| **TOTAL LIABILITIES AND EQUITY** | (P1,659) |
| **INCOME BEFORE INCOME TAX** | |
| Equity in net earnings of associates and joint ventures | P9 |
| **INCOME TAX EXPENSE** | |
| Current | (1,288) |
| Deferred | (2,319) |
| | (3,607) |
| **NET INCOME** | P3,616 |
| Attributable to: | |
| Equity holders of the Parent Company | P3,342 |
| Non-controlling interests | 274 |
| | P3,616 |

## 24. Equity

*a. Amendments to the Articles of Incorporation*

On July 23, 2009, during the annual stockholders' meeting of the Parent Company, the stockholders approved the amendments to the Articles of Incorporation for the declassification of the common shares of the Parent Company. The authorized capital stock of the Parent Company amounting to P22,500 was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares with a par value of P5.00 per share and 1,110,000,000 Series "1" preferred shares with a par value of P5.00 per share, and defined the terms and features of the Series "1" preferred shares. The SEC approved the amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Parent Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Parent Company, to increase the authorized capital stock of the Parent Company from P22,500 to P30,000 as follows: (a) the increase in the number of the common shares from 3,390,000,000 common shares to 3,790,000,000, or an increase of 400,000,000 common shares; and (b) the creation and issuance of 1,100,000,000 Series “2” preferred shares with a par value of P5.00 per share.

On September 21, 2012, the SEC approved the amendment to the Articles of Incorporation of the Parent Company to increase the authorized capital stock, and consequently creating the Series “2” preferred shares.

On June 9, 2015, during the annual stockholders meeting of the Parent Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series “1” preferred shares to Series “2” preferred shares, consisting of 691,099,686 Series “1” preferred treasury shares to Series “2” preferred treasury shares and 118,900,314 Series “1” preferred unissued shares to Series “2” preferred unissued shares. With the approved reclassification, the resulting distribution of the preferred shares of the Parent Company was 300,000,000 for Series “1” preferred shares and 1,910,000,000 for Series “2” preferred shares. The stockholders also approved the issuance of the Series “2” preferred shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series “1” preferred shares to Series “2” preferred shares was approved by the SEC on July 14, 2015.

b. *Capital Stock*

Common Shares

On July 27, 2010, the BOD of the Parent Company approved the offer to issue approximately 1,000,000,000 common shares (from the unissued capital stock and treasury shares) at a price of not less than P75.00 per share.

Effective August 26, 2010, all Class “A” common shares and Class “B” common shares of the Parent Company were declassified and are considered as common shares without distinction, as approved by the SEC. Both are available to foreign investors, subject to the foreign ownership limit.

The Parent Company has a total of 33,828 and 34,013 common stockholders as at December 31, 2021 and 2020 respectively.

The number of issued and outstanding shares of common stock are as follows:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Issued shares | **3,288,649,125** | 3,288,649,125 | 3,288,649,125 |
| Less treasury shares | **904,752,537** | 904,752,537 | 904,752,537 |
| Issued and outstanding shares | **2,383,896,588** | 2,383,896,588 | 2,383,896,588 |

Preferred Shares

i. Series “1” Preferred Shares

Series “1” preferred shares have a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the BOD of the Parent Company at a fixed rate of 8% per annum calculated in respect of each Series “1” preferred share by reference to the Issue Price thereof in respect of each dividend period.

Series “1” preferred shares are non-voting except as provided for under the Corporation Code. The Series “1” preferred shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the residual assets of the Parent Company, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series “1” preferred shares. The exchange ratio was one common share for one Series “1” preferred share and the qualified shareholders of record as at July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class “A” common shares and 396,876,601 Class “B” common shares for Series “1” preferred shares.

On October 15, 2009, the BOD of the Parent Company approved the issuance, through private placement, of up to 226,800,000 Series “1” preferred shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series “1” preferred shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series “1” preferred share.

On December 8, 2010 and October 3, 2011, the Parent Company listed 873,173,353 and 97,333,000 Series “1” preferred shares worth P65,488 and P7,300, respectively.

On August 13, 2012, the BOD of the Parent Company approved the redemption of Series “1” preferred shares at a redemption price of P75.00 per share.

On October 5, 2012, 970,506,353 Series “1” preferred shares were reverted to treasury.

On April 14, 2015, the Parent Company reissued 279,406,667 Series “1” preferred shares held in treasury in the name of certain subscribers at P75.00 per share. The Series “1” preferred shares became tradable at the PSE beginning June 10, 2015.

On March 12, 2020, the BOD of the Parent Company approved the redemption of Series “1” preferred shares at a redemption price of P75.00 per share.

On April 14, 2020, 279,406,667 Series “1” preferred shares were reverted to treasury.

The Parent Company has 279,406,667 Series “1” preferred shares held in treasury as at December 31, 2021 and 2020.

The Parent Company has no outstanding Series “1” preferred shares as at December 31, 2021 and 2020.

ii. Series “2” Preferred Shares

*Subseries 2-A, Subseries 2-B and Subseries 2-C*
In September 2012, the Parent Company issued 1,067,000,000 Series “2” preferred shares at the issue price of P75.00 per share. The said Series “2” preferred shares worth P80,025 were listed at the PSE on September 28, 2012. The SEC approved the registration and issued a permit to sell on August 10, 2012.

The Series “2” preferred shares were issued in three subseries (Subseries “2-A”, Subseries “2-B” and Subseries “2-C”) and are peso-denominated, perpetual, cumulative, non-participating and non-voting.

The Parent Company has the redemption option starting on the third, fifth and seventh year and every dividend payment thereafter, with a “step-up” rate effective on the 5th, 7th and 10th year, respectively, if the shares are not redeemed. Dividend rates are 7.500%, 7.625%, and 8.000% per annum for Subseries “2-A”, Subseries “2-B” and Subseries “2-C” preferred shares, respectively.

On September 21, 2015, the Parent Company redeemed its 721,012,400 Series “2” preferred shares - Subseries “2-A” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P54,076 to the holders of Subseries “2-A” preferred shares. The redemption was approved by the BOD of the Parent Company on August 20, 2015.

On September 23, 2019, the Parent Company redeemed its 90,428,200 Series “2” preferred shares - Subseries “2-B” at a redemption price of P75.00 per share. The Parent Company paid P6,782 to the holders of Subseries “2-B” preferred shares. The redemption was approved by the BOD of the Parent Company on September 12, 2019.

On September 21, 2021, the Parent Company redeemed its outstanding 255,559,400 Series “2” preferred shares - Subseries “2-C” at a redemption price of P75.00 per share. The Parent Company paid P19,167 to the holders of Subseries “2-C” preferred shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

*Subseries 2-D, Subseries 2-E and Subseries 2-F*
On September 21, 2015, the Parent Company issued and listed at the PSE 446,667,000 Series “2” preferred shares held in treasury in three subseries (Subseries “2-D”, Subseries “2-E” and Subseries “2-F”) and are peso-denominated, perpetual, cumulative, non-participating and non-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries “2-D”, Subseries “2-E” and Subseries “2-F” preferred shares, respectively. The SEC approved the registration and issued a permit to sell on August 6, 2015.

On September 21, 2020, the Parent Company redeemed its 89,333,400 Series “2” preferred shares - Subseries “2-D” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P6,700 to the holders of Subseries “2-D” preferred shares. The redemption was approved by the BOD of the Parent Company on August 6, 2020.

On September 21, 2021, the Parent Company redeemed its 134,000,100 Series “2” preferred shares - Subseries “2-E” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P10,050 to the holders of Subseries “2-E” preferred shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

*Subseries 2-G, Subseries 2-H and Subseries 2-I*
On February 24, 2016, the BOD of PSE approved the listing application of the Parent Company of up to 975,571,800 shares of Series “2” preferred shares under shelf registration (the Shelf Registered Shares) and the offering of up to 400,000,000 shares of Series “2” preferred shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved the Shelf Registered Shares and issued a permit to sell on March 8, 2016.

The Parent Company offered the “First Tranche” of up to: (i) 280,000,000 shares of Series “2” preferred shares consisting of Subseries “2-G”, Subseries “2-H” and Subseries “2-I” and (ii) 120,000,000 shares of Series “2” preferred shares to cover the oversubscription option. The First Tranche was re-issued and offered from the Series “2” preferred shares Subseries held in treasury. The First Tranche was issued on March 30, 2016 which was also the listing date of the Shelf Registered Shares.

Dividend rates are 6.5793%, 6.3222% and 6.3355% per annum for Subseries “2-G”, Subseries “2-H” and Subseries “2-I” preferred shares, respectively.

Following the completion of the Parent Company’s follow-on offering of 280,000,000 Series “2” preferred shares, with an oversubscription option of 120,000,000 Series “2” preferred shares, the Parent Company re-issued the Series “2” preferred shares held in treasury, as follows: (i) 244,432,686 Series “2” preferred shares; and (ii) 155,567,314 Subseries “2-A” preferred shares (collectively, the “Offer Shares”). The Series “2” preferred shares were Series “1” preferred shares held in treasury that were reclassified to Series “2” preferred shares on June 9, 2015.

The remaining 575,571,800 Shelf Registered Shares will no longer be issued due to the expiration of the shelf registration, which is a period of three years from the date of approval.

On March 30, 2021, the Parent Company redeemed its 66,666,600 Series "2" preferred shares - Subseries "2-G" at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P5,000 to the holders of Subseries "2-G" preferred shares. The redemption was approved by the BOD of the Parent Company on March 11, 2021.

*Subseries 2-J and Subseries 2-K*
On September 30, 2020, the BOD of PSE approved the listing application of the Parent Company of up to 533,333,334 Series "2" preferred shares under shelf registration (the Shelf Registered Shares) and the offering of up to 266,666,667 Series "2" preferred shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on October 9, 2020 and issued a permit to sell the First Tranche on the same date.

The Parent Company offered the First Tranche consisting of: (i) 133,333,400 Subseries "2-J" preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries "2-J" preferred shares at an offer price of P75.00 per share. The First Tranche consisting of 266,666,667 Subseries "2-J" Preferred Shares was issued on October 29, 2020, which was also the date when the First Tranche was listed on the PSE.

The Parent Company offered a Second Tranche of the Shelf Registered Shares, consisting of (i) 133,333,400 Subseries "2-K" preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries "2-K" preferred shares at an offer price of P75.00 per share. The Second Tranche consisting of 183,904,900 Subseries "2-K" was issued and listed at the PSE on December 10, 2020.

The First and Second Tranche were re-issued and offered from the Subseries "2-A" preferred shares held in treasury.

Dividend rates are 4.75% and 4.50% per annum for Subseries "2-J" and Subseries "2-K" preferred shares, respectively.

The Parent Company has 750,861,219 and 294,635,119 Series "2" preferred shares held in treasury as at December 31, 2021 and 2020, respectively.

The Parent Company has 1,007,238,467 and 1,463,464,567 outstanding Series "2" preferred shares as at December 31, 2021 and 2020, respectively.

The Parent Company has a total of 366 and 910 preferred stockholders as at December 31, 2021 and 2020, respectively.

c. *Treasury Shares*

Treasury shares consist of:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Common | **P67,093** | P67,093 | P67,093 |
| Preferred | **77,270** | 43,053 | 49,190 |
| | **P144,363** | P110,146 | P116,283 |

Common Shares
The Parent Company has 904,752,537 common shares held in treasury as at December 31, 2021, 2020 and 2019.

1. In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series "1" preferred shares of the CIIF companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

   On October 5, 2016, the Supreme Court of the Philippines in G.R. Nos. 177857-58 and 178193 issued a Judgment denying the "Manifestation and Omnibus Motion" filed by the Presidential Commission on Good Government to amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 Coconut Industry Investment Fund (CIIF) Block of San Miguel Corporation (SMC) Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government. The denial of the motion is without prejudice to the right of the Republic of the Philippines to file the appropriate action or proceeding to determine the legal right of the Parent Company to the 25,450,000 treasury shares of the Parent Company. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the Republic of the Philippines. To date, no such further action or proceeding has been filed by the ROP relating to the 25,450,000 Treasury Shares of the Parent Company.

2. In 2009, 873,173,353 common shares reverted to treasury were acquired through the exchange of common shares to preferred shares, on a one-for-one basis, at P75.00 per share amounting to P65,488.

3. On May 5, 2011, the Parent Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Parent Company consisting of 27,580,000 common shares from the treasury shares of the Parent Company and 82,740,000 SMC common shares held by Top Frontier, priced at P110.00 per share.

4. Also on May 5, 2011, US$600 worth of exchangeable bonds of the Parent Company sold to overseas investors were simultaneously listed at the SGX-ST. The exchangeable bonds have a maturity of three years, a coupon of 2% per annum and a conversion premium of 25% of the offer price. The exchangeable bonds are exchangeable for common shares to be re-issued from the treasury shares of the Parent Company. The initial exchange price for the exchange of the exchangeable bonds into common shares is P137.50 per share.

On December 5, 2011, 765,451 common shares were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at an exchange price of P113.24 per share. Subsequently on December 8, 2011 and February 10 and 16, 2012, the delivered common shares of stock of the Parent Company were transacted and crossed at the PSE via a special block sale in relation to the issuance of common shares pursuant to the US$600 exchangeable bonds of the Parent Company.

In 2014, 2013 and 2012, additional 1,077,573, 6,540,959 and 1,410,604 common shares, respectively, were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at exchange prices ranging from P80.44 to P113.24 per share. The additional common shares of stock of the Parent Company were transacted and crossed at the PSE on various dates via special block sales.

A total of 9,794,587 common shares were issued to the bondholders of the Parent Company's exchangeable bonds as at December 31, 2014.

5. In 2014 and 2013, 68,150 common shares and 3,410,250 common shares, respectively, under the Parent Company's Employee Stock Purchase Plan (ESPP) were cancelled and held in treasury shares.

   In 2016, the Parent Company discontinued the ESPP.

*d. Capital Securities*

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

The Programme will be available for a medium term and will allow the Parent Company to tap the financial market for funding through the issuance of securities, including but not limited to corporate notes, bonds, and perpetual securities and other similar instruments at different currencies (other than Philippine peso). The establishment of the Programme will give the Parent Company ready access to funding and will give the Parent Company the flexibility to fund its contemplated investments and projects such as the MRT 7 construction, the Manila International Airport, as well as the refinancing of its existing obligations and for other general corporate purposes. All instruments and securities that will be issued out of the Programme shall be exempt securities and shall not be required to be registered with the PSE.

On July 29, 2020, the Parent Company issued US$500 SPCS at an issue price of 100%, with an initial rate of distribution of 5.5% per annum, payable every January 29 and July 29 of each year. The securities were issued under the Parent Company's US$3,000 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.

Redeemable Perpetual Securities
On various dates in June and July 2020, the Parent Company issued a total of P14,810 RPS at an issue price of 100%, with an initial rate of distribution rate of 5% per annum.

On September 29 and October 19, 2020, the Parent Company purchased and cancelled a total of P10,810 RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by the Parent Company 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 outstanding P4,000 RPS issued to a related party, with initial rate of distribution of 5% per annum, is payable every January 1, April 1, July 1 and October 1 of each year.

On August 4, 2020, the Parent Company issued US$100 RPS to a related party at an issue price of 100%, with an initial rate of distribution of 2.5% per annum, payable every February 5, May 5, August 5 and November 5 of each year.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears. The Parent Company has the right to defer this distribution under certain conditions.

The net proceeds of RPS were used by the Parent Company for general corporate purposes.

The amount of RPS presented in the consolidated financial statements is net of the US$100 RPS issued to a related party.

e. *Unappropriated Retained Earnings*

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 in 2021, 2020 and 2019, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

f. *Appropriated Retained Earnings*

The BOD of certain subsidiaries approved additional appropriations amounting to P29,112, P16,620 and P13,109 in 2021, 2020 and 2019, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P22,637, P10,359 and P29,436 in 2021, 2020 and 2019, respectively.

g. *Non-controlling interests*

Non-controlling interests consist of:

| | **2021** | 2020 |
|---|---|---|
| Capital securities of subsidiaries | **P220,464** | P172,389 |
| Share in the net assets of subsidiaries | **104,534** | 95,346 |
| Preferred shares of subsidiaries | **29,611** | 32,489 |
| | **P354,609** | P300,224 |

The following are the developments relating to the capital securities and preferred shares of subsidiaries:

Energy

- SMC Global

a) Issuance of SPCS

SMC Global issued and listed at the SGX-ST the following SPCS:

| Date of Issuance | Initial Rate of Distribution Per Annum | Issue Price | Amount in US Dollar | Amount in Philippine Peso |
|---|---|---|---|---|
| April 25, 2019 | 6.50% | 100.000% | US$500 | P25,610 |
| July 3, 2019 | 6.50% | 102.052% | 300 | 15,440 |
| November 5, 2019 | 5.95% | 100.000% | 500 | 24,837 |
| January 21, 2020 | 5.70% | 100.000% | 600 | 30,171 |
| October 21, 2020 | 7.00% | 100.000% | 400 | 19,141 |
| December 15, 2020 | 7.00% | 102.457% | 350 | 17,000 |
| June 9, 2021 | 5.45% | 100.000% | 600 | 28,200 |
| September 15, 2021 | 5.45% | 100.125% | 150 | 7,368 |
| | | | **US$3,400** | **P167,767** |

The holders of the SPCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. SMC Global has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of SMC Global with no fixed redemption date. The SPCS are redeemable in whole, but not in part, at the option of SMC Global, on step-up date or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the SPCS plus any accrued, unpaid or deferred distribution.

The net proceeds from the issuance of SPCS in 2019 were used for the redemption of the US$300 USCS in November 2019, repayment of indebtedness, capital expenditures and investments in power-related assets, the development of the BESS projects and general corporate purposes.

The net proceeds in 2020 were used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

The net proceeds in 2021 will be used primarily for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant and related assets or for general corporate purposes.

b) Redemption of USCS

On February 26, 2021, SMC Global completed the redemption of its US$300 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 difference between the settlement amount and the carrying amount of the USCS amounting to P758 was recognized as part of the "Equity reserves" account in the consolidated statement of financial position as at December 31, 2021.

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

Fuel and Oil

- Petron

a) Issuance of SPCS

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

b) Redemption of Series 2B Preferred Shares

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. The redemption was approved by the BOD of Petron on March 9, 2021.

Food and Beverage

- SMFB

On March 12, 2020, SMFB redeemed its 15,000,000 outstanding perpetual Series "2" Preferred Shares issued on March 12, 2015 at a redemption price of P1,000.00 per share or P15,000, plus any accumulated unpaid cash dividends. The redemption was approved by the BOD of SMFB on February 3, 2020.

Cement

- SMEII

On July 2, 2020, SMEII issued P1,500 RPS at an issue price of 100%, with an initial rate of distribution of 6%. The net proceeds were used for capital expenditures of the Cement business.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears every July 2, October 2, January 2 and April 2 of each year. SMEII has the right to defer this distribution under certain conditions.

The details of material share in the net assets of subsidiaries are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Petron** | **SMFB** | Petron | SMFB |
| **Percentage of non-controlling interests** | **31.74%** | **11.24%** | 31.74% | 11.24% |
| **Carrying amount of non-controlling interests** | **P14,247** | **P60,725** | P13,066 | P55,315 |
| **Net income (loss) attributable to non-controlling interests** | **P1,037** | **P13,848** | (P4,666) | P11,036 |
| **Other comprehensive income (loss) attributable to non-controlling interests** | **P185** | **P899** | (P685) | (P580) |
| **Dividends paid to non-controlling interests** | **P42** | **P9,498** | P397 | P9,074 |

The following are the audited condensed financial information of subsidiaries with material non-controlling interests:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | **Petron** | **SMFB** | Petron | SMFB |
| Current assets | **P188,035** | **P118,330** | P132,294 | P103,040 |
| Noncurrent assets | **219,385** | **179,294** | 217,431 | 173,242 |
| Current liabilities | **(190,052)** | **(79,262)** | (149,069) | (84,309) |
| Noncurrent liabilities | **(106,455)** | **(72,900)** | (114,461) | (60,154) |
| **Net Assets** | **P110,913** | **P145,462** | P86,195 | P131,819 |
| Sales | **P438,057** | **P309,778** | P286,033 | P279,290 |
| Net income (loss) | **P6,136** | **P31,417** | (P11,413) | P22,401 |
| Other comprehensive income (loss) | **207** | **1,630** | (1,689) | (998) |
| **Total Comprehensive Income (Loss)** | **P6,343** | **P33,047** | (P13,102) | P21,403 |
| Cash flows provided by (used in) operating activities | **(P10,668)** | **P40,769** | P2,533 | P42,553 |
| Cash flows used in investing activities | **(9,759)** | **(17,135)** | (8,437) | (25,198) |
| Cash flows provided by (used in) financing activities | **28,098** | **(19,518)** | 318 | (16,184) |
| Effect of exchange rate changes on cash and cash equivalents | **1,682** | **452** | (1,579) | (609) |
| **Net increase (decrease) in cash and cash equivalents** | **P9,353** | **P4,568** | (P7,165) | P562 |

## 25. Sales

Sales consist of:

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Goods | | **P918,118** | P708,144 | P992,252 |
| Services | | **23,075** | 17,653 | 28,250 |
| | *6, 33* | **P941,193** | P725,797 | P1,020,502 |

## 26. Cost of Sales

Cost of sales consist of:

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Inventories | *9* | **P514,638** | P367,125 | P565,273 |
| Taxes and licenses | | **90,305** | 82,647 | 95,775 |
| Depreciation and amortization | *28* | **33,548** | 30,857 | 32,807 |
| Power purchases | *34* | **25,304** | 12,918 | 21,435 |
| Energy fees | *34* | **17,762** | 20,365 | 26,417 |
| Contracted services | | **15,144** | 15,119 | 16,032 |
| Fuel and oil | | **12,671** | 8,367 | 15,508 |
| Personnel | *29* | **10,049** | 9,453 | 10,093 |
| Freight, trucking and handling | | **7,096** | 9,260 | 12,003 |
| Tolling fees | *34* | **6,816** | 7,493 | 8,959 |
| Communications, light and water | | **6,257** | 5,182 | 6,773 |
| Repairs and maintenance | | **5,017** | 5,101 | 4,643 |
| Rent | | **596** | 419 | 566 |
| Others | *9, 34* | **847** | 2,143 | 2,531 |
| | | **P746,050** | P576,449 | P818,815 |

## 27. Selling and Administrative Expenses

Selling and administrative expenses consist of:

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Selling | **P34,285** | P34,047 | P42,025 |
| Administrative | **43,706** | 43,825 | 43,947 |
| | **P77,991** | P77,872 | P85,972 |

Selling expenses consist of:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Freight, trucking and handling | | **P9,387** | P8,931 | P11,164 |
| Personnel | *29* | **8,218** | 8,727 | 10,022 |
| Advertising and promotions | | **5,586** | 5,375 | 9,682 |
| Depreciation and amortization | *28* | **3,769** | 4,098 | 4,050 |
| Rent | | **1,633** | 1,878 | 1,819 |
| Repairs and maintenance | | **1,534** | 1,278 | 1,505 |
| Taxes and licenses | | **836** | 838 | 841 |
| Supplies | | **740** | 557 | 575 |
| Professional fees | | **540** | 518 | 659 |
| Communications, light and water | | **485** | 420 | 464 |
| Others | | **1,557** | 1,427 | 1,244 |
| | | **P34,285** | P34,047 | P42,025 |

Administrative expenses consist of:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Personnel | *29* | **P23,660** | P21,094 | P21,788 |
| Depreciation and amortization | *28* | **6,731** | 6,389 | 6,204 |
| Taxes and licenses | | **3,488** | 3,569 | 3,567 |
| Professional fees | | **2,451** | 2,331 | 2,278 |
| Repairs and maintenance | | **1,576** | 1,686 | 2,079 |
| Communications, light and water | | **957** | 802 | 1,066 |
| Supplies | | **934** | 903 | 772 |
| Rent | | **831** | 1,154 | 1,077 |
| Impairment loss | *8, 9, 18* | **283** | 1,785 | 1,044 |
| Research and development | | **38** | 50 | 152 |
| Others | *34* | **2,757** | 4,062 | 3,920 |
| | | **P43,706** | P43,825 | P43,947 |

"Others" consist of entertainment and amusement, gas and oil, and other administrative expenses.

## 28. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Cost of sales: | | | | |
| Property, plant and equipment | *13* | **P18,800** | P16,512 | P19,042 |
| Other intangible assets | *17* | **5,963** | 4,778 | 4,610 |
| Right-of-use assets | *14* | **5,571** | 5,596 | 5,434 |
| Biological assets and others | *15, 16, 18* | **3,214** | 3,971 | 3,721 |
| | *26* | **33,548** | 30,857 | 32,807 |
| Selling and administrative expenses: | | | | |
| Property, plant and equipment | *13* | **5,106** | 5,188 | 4,619 |
| Right-of-use assets | *14* | **953** | 1,098 | 1,255 |
| Investment property, deferred containers and others | *15, 17, 18* | **4,441** | 4,201 | 4,380 |
| | *27* | **10,500** | 10,487 | 10,254 |
| | | **P44,048** | P41,344 | P43,061 |

"Others" include amortization of investment property and catalyst in cost of sales and idle assets and computer software and licenses in selling and administrative expenses.

## 29. Personnel Expenses

Personnel expenses consist of:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Salaries and wages | | **P23,026** | P22,334 | P22,222 |
| Retirement costs - net | *35* | **3,443** | 1,830 | 1,202 |
| Other employee benefits | | **15,458** | 15,110 | 18,479 |
| | | **P41,927** | P39,274 | P41,903 |

Personnel expenses are distributed as follows:

| | Note | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Cost of sales | *26* | **P10,049** | P9,453 | P10,093 |
| Selling expenses | *27* | **8,218** | 8,727 | 10,022 |
| Administrative expenses | *27* | **23,660** | 21,094 | 21,788 |
| | | **P41,927** | P39,274 | P41,903 |

## 30. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Interest expense | | **P42,891** | P46,730 | P50,901 |
| Other financing charges | *21, 35* | **6,374** | 5,305 | 5,118 |
| | | **P49,265** | P52,035 | P56,019 |

Amortization of debt issue costs included in "Other financing charges" amounted to P2,630, P2,282 and P1,968 in 2021, 2020 and 2019, respectively (Note 21).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Loans payable | *19* | **P3,737** | P7,144 | P10,473 |
| Long-term debt | *21* | **33,097** | 32,121 | 31,694 |
| Lease liabilities | *14, 34* | **6,057** | 7,465 | 8,734 |
| | | **P42,891** | P46,730 | P50,901 |

## 31. Interest Income

Interest income consists of:

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Interest from short-term investments, cash in banks and others | *7, 12, 35* | **P3,291** | P5,861 | P10,287 |
| Interest on amounts owed by related parties | *33* | **300** | 321 | 388 |
| | | **P3,591** | P6,182 | P10,675 |

## 32. Other Income (Charges)

Other income (charges) consists of:

| | *Note* | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Construction revenue (a) | *4, 17, 34* | **P29,769** | P22,747 | P25,386 |
| PSALM monthly fees reduction | | **4,747** | 2,581 | 1,171 |
| Dividend income | *12* | **2,674** | 1,344 | 1,886 |
| Miscellaneous gain (b) | *5, 43* | **170** | 7,971 | 1,430 |
| Reversal of (additional provision on) impairment (c) | *8, 13, 17, 18* | **(449)** | 192 | (1,573) |
| Gain (loss) on foreign exchange - net | *39* | **(4,846)** | 5,444 | 5,422 |
| Loss on derivatives - net | *40* | **(9,427)** | (5,007) | (3,308) |
| Construction costs (a) | *4, 17, 34* | **(29,769)** | (22,747) | (25,386) |
| Gain on fair valuation of investment | *5, 11* | **-** | 894 | 727 |
| Others - net (d) | *34* | **398** | (1,558) | 1,093 |
| | | **(P6,733)** | P11,861 | P6,848 |

a. The construction revenue recognized in profit or loss approximates the construction costs recognized. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

   Construction costs are recognized by reference to the stage of completion of the construction activity of toll road, airport, port, water and power concession rights as at reporting date.

b. Miscellaneous gain consists of settlement received by the Group from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts in 2020 (P3,826), income recognized by the Group from the Tax Credit Certificates (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 (Note 43) amounting to P170, P3,382 and P1,430 in 2021, 2020 and 2019, respectively, and the gain recognized from the consolidation of NCC in 2020 amounting to P763 (Note 5).

c. *SMBB*. In 2019, the Group incurred losses in its North China operations due to fierce market competitions resulting in the decline in product demand compared to forecasted sales. These factors, among others, are indications that noncurrent assets of the Group's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired.

   As discussed in Note 5, in March 2020, SMBIL and SMCIC, shareholders of SMBB, passed a resolution approving the dissolution of SMBB. SMBB has stopped operations and production activities from the date of the resolution and started liquidation.

   Accordingly, the Group assessed the recoverable amounts of SMBB's assets and determined that the carrying amounts of the assets are higher than their recoverable amounts. Impairment losses were recognized to reduce carrying amounts to recoverable amounts of property, plant and equipment and deferred expenses amounting to P903 in 2019. There were no impairment losses or reversals of previously recognized impairment losses in 2021 and 2020.

   As SMBB's assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

   *La Pacita Biscuit Operations*. In September 2021, SMFB ceased the operation of La Pacita biscuit acquired in February 2015. Accordingly, SMFB assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties relating to La Pacita biscuit and flour-based snack business. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss amounting to P386 was recognized to reduce the carrying amount of trademark to recoverable amount (Note 17).

d. "Others" consist of rent income, commission income, changes in fair value of financial assets at FVPL, gain on settlement of ARO, insurance claims, casualty loss, loss on retirement of breeding stocks and expenses of closed facilities. This also includes SMYPC's inventory loss from the fire incident at its plastic plant located in Pandacan, Manila in February 2020 (P312) and the portion of the Skyway Stage 3 Project of MMSS3 that was also damaged by the fire (P280), net of proceeds from insurance.

## 33. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Parent Company 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:

| | *Note* | Year | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | *8, 36* | **2021** | **P8** | **P -** | **P3,652** | **P551** | On demand; | Unsecured; |
| | | 2020 | 7 | - | 3,439 | 551 | non-interest bearing | no impairment |
| | *18* | **2021** | **-** | **-** | **3,037** | **-** | To be settled on the first | Unsecured; |
| | | 2020 | - | - | 3,037 | - | anniversary of commercial operations of the Nonoc Project; interest bearing | no impairment |
| Retirement Plans | *8, 35* | **2021** | **-** | **-** | **4,433** | **-** | On demand; | Unsecured; |
| | | 2020 | - | - | 4,249 | - | non-interest bearing | no impairment |
| | *8, 31, 35* | **2021** | **289** | **-** | **4,371** | **-** | On demand; | Unsecured; |
| | | 2020 | 304 | - | 4,795 | - | interest bearing | no impairment |
| Associates | *9, 18, 20, 31* | **2021** | **2,045** | **46** | **1,245** | **30** | On demand; interest | Unsecured; |
| | | 2020 | 2,074 | 18 | 498 | 29 | and non-interest bearing | no impairment |
| | *19, 21* | **2021** | **9** | **-** | **140** | **18,817** | Less than 1 to 10 years; | Unsecured and |
| | | 2020 | 12 | - | 182 | 17,853 | interest bearing | secured; no impairment |
| Joint Ventures | *8,18, 20* | **2021** | **321** | **1,681** | **81** | **177** | On demand; | Unsecured; |
| | | 2020 | 267 | 1,484 | 72 | 521 | non-interest bearing | no impairment |
| | | **2021** | **-** | **-** | **621** | **-** | On demand; | Unsecured; |
| | | 2020 | - | - | 621 | - | interest bearing | with impairment |
| | *31* | **2021** | **24** | **-** | **1,170** | **-** | Less than 1 to 10.5 years; | Unsecured; |
| | | 2020 | 5 | - | 130 | - | interest bearing | no impairment |
| Shareholders in Subsidiaries | *8, 20* | **2021** | **79** | **1,757** | **123** | **2,454** | On demand; | Unsecured; |
| | | 2020 | 60 | 470 | 117 | 2,249 | non-interest bearing | no impairment |
| Others | *8, 10, 20, 22* | **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 Ultimate Parent Company related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

        *(i) Amounts owed by the Ultimate Parent Company amounting to P2,312:* On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, 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 (Note 18).

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* 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 (Note 18).

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 and P540 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 and P1 and P6 and P5, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable (Note 36).

3. The amounts owed to associates include interest bearing loans payable to BOC presented as part of "Loans payable" account amounting to P6,994 and P8,200 and "Long-term debt" account amounting to P11,823 and P9,653 in the consolidated statements of financial position as at December 31, 2021 and 2020, respectively (Notes 19 and 21).

   The amounts owed to associates include syndicated project finance loans amounting to P10,444 and P7,772 as at December 31, 2021 and 2020, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

4. Amounts owed to related parties under "Others" amounting to P7,277 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.

5. The compensation of key management personnel of the Group, by benefit type, follows:

| | ***Note*** | **2021** | 2020 | 2019 |
|---|---|---|---|---|
| Short-term employee benefits | | **P436** | P477 | P689 |
| Retirement cost | *35* | **45** | 31 | 20 |
| | | **P481** | P508 | P709 |

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, *Related Party Disclosures*, 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.

## 34. Significant Agreements and Lease Commitments

Significant Agreements

- Energy

  - *IPPA Agreements*

As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following appointed subsidiaries:

| Subsidiary | Power Plant | Location |
|---|---|---|
| SMEC | Sual Coal - Fired Power Station (Sual Power Plant) | Sual, Pangasinan Province |
| SPDC | San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant) | San Roque, Pangasinan Province |
| SPPC | Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant) | Ilijan, Batangas Province |

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of RA No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;

iv. for SMEC and SPPC, the right to receive an assignment of NPC's interest in existing short-term bilateral power supply contracts;

v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;

vi. maintain the performance bond in full force and effect with a qualified bank; and

vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly payments for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees amounted to P17,762, P20,365 and P26,417 in 2021, 2020 and 2019, respectively (Note 26). SMEC and SPDC renewed their performance bonds amounting to US$58 and US$20, which will expire on November 3, 2022 and January 25, 2023, respectively.

On June 16, 2015, SPPC renewed its performance bond amounting to US$60 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Note 43).

The lease liabilities are carried at amortized cost using the US dollar and Philippine peso discount rates as follows:

| | US Dollar | Philippine Peso |
|---|---|---|
| SMEC | 3.89% | 8.16% |
| SPPC | 3.85% | 8.05% |
| SPDC | 3.30% | 7.90% |

The discount determined at the inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P4,706, P6,045 and P7,290 in 2021, 2020 and 2019, respectively (Note 30).

SMEC, SPDC and SPPC's power plants under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position, amounted to P151,828 and P157,014 as at December 31, 2021 and 2020, respectively.

- *Land Lease Agreement with PSALM*

MPPCL has an existing lease agreement with PSALM for the lease of the 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

In August 2019, Alpha Water and Realty Services Corp. acquired 12,522 square meters out of the existing land currently being leased by MPPCL from PSALM for a total consideration of P16 (Note 13).

The lease liability is amortized using the discount rate over the period of the agreement. Amortization is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income which amounted to P3 in 2021, 2020 and 2019 (Note 30).

MPPCL's land under lease arrangement, presented under "Right-of-use assets - net" account in the consolidated statements of financial position amounted to P89 and P103 as at December 31, 2021 and 2020, respectively (Notes 4 and 14).

- *Market Participation Agreements (MPA)*

  SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC, MPPCL, SPESC and UPSI each entered into separate MPAs with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

  The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

  Upon the initiative of the DOE and PEMC, Independent Electricity Market Operator of the Philippines (IEMOP) was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC and MPPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

  Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by PEMC to SMEC, SPDC, SPPC, SCPC and MPPCL amounted to P126, P185 and P206 in 2021, 2020 and 2019, respectively (Note 26).

  SMELC, SCPC and MPPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM which expired in 2021. Subsequently, SCPC and MPPCL have extended the validity until 2022 and 2023, respectively.

- *PSAs and RSCs*

  SMEC, SPPC, SPDC, SMCPC, SCPC, SMELC, Strategic Energy Development Inc. and MPPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Supplier (RES) and other entities.

  Counterparties for RSCs are Contestable Customers, or large industrial users which have been certified contestable by the ERC.

  Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

SMEC, SPPC, SPDC, SMCPC, SCPC and MPPCL can also purchase power from WESM or other power generation companies during periods when the power generated from the power plants is not sufficient to meet customers' power requirements. Power purchases amounted to P25,304, P12,918 and P21,435 in 2021, 2020 and 2019, respectively (Note 26).

On March 2, 2021, Excellent Energy Resources Inc. (EERI) and MPPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively. These PSAs have been filed and are pending approval by the ERC to date.

Recently, in February 2022, SPPC also executed a PSA with Meralco for the supply of 170 MW (net) contract capacity, for a term of five months after it was declared as the winning bidder in the competitive selection process conducted by Meralco for the same.

- *Memorandum of Agreement (MOA) with San Roque Power Corporation (SRPC)*

  On December 6, 2012, SPDC entered into a five-year MOA with SRPC to sell a portion of the capacity of the San Roque Power Plant. Under the MOA: i) SRPC shall purchase a portion of the capacity sourced from the San Roque Power Plant; ii) SRPC shall pay a settlement amount to SPDC for the capacity; and iii) the MOA may be earlier terminated or extended subject to terms and mutual agreement of the parties. The MOA was extended for another two years and expired on March 25, 2020.

- *Ancillary Service Procurement Agreement (ASPA)*

  On September 8, 2017, MPPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of five years to allocate the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

  On May 6, 2021, SPESC entered into an ASPA with NGCP for a period of five years commencing on January 26, 2022, allocating its 20 MW Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC.

- *Coal Supply Agreements*

  SMEC, SMCPC, SCPC and MPPCL have supply agreements with various coal suppliers for the coal requirements of the power plants.

- *Distribution Wheeling Service (DWS) Agreements*

  As RES, SMELC, SCPC and MPPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

  The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

  SMELC's DWS Agreements were no longer renewed relative to the expiration of its RES license in September 2021.

- *Concession Agreement*

  SMC Global entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

  On January 28, 2014, SMC Global and APEC, entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of SMC Global under the Concession Agreement effective January 2, 2014.

  The Concession Agreement include, among others, the following rights and obligations:

  i) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement and (b) the amount of P2 every quarter for the upkeep of residual ALECO (fixed concession fee);

  ii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,049;

  iii) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and

  iv) at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

  In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

- *COC*

  Daguma Agro-Minerals, Inc. (DAMI)'s coal property covered by COC No. 126, issued by the DOE, is located in South Cotabato consisting of two coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 68 million metric tons as at December 31, 2021.

  Sultan Energy Phils. Corp. (SEPC) has a coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of seven coal blocks located in South Cotabato and Sultan Kudarat. As at December 31, 2021, COC No. 134 has an In-situ coal resources (measured plus indicated coal resources) of about 35 million metric tons.

  Bonanza Energy Resources, Inc. (BERI)'s COC No. 138, issued by the DOE, is located in Sarangani and South Cotabato consisting of eight coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 23 million metric tons as at December 31, 2021.

  *Status of Operations*
  The DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI effective on the following dates:

| Subsidiary | COC No. | Effective Date | Term* |
|---|---|---|---|
| DAMI | 126 | November 19, 2008 | 20 years |
| SEPC | 134 | February 23, 2009 | 10 years |
| BERI | 138 | May 26, 2009 | 10 years |

**The term is followed by another ten-year extension, and thereafter, renewable for a series of three-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

On April 27, 2012 and January 26, 2015, the DOE granted the requests of DAMI, SEPC and BERI, for a moratorium on suspension of the implementation of the production timetable as specified under their respective COC. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium was retrospectively effective from the dates of their respective COC, when these were converted to Development and Production Phase, until December 31, 2017 or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

On October 20, 2017, DAMI, SEPC and BERI again requested for extension of the moratorium. This was granted on March 27, 2018, with effectivity of January 1, 2018 to December 31, 2018, along with an approved Work Program and Budget (WPB) to be complied with by DAMI, SEPC and BERI during the extended moratorium period.

On September 18, 2018, SEPC applied with the DOE for a ten-year extension of its COC No. 134 which is due to expire on February 23, 2019. This application was accompanied by a new five-year WPB as required for the extension of the moratorium period to expire in 2018.

On December 18, 2018, DAMI further requested for another extension of the moratorium. The DOE replied on January 11, 2019 requiring, instead of considering another moratorium extension, the submission of a five-year WPB which DAMI complied with.

On December 18, 2018, BERI requested for another extension of the moratorium. Further, on December 27, 2018, BERI applied for a ten-year extension of its COC No. 138 which will expire on May 23, 2019 and subsequently submitted a five-year WPB, consistent with the COC No. 138 status as a Development and Production Contract, as required by the DOE.

The first two years of this new five-year WPB submitted by BERI focuses on the supplemental exploration, with drilling activity especially in Block 58 of the COC No. 138 where mineable reserves of coal are expected to be delineated. Further, the first two years of the five-year WPB submitted by DAMI, SEPC and BERI, focuses on the “removal of tension cracked materials to prevent landslide” within their respective COC areas as identified by Mines and Geosciences Bureau/DENR XII, and requested by the Municipality of Lake Sebu. Full-scale coal production will start during the third year when the Provincial Government of South Cotabato would have endorsed the Project on any or all of the following grounds:

a. the mining of coal in Barangay Ned is found to be beneficial to the host community as it reduces landslide risks and protects lives;

b. the mining method is “contour stripping and progressive rehabilitation” and not the banned “open-pit mining”;

c. DAMI, SEPC and BERI have vested rights to mining within their respective COC prior to the issuance of the open-pit mining ban; and

d. the ban could be lifted as a result of court cases filed against it.

On March 2, 2019, DAMI, SEPC and BERI requested DOE for the consolidation of the three COCs for the following justifications:

a. the coal seams, although of varying thickness are continuous from one COC to another and deal for interconnected contour strip mining due to nearly horizontal deposition;

b. sulfur content vary over a wide range from less than one percent in the lower section of the thick seam in DAMI to over four percent in the Maitum blocks of BERI, and would require blending of the coal products from one COC to another in order to meet the acceptable market specification; and

c. the coal resources and reserves vary greatly from one COC to another as the thickness and depth of the coal seams are variable, thus requiring stringent mine planning, operational efficiency and economic feasibility considerations.

However, on May 15, 2019, DAMI, SEPC and BERI clarified to the DOE that their request for consolidation of the three COCs was not meant to abandon nor withdraw the extension request of SEPC applied on September 21, 2018, having in mind the vested right provision of Section 21 of RA No. 11038 or the “Expanded National Integrated Protected Areas System Act of 2018”. Thus, DAMI, SEPC and BERI altogether declared that it is seeking for:

a. the extension of COC of SEPC; and

b. the consolidation of COC No. 126 and COC No.138 of DAMI and BERI, respectively, based on the justification set forth in the March 2, 2019 letter.

On December 11, 2019, the DOE approved the ten-year extension and the initial five-year WPB for COC No. 134 of SEPC.

On January 10, 2020, DAMI and BERI met with the Energy Resources Development Bureau representatives to discuss the proposed consolidated five-year WPB and the documentary requirements to effect consolidation of the two COCs.

On April 13, 2020, SEPC, DAMI and BERI reported to DOE inevitable delays in the implementation of their business plans, as embodied in their approved WPB of their respective COC due to the COVID-19 pandemic. This was followed on June 24, 2020 by a request for six months extension of the Work and Financial Commitments of SEPC, DAMI and BERI due to the continuing effects of the COVID-19 pandemic.

On August 28, 2020, DAMI and BERI submitted to DOE for approval a Deed of Assignment and Transfer conveying the agreement whereby BERI assigns and transfers its rights and obligations over COC No. 138 to DAMI. This is a requirement of the DOE for the consolidation of the COCs of BERI and DAMI.

On October 5, 2020, SEPC further requested that instead of only six months, its production years be extended by two years to enable recovery of its investment and maximize the recovery of its existing reserves.

On December 6, 2021, the Sangguniang Panlalawigan of South Cotabato endorsed the implementation of the respective COCs of DAMI, BERI and SEPC, thereby removing the biggest impediment for implementation of the three COCs and the implementation of the five-year WPB of SEPC that was approved by the DOE on December 11, 2019. With this endorsement, the DOE was prompted to undertake completed staff work for the COCs of DAMI and BERI. Approval of this request and the corresponding five-year consolidated WPB of DAMI and BERI is therefore expected by the first quarter of 2022. Moreover, the endorsement pushed the immediate implementation of SEPC’s five-year WPB in 2022, which coincides with the previous request for a two-year extension of SEPC’s WPB implementation. As at March 10, 2022, SEPC is coordinating with the officials of the barangays and municipalities of Lake Sebu to discuss the upcoming activities, such as trainings/seminars for officials and residents of the community, as part of the implementation of the said five-year WPB.

Based on management’s assessment, there are no indicators that the carrying amount of the mining rights exceeds its recoverable amount as at December 31, 2021.

- Fuel and Oil

  - *Supply Agreements*

    Petron has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices and Kuwait Petroleum Corporation (KPC) to purchase Kuwait Export Crude Oil (KEC) at pricing based on latter's standard KEC prices. The contract with KPC was mutually agreed to be terminated by the parties effective January 1, 2021.

    PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with Exxon Trading Asia Pacific, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 70% of crude and condensate volume processed are from EMEPMI with balance of around 30% from spot purchases.

    Outstanding liabilities of the Group for such purchases are shown as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position as at December 31, 2021 and 2020 (Note 20).

  - *Lease Agreement with Philippine National Oil Company (PNOC)*

    On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2022 and every fifth year thereafter in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as at December 31, 2021 and 2020, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 43).

- Infrastructure

  - *Airport Concession Agreement*

    i. *Boracay Airport*

       The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations.

On June 22, 2009, TADHC entered into a Concession Agreement with the ROP, through the Department of Transportation (DOTr) and Civil Aviation Authority of the Philippines. Based on the Concession Agreement, TADHC has been granted with the concession of the Airport Project which includes the development and upgrade of the Caticlan Airport (marketed and promoted as Boracay Airport) as an international airport. Subject to existing law, the Concession Agreement also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of 25 years (as may be renewed or extended for another 25 years upon written agreement of the parties), and to collect the fees, rentals and other charges as may be determined in accordance with the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.

2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As at December 31, 2021, TADHC has yet to pay the OMPS as the Airport Project has not yet entered the In-Service Date.

3. Immediately upon receiving the Notice to Commence Implementation (NCI) and provided all conditions precedent in the Concession Agreement are fulfilled or waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.

4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to a loan with BOC. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leverage to the loan obtained (Notes 21 and 33).

5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC of the works required to be carried out in connection with the construction and completion of civil, structural, sanitary, mechanical, electrical and architectural infrastructure. This performance security shall be partially released by the ROP from time to time to the extent of the percentage-of-completion of the Airport Project. TADHC has paid P1 premiums in both 2021 and 2020 for the Work Performance Security

and is included as part of “Airport concession rights” under “Other intangible assets” account in the consolidated statements of financial position (Note 17). The unamortized portion is included as part of “Prepaid expenses and other current assets” account in the consolidated statements of financial position (Note 10).

6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The first payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

After fulfillment of all contractual and legal requirements, the Concession Agreement became effective on December 7, 2009. The NCI issued to TADHC by the DOTr was accepted by TADHC on December 18, 2009.

In accordance with the license granted by the ROP, as expressly indicated in the Concession Agreement, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Construction work for the extension of runway has been completed in 2016. The construction of the new terminal building is ongoing and expected to be completed in 2023.

ii. *Manila International Airport*

On August 14, 2019, the ROP, through the DOTr, issued a NOA to SMHC, awarding the Manila International Airport Project. In accordance with the NOA, SMAI was registered by SMHC as the concessionaire.

The Manila International Airport Project shall create a gateway for international and domestic travel, with the necessary ancillary facilities to support the creation of a new airport city outside Metro Manila to decongest the existing road networks and provide an alternative higher capacity airport facility.

*A. Concession Agreement*

On September 18, 2019, SMAI entered into a Concession Agreement with the ROP, through the DOTr, for the right to finance, design, construct, supply, complete, test, commission and eventually operate and maintain the Manila International Project for a period of 50 years from the issuance of the Certificate of Substantial Completion for the first phase.

The salient features of the Concession Agreement are presented below:

1. The Manila International Airport shall consist of airfield facilities, passenger and cargo terminal buildings, airport support facilities and an airport toll road facility which will connect the Manila International Airport to the North Luzon Expressway and will be implemented in three phases, with increasing capacity for each phase completed.

2. The implementation of the first phase shall be completed within a period of five years from the date of commencement of construction, with the remaining phases subject to the timely submission and approval of the required documentation for each phase.

3. SMAI shall turnover 100 hectares of land to the ROP as government center land area and execute the necessary documents to transfer full ownership in favor of the ROP.

4. SMAI shall be responsible for the acquisition of right-of-way and possession of sufficient title to the facilities of the site of the Manila International Airport and the removal or abatement of all liens, encumbrances and hazardous substances within the Manila International Airport's vicinities as the case may be.

5. SMAI shall provide proper maintenance of the Manila International Airport's facilities and ensure that all airport facilities and airport toll road are in the condition required upon turnover to the ROP at the end of the concession period.

6. All revenues derived from the operations, maintenance and management of the Manila International Airport shall accrue to SMAI, including the lease or sublease of all business or commercial ventures and activities consistent with the Manila International Airport's operations.

*B. Legislative Franchise*

On December 20, 2020, RA No. 11506 lapsed into law, granting SMAI a franchise to construct, develop, establish, operate and maintain a domestic and international airport in the municipality of Bulakan and to construct, develop, establish, operate and maintain an adjacent Airport City (the Manila International Airport Project). The franchise is for a period of 50 years. RA No. 11506 became effective on January 15, 2021 and enhances the earlier Concession Agreement.

The salient features of RA No. 11506 are as follows:

1. SMAI shall be exempt from any and all direct and indirect taxes of any kind, nature and description, including but not limited to income taxes, value-added taxes, excise taxes, customs duties and tariffs, business taxes, among others during a ten-year construction period beginning from the effectivity of RA No.11506 After the construction period, SMAI shall be exempt from income and real estate taxes until SMAI has fully recovered the costs incurred in the construction of the Manila International Airport Project.

2. After SMAI has fully recovered the costs, SMAI shall be entitled to generate income from its operations equivalent to an internal rate of return of 12% per annum. Any amount in excess shall be remitted to the national government.

3. SMAI is also required to offer at least 20% of its outstanding capital stock to any securities exchange in the Philippines for public participation within 5 years upon full recovery of costs incurred in the construction of the Manila International Airport Project.

- *MRT 7 Concession Agreement*

The ROP awarded ULC BVI the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme, which is a modified Build-Transfer-Operate arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC BVI entered into the MRT 7 Agreement or Concession Agreement with the ROP through the DOTr, for a 25-year concession period, subject to extensions as may be provided for under the Concession Agreement and by law. Based on the Concession Agreement, ULC BVI has been granted the right to finance, design, test, commission, construct and operate and maintain the MRT 7 Project, which consists of a highway, Intermodal Transport Terminal and Metro Rail Transit System including the depot and rolling stock.

The ROP through the DOTr granted ULC BVI the following rights under the Concession Agreement:

- To finance, design, construct, supply, complete and commission the MRT 7 Project;
- To designate a Facility Operator and/or a Maintenance Provider to Operate and Maintain the MRT 7 Project;
- To receive the Amortization Payments and the Revenue Share as specified in the Concession Agreement;
- To charge and collect the Agreed Fares or the Actual Fares and/or to receive the Fare Differential, if any;
- Development Rights as specified in the Concession Agreement; and
- To do any and all acts which are proper, necessary or incidental to the exercise of any of the above rights and the performance of its obligations under the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The MRT 7 Project cost shall be financed by ULC BVI through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the Concession Agreement, ULC BVI’s estimated capital commitment to develop the MRT 7 Project amounts to US$1,236, adjusted to 2008 prices at US$1,540 per National Economic and Development Authority Investment Coordination Committee approval on July 14, 2014.

2. ULC BVI shall post a Performance Security for Construction and Operations and Maintenance in favor of the ROP as guarantee for faithful performance by ULC BVI to develop the MRT 7 Project. This performance security for operations and maintenance shall be reduced every year of the concession period to the amounts as specified in the Concession Agreement.

3. All rail-based revenues above 11.90% internal rate of return of ULC BVI for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC BVI and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.

4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC BVI a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the Concession Agreement. The ROP's amortization payment to ULC BVI shall start when the MRT 7 Project is substantially completed.

5. For every semi-annual full payment made by the ROP through the DOTr, and actually received by ULC BVI, the latter shall issue a Certificate of Transfer of Ownership, in favor of the former representing a pro-indiviso interest in the assets of the MRT 7 Project in proportion to the amortization payment made over the total amortization payment to be made during the concession period. After the end of the concession period but provided that all the amortization payment and other amounts due to ULC BVI under the Concession Agreement shall have been fully paid, settled and otherwise received by ULC BVI, full ownership of the assets of the MRT 7 Project shall be transferred to it, free from all liens and encumbrances.

6. The amortization payments shall be adjusted pursuant to the escalation formula based on parametric formula for price adjustment reflecting changes in the prices of labor, materials and equipment necessary in the implementation/completion of the MRT 7 Project both local and at the country where the equipment/components shall be sourced.

7. Net passenger revenue shall be shared by the ROP and ULC BVI on a 30:70 basis.

8. The ROP grants ULC BVI the exclusive and irrevocable commercial Development Rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the Concession Agreement until the end of the concession period, which can be extended for another 25 years, subject to the ROP's approval. In consideration of the Development Rights granted, ULC BVI or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the Development Rights.

9. Upon the expiration of the concession period and payment in full of the amortization payments and the other obligations of the ROP through the DOTr, the Concession Agreement shall be deemed terminated, and all the rights and obligations thereunder shall correspondingly cease to exist, other than all rights and obligations accrued prior to the date of such expiration including, without limitation, the obligations of ROP through the DOTr to make termination payments in accordance with the Concession Agreement and following expiration of the concession period, the Development Rights of ULC BVI pursuant to the Concession Agreement shall survive.

10. If ULC BVI and ROP through the DOTr are not able to agree on the solution to be adopted in an appropriate Variation Order within the period specified in the Concession Agreement, then ULC BVI may proceed to terminate the Concession Agreement. Also, if either of ULC BVI and ROP through the DOTr intends to terminate the Concession Agreement, by mutual agreement under the Concession Agreement, it shall give a notice of intention to terminate to the other. Following receipt of the Intent Notice, the parties shall meet for a period of up to eight weeks and endeavor to agree on the terms, conditions arrangements, and the necessary payments for such termination. If at the expiration of the said period, ULC BVI and ROP through the DOTr are unable to agree on and execute an agreement for the mutual termination of the Concession Agreement, the same shall remain valid and in effect.

On July 23, 2014, the ROP through the DOTr confirmed their obligations under the MRT 7 Agreement dated June 18, 2008 through the Performance Undertaking issued by the Department of Finance, which was received by ULC BVI on August 19, 2014. The Performance Undertaking is a recognition of the obligations of the ROP through the DOTr under the Concession Agreement, particularly the remittance of semi-annual amortization payment in favor of ULC BVI. The issuance of the Performance Undertaking triggers the obligation of ULC BVI to achieve financial closure within 18 months from the date of the receipt of the Performance Undertaking. Within the aforementioned period, ULC BVI achieved Financial Closure, as defined in the MRT 7 Agreement. There were no changes in the terms of the Concession Agreement in 2021.

On April 20, 2016, ULC BVI through the Parent Company, led the ground breaking ceremony for the MRT 7 Project.

Pursuant to Section 19.1 of the Concession Agreement, on September 30, 2016, ULC BVI sent a request letter to the ROP through the DOTr to secure the latter’s prior approval in relation to the intention of ULC BVI to assign all its rights and obligations under the Concession Agreement to SMC MRT 7, the designated special purpose company for the MRT 7 Project. The assignment of the rights and obligations from ULC BVI to SMC MRT 7 will be achieved through execution of Accession Agreement. Based on the Concession Agreement, ULC BVI may assign its rights, title, interests or obligations therein, provided that the following conditions are met:

- The assignment will not in any way diminish ULC BVI’s principal liability under the Concession Agreement; and

- ULC BVI secures from ROP, through the DOTr, its prior approval, which shall not be unreasonably withheld.

In addition, the letter dated September 30, 2016 from ULC BVI also requested that upon submission by SMC MRT 7 of the lenders' recognition that the Financing Agreements for the MRT 7 Project is for its benefit, the DOTr shall cause the amendment of the Performance Undertaking dated July 23, 2014 by changing the addressee and beneficiary thereof from ULC BVI to SMC MRT 7.

On December 12, 2016, the ROP through the DOTr gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC MRT 7.

Following the DOTr's approval, SMC MRT 7 and ULC BVI carried out the Accession Agreement on January 12, 2017.

- *Toll Road Concession Agreements*

  *i. SLEX*

  On February 1, 2006, SMC SLEX executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SMC SLEX by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX, comprising of: Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

  On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e., TR1, TR2 and TR3, and approved the implementation of the initial toll rate starting April 1, 2011.

  In 2012, SMC SLEX received a letter from the Department of Finance informing SMC SLEX of the conveyance by PNCC to the ROP of its shares of stock in SMC SLEX, by way of deed of assignment. Moreover, SMC SLEX also received the Declarations of Trust signed by the individual nominees of PNCC, in favor of the ROP, in which each nominee affirmed their holding of single, qualifying share in SMC SLEX in favor of the ROP.

  On July 21, 2015, SMC SLEX entered into a MOA with Ayala Corporation (AC), on the inter-operability of the SLEX and Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road). AC is the concession holder of MCX while MCX Tollway, Inc. is the facility operator of MCX.

  The MOA on inter-operability provides the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users. MCX opened and operated as a toll expressway on July 24, 2015.

  In 2019, SMC SLEX commenced the construction of TR4 and is ongoing as at December 31, 2021.

ii. *NAIA Expressway*

On July 8, 2013, SMC NAIAX entered into a Concession Agreement with the ROP, through the Department of Public Works and Highways (DPWH), wherein SMC NAIAX was granted the right to finance, design, construct, and operate and maintain the NAIA Expressway Project. The NAIA Expressway Project links the three NAIA terminals to the Skyway, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation.

On September 22, 2016, SMC NAIAX started commercial operations of NAIA Expressway upon receipt of the Toll Operations Permit from the TRB. The Toll Operations Permit for Phase II A and B was issued on September 9, 2016 and December 19, 2016, respectively.

At the end of the concession period, SMC NAIAX shall turnover the NAIA Expressway to the DPWH in the condition required for turnover as described in the Minimum Performance Standards Specifications of the Concession Agreement.

iii. *Skyway*

On June 10, 1994, PNCC, the franchise holder for the construction, operations and maintenance of the Metro Manila Expressway, including any and all extensions, linkages or stretches thereof, such as the proposed Skyway, and PT Citra Lamtoro Gung Persada (Citra), as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering not only the proposed Skyway but also the planned Metro Manila Tollways. The Joint Investment Proposal embodied, among others, that Citra in cooperation with PNCC committed itself to finance, design and construct the Skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995.

- Skyway Stages 1 and 2

  The STOA for SMMS was executed on November 27, 1995 by and among SMC Skyway, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of SMC Skyway as investor. On the other hand, the operations and maintenance of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly owned subsidiary, the PNCC Skyway Corporation (PSC).

  On July 18, 2007, the STOA was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to SMC Skyway to nominate to the TRB a qualified party to perform the operations and maintenance of the SMMS to replace PSC. SMC Skyway, PNCC and PSC then entered into a MOA for the successful and seamless turnover of the operations and maintenance responsibilities for the SMMS from PSC to SOMCO.

The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of SMC Skyway and SOMCO under the STOA. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among SMC Skyway, SOMCO and PNCC for the operations and maintenance of the SMMS.

The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

Under the STOA, SMC Skyway may file an application to adjust the toll rates which shall be of two kinds, namely periodic and provisional adjustments. Periodic adjustments for the Integrated Stage 1 and Stage 2 may be applied for every year. SMC Skyway may file an application for provisional adjustment upon the occurrence of a force majeure event or significant currency devaluation. A currency devaluation shall be deemed significant if it results in a depreciation of the value of the Philippine peso relative to the US dollar by at least five percent. The applicable exchange rate shall be the exchange rate between the currencies in effect as at the date of approval of the prevailing preceding toll rate.

- Skyway Stage 3

The Stage 3 STOA was executed on July 8, 2013 by and among the ROP as the Grantor, acting by and through the TRB, PNCC, MMSS3 as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein MMSS3 was granted the primary and exclusive privilege, responsibility, and obligation to design and construct the Skyway Stage 3 Project, and to finance the same, while CMMSC was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain the Skyway Stage 3 Project.

The Skyway Stage 3 Project is an elevated roadway with the entire length of approximately 18.83 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway Stage 1 and 2. This is envisioned to inter-connect the northern and southern areas of Metro Manila to help decongest traffic in Metro Manila and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

The Skyway Stage 3 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS3 and CMMSC under the Stage 3 STOA. The legal transfer of ownership of the Skyway Stage 3 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the Skyway Stage 3 Project is 30 consecutive years commencing from the issuance of the Toll Operation Certificate for the entire Skyway Stage 3 Project to MMSS3 and/or CMMSC.

MMSS3 and CMMSC shall enter into a revenue sharing agreement to set forth the terms and conditions of their sharing of the toll revenues from the Skyway Stage 3 Project.

On December 29, 2020, the Skyway Stage 3 Project was partially opened to the public. It was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee. On July 1, 2021, MMSS3 received the Toll Operation Permit and started its toll operation.

- Skyway Stage 4

On July 14, 2014, the Stage 4 STOA was executed by and among the ROP as the Grantor, acting through the TRB and PNCC, MMSS4 as the Investor, and Metro O&M Corporation (MOMCO) as the Operator. MMSS4 was granted the primary and exclusive privilege, responsibility, and obligation to finance the design and construction of Skyway Stage 4 Project, while MOMCO was granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the same.

The Skyway Stage 4 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS4 and MOMCO under the Stage 4 STOA. The legal transfer of ownership shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof. The 30-year concession period shall commence from the date of issuance of the Toll Operation Certificate by the TRB to MMSS4 and/or MOMCO.

As at December 31, 2021, the Skyway Stage 4 Project is in the inception of its construction stage.

*iv. TPLEX*

SMCTC entered into a Concession Agreement with the ROP through the DPWH and the TRB to finance, design, construct, operate and maintain and impose and collect tolls from the users of the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 89.21 kilometers and consists of four-lane expressway with nine toll plazas from start to end.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of SMCTC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each segment of the TPLEX Project.

The toll revenue collected from the operation of the TPLEX Project is the property of SMCTC. SMCTC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

The concession period shall be for a term of 35 years starting from the effective date of the Concession Agreement and may be extended.

On October 31, 2013, SMCTC opened the first section of the TPLEX Project from Tarlac to Gerona. The Section 1B from Gerona to Rosales was opened to motorists on December 23, 2013. The 30.31-km stretch from Gerona to Carmen was fully operational on April 16, 2014. The 14.91-km stretch from Carmen (Tomana) to Urdaneta was fully operational starting February 17, 2015.

On July 28, 2016, the Segment 7A (Urdaneta to Binalonan) was opened. Segment 7B (Binalonan to Pozorrubio) was opened to motorists on December 7, 2017, while Segment 8 (Pozorrubio to Rosario), which is the final phase of the TPLEX Project, was completed and became operational on July 15, 2020.

v. *STAR*

On June 18, 1998, SIDC and the ROP, individually and collectively through the DPWH and the TRB, entered into a Toll Concession Agreement covering the STAR Project. The STAR Project consists of two stages as follows:

| Stage | Project Description |
|---|---|
| Stage I | Operations and maintenance of the 22.16-km toll road from Sto. Tomas, Batangas to Lipa City, Batangas |
| Stage II (Phases I and II) | Finance, design, construction, operations and maintenance of the 19.74-km toll road from Lipa City, Batangas to Batangas City, Batangas |

Under the Toll Concession Agreement, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP's issuance of the Certificate of Substantial Completion. The right of way shall be titled in the ROP's name regardless of the construction.

In December 2006, the Toll Concession Agreement was amended to extend the original concession period from 30 years beginning January 1, 2000 to 36 years and shall be valid until December 31, 2035.

The TRB issued the Toll Operations Certificate for Stage II Phase II on December 13, 2016.

vi. *Pasig River Expressway (PAREX)*

On November 29, 2019, the PNCC and SMHC, as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering the PAREX Project. The said proposal embodied, among others, that SMHC in cooperation with PNCC committed itself to finance, design and construct the PAREX Project in three segments. The Joint Investment Proposal was approved by the TRB on March 4, 2020 and the STOA was executed on September 21, 2021 by and among PREC, SOMCO, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the PAREX and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of PREC as investor. Whereas, the operations and maintenance of the PAREX Project shall be the primary and exclusive privilege, responsibility and obligation of SOMCO as operator.

The PAREX Project shall consist of three segments:

| | | |
|---|---|---|
| Segment I | - | Radial Road No. 10 to Skyway Stage 3 to Plaza Azul, approximately 5.740 km |
| Segment II | - | Skyway Stage 3 to San Juan River Circumferential Road No. 5 (C-5), approximately 7.325 km |
| Segment III | - | C-5 to Southeast Metro Manila Expressway or (C-6), approximately 6.300 km |

The PAREX shall be owned by the ROP, without prejudice to the rights and entitlement of PREC and SOMCO under the STOA. The legal transfer of ownership of the PAREX to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed between PREC and SOMCO for the operations and maintenance of the PAREX.

The 30-year franchise period shall commence from the issuance of the Toll Operation Certificate.

Under the STOA, PREC may file an application to adjust the toll rates which shall be of two kinds, namely periodic and contingency. Periodic adjustments can be applied every two years of the existing toll rate to a new toll rate on the respective toll review date. On the other hand, contingency adjustment can be applied upon the occurrence of a force majeure event and/or additional cost of any required repair or reconstruction works arising out of force majeure to the extent not covered by insurance.

- *Water Concession Agreements*

  On December 7, 2015, MWSS issued a NOA to SMC - K-water Consortium (the Consortium) awarding the Bulacan Bulk Water Supply Project. In accordance with the NOA, the LCWDC was registered by the Consortium as the concessionaire.

  On January 15, 2016, a Concession Agreement was executed between MWSS and LCWDC for a 30-year period, subject to extensions as may be provided for under the Concession Agreement. The Bulacan Bulk Water Supply Project shall comprise of the supply of treated bulk water, planning, financing, development, design, engineering and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the province of Bulacan.

  On January 24, 2019, LCWDC commenced operations upon issuance of the Certificate of Final Acceptance by the MWSS for the completion of all works required under Stage 1 of the Bulacan Bulk Water Supply Project.

  On April 25, 2019, the MWSS issued the Certificate of Final Acceptance for Stage 2 of the Bulacan Bulk Water Supply Project.

Upon issuance of the Certificate of Final Acceptance by MWSS for completion of all works for Stage 1, LCWDC has officially commenced its operations and started delivery of potable bulk water to the first seven Water Districts of Bulacan. Thereafter, on 24 April 2020, LCWDC has successfully completed Stages 1 & 2 of the Project and delivered bulk water to a total of 12 Water Districts.

Other salient features of the Concession Agreement are as follows:

1. LCWDC shall pay annual water rights fee to the Provincial Government of Bulacan amounting to P5 for the first five years of operation, subject to adjustment based on the Concession Agreement starting on the sixth contract year onwards.

2. LCWDC shall pay an annual Concession Fee and Operation and Maintenance Fee to MWSS amounting to the equivalent of 2.5% of the Annual Gross Revenue of LCWDC and P5, respectively.

3. MWSS and the Water Service Providers (WSPs) of the Province of Bulacan entered into a Memoranda of Understanding where the parties agreed to cooperate with each other towards the successful implementation of the Bulacan Bulk Water Service Project. Pursuant thereto, MWSS, LCWDC, and the individual WSPs for Stages 1 & 2 has entered into individual MOA where the MWSS, through LCWDC, has committed to supply the potable bulk water and the WSPs have agreed to accept the water and/or pay the Bulk Water Charges at the rate of Eight Pesos and Fifty Centavos plus VAT, subject to certain adjustments as provided under the Concession Agreement and the MOA.

4. LCWDC utilized the National Housing Authority (NHA) site for the water treatment facility. The NHA site is the 5.5 hectares located at Pleasant Hills, San Jose Del Monte, Bulacan intended as the site for the water treatment facility. LCWDC paid in staggered cash in the aggregate amount of P165.

5. At the end of the concession period, LCWDC shall transfer the facilities to MWSS in the condition required for turnover as described in the Minimum Performance Standards and Specifications of the Concession Agreement.

- Food and Beverage

  - *Toll Agreements*

    The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the “Parties”). The terms of the agreements include the following, among others:

    - The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.

    - Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses included as part of "Cost of sales" account in the consolidated statements of income amounted to P6,816, P7,493 and P8,959 in 2021, 2020 and 2019, respectively (Note 26).

- Cement

  - *Mineral Production Sharing Agreement (MPSA)*

NCC has an existing MPSA granted by the Philippine Government through the Department of Environment and Natural Resources (DENR). Details of the MPSA are as follows:

| MPSA No. | Location | Date of Issuance |
|---|---|---|
| 106-98-1 | Labayug, Sison, Pangasinan | March 12, 1998 |

This MPSA has a term of 25 years from the date of issuance and may be renewed thereafter for another term not exceeding 25 years.

NCC has the following key commitments under its MPSA:

- The Philippine Government share shall be the excise tax on mineral products at the time of removal and at the rate provided for in RA No. 7729 amending Section 151 (a) of the Revised National Internal Revenue Code, as well as other taxes, duties and fees levied by existing laws.

  Excise taxes paid to the Philippine Government aggregated to P12 and P13 in 2021 and 2020, respectively.

- Allotment of a minimum of 1.5% of the direct drilling and milling costs necessary to implement the activities for community development.

  As at December 31, 2021, allotment made amounted to P5.

On July 23, 2021, NCC filed its MPSA renewal to the DENR and is pending approval as at March 10, 2022.

Lease Commitments

- Group as Lessor

The Group has entered into operating leases on its investment property portfolio, consisting of certain service stations and other related structures, machinery and equipment, surplus office spaces as well as leased property (Note 15). These non-cancellable leases will expire up to year 2036. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

| | 2021 | 2020 |
|---|---|---|
| Within one year | **P532** | P856 |
| One to two years | **508** | 656 |
| Two to three years | **501** | 653 |
| Three to four years | **495** | 619 |
| Four to five years | **497** | 573 |
| More than five years | **6,733** | 9,552 |
| | **P9,266** | P12,909 |

Rent income recognized in the consolidated statements of income amounted to P1,496, P1,382 and P1,751 in 2021, 2020 and 2019, respectively (Notes 4 and 32). Income from sub-leasing recognized in the consolidated statements of income amounted to P796, P1,054 and P1,395 in 2021, 2020 and 2019, respectively.

## 35. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Parent Company and majority of its subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group’s latest actuarial valuation date is December 31, 2021. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Group’s Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Group’s Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of the Parent Company and its subsidiaries. The Retirement Plans’ accounting and administrative functions are undertaken by the Retirement Funds Office of the Parent Company.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

| | Fair Value of Plan Assets | | Present Value of Defined Benefit Retirement Obligation | | Effect of Asset Ceiling | | Net Defined Benefit Retirement Liability | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| **Balance at beginning of year** | **P29,064** | P30,869 | **(P31,617)** | (P33,265) | **(P1,642)** | (P1,747) | **(P4,195)** | (P4,143) |
| **Benefit asset (obligation) of consolidated subsidiaries** | **-** | 338 | **-** | (554) | **-** | - | **-** | (216) |
| **Recognized in Profit or Loss** | | | | | | | | |
| Current service costs | **-** | - | **(1,735)** | (1,816) | **-** | - | **(1,735)** | (1,816) |
| Past service costs | **-** | - | **(1,708)** | (14) | **-** | - | **(1,708)** | (14) |
| Interest expense | **-** | - | **(1,225)** | (1,695) | **-** | - | **(1,225)** | (1,695) |
| Interest income | **1,101** | 1,571 | **-** | - | **-** | - | **1,101** | 1,571 |
| Interest on the effect of asset ceiling | **-** | - | **-** | - | **(62)** | (89) | **(62)** | (89) |
| | **1,101** | 1,571 | **(4,668)** | (3,525) | **(62)** | (89) | **(3,629)** | (2,043) |
| **Recognized in Other Comprehensive Income** | | | | | | | | |
| Remeasurements | | | | | | | | |
| Actuarial gains (losses) arising from: | | | | | | | | |
| Experience adjustments | **-** | - | **862** | 2,532 | **-** | - | **862** | 2,532 |
| Changes in financial assumptions | **-** | - | **2,014** | (649) | **-** | - | **2,014** | (649) |
| Changes in demographic assumptions | **-** | - | **(10)** | 49 | **-** | - | **(10)** | 49 |
| Return on plan assets excluding interest income | **(606)** | (2,483) | **-** | - | **-** | - | **(606)** | (2,483) |
| Changes in the effect of asset ceiling | **-** | - | **-** | - | **(117)** | 194 | **(117)** | 194 |
| | **(606)** | (2,483) | **2,866** | 1,932 | **(117)** | 194 | **2,143** | (357) |
| **Others** | | | | | | | | |
| Contributions | **2,650** | 2,317 | **-** | - | **-** | - | **2,650** | 2,317 |
| Benefits paid | **(2,760)** | (3,463) | **2,876** | 3,659 | **-** | - | **116** | 196 |
| Transfers from other plans | **3** | 221 | **(3)** | (239) | **-** | - | **-** | (18) |
| Transfers to other plans | **(1)** | (274) | **1** | 292 | **-** | - | **-** | 18 |
| Other adjustments | **54** | (32) | **6** | 83 | **-** | - | **60** | 51 |
| | **(54)** | (1,231) | **2,880** | 3,795 | **-** | - | **2,826** | 2,564 |
| **Balance at end of year** | **P29,505** | P29,064 | **(P30,539)** | (P31,617) | **(P1,821)** | (P1,642) | **(P2,855)** | (P4,195) |

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs (benefits) recognized in the consolidated statements of income by the Parent Company amounted to P17, P34 and (P13) in 2021, 2020 and 2019, respectively (Notes 29 and 31).

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P3,612, P2,009 and P1,391 in 2021, 2020 and 2019, respectively (Notes 29, 30 and 31). In 2021, certain subsidiaries made amendments to their respective Retirement Plans in terms of the percentage of final pay based on the adjusted credited years of service. As a result, the Group recognized past service costs amounting to P1,708.

As at December 31, 2021, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P4,175 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P187 and P6,843, respectively (Notes 20 and 22).

As at December 31, 2020, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P2,699 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P160 and P6,734, respectively (Notes 20 and 22).

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2021 and 2020.

The Group's plan assets consist of the following:

| | **In Percentages** | |
|---|---|---|
| | **2021** | 2020 |
| Investments in marketable securities and shares of stock | **76.87** | 76.58 |
| Investments in pooled funds: | | |
| Fixed income portfolio | **6.58** | 7.61 |
| Stock trading portfolio | **1.45** | 1.95 |
| Investments in real estate | **1.53** | 1.56 |
| Others | **13.57** | 12.30 |

*Investments in Marketable Securities*

As at December 31, 2021 the plan assets include:

- 49,564,147 common shares and 8,038,270 Subseries "2-F", 264,840 Subseries "2-H", 9,782,770 Subseries "2-I", 3,491,300 Subseries "2-J" and 4,007,900 Subseries "2-K" preferred shares of the Parent Company with fair market value per share of P114.90, P79.25, P75.95, P79.65, P76.50 and P75.85, respectively;

- 753,454,797 common shares and 474,160 preferred shares of Petron with fair market value per share of P3.17 and P1,119.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 19,386,620 common shares of GSMI with fair market value per share of P113.80;

- 15,245,750 common shares of SMFB with fair market value per share of P71.40;

- 300 common shares of SMPI with fair market value per share of P134.12; and

- 5,997,311 common shares of Top Frontier with fair market value per share of P127.70.

As at December 31, 2020 the plan assets include:

- 50,033,387 common shares and 4,231,050 Subseries “2-E”, 8,038,270 Subseries “2-F”, 103,730 Subseries “2-G”, 264,840 Subseries “2-H”, 9,782,770 Subseries “2-I”, 3,379,100 Subseries “2-J” and 4,007,900 Subseries “2-K” preferred shares of the Parent Company with fair market value per share of P128.10, P75.40, P77.30, P75.80, P78.00, P76.80, P75.50 and P75.50, respectively;

- 747,008,797 common shares and 460,000 preferred shares of Petron with fair market value per share of P3.99 and P1,114.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 22,868,770 common shares of GSMI with fair market value per share of P49.40;

- 12,487,440 common shares of SMFB with fair market value per share of P67.00;

- 300 common shares of SMPI with fair market value per share of P134.12; and

- 5,994,811 common shares of Top Frontier with fair market value per share of P140.00.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group’s Retirement Plans recognized a gain (loss) on the investment in marketable securities of Top Frontier, Parent Company and its subsidiaries amounting to P21, (P1,876) and (P1,811) in 2021, 2020 and 2019, respectively.

Dividend income from the investment in shares of stock of the Parent Company and its subsidiaries amounted to P369, P375 and P495 in 2021, 2020 and 2019, respectively.

*Investments in Shares of Stock*

a. BOC

   San Miguel Corporation Retirement Plan (SMCRP) has 432,626,860 and 44,834,286 common shares representing 38.54% and 39.94% equity interest in BOC, accounted for under the equity method amounting to P10,064 and P9,952 as at December 31, 2021 and 2020, respectively.

   In October 2021, SMCRP sold to SMCEC its 1,571,600 common shares of BOC equivalent to 1.4% equity interest amounting to P356 (Note 11).

   As discussed in Note 11, the Articles of Incorporation of BOC was amended for the change in the par value of its common and preferred shares from P100.00 per share to P10.00 per share. As a result, SMCRP’s investment in BOC’s common shares increased from 43,262,686 to 432,626,860 common shares.

SMCRP recognized its share in total comprehensive income of BOC amounting to P468 and P268 in 2021 and 2020, respectively.

b. BPI

The Group's plan assets also include San Miguel Brewery Inc. Retirement Plan's investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method since cost approximates fair value, amounting to P859 as at December 31, 2021 and 2020.

*Investments in Pooled Funds*
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 65% and 75% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2021 and 2020, respectively.

Approximately 67% and 66% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2021 and 2020, respectively.

*Investments in Real Estate*
The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P634 as at December 31, 2021 and 2020.

*Others*
Others include the Retirement Plans' investments in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P1,586 to the Retirement Plans in 2022.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Rate Risks.* The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

*Longevity and Salary Risks.* The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

| | **In Percentages** | |
|---|---|---|
| | **2021** | 2020 |
| Discount rate | **0.40 - 6.75** | 0.40 - 7.00 |
| Salary increase rate | **2.00 - 6.50** | 2.00 - 8.80 |

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 3.9 to 24.9 years and 4.9 to 26.0 years as at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

| | **Defined Benefit Retirement Obligation** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **1 Percent Increase** | **1 Percent Decrease** | 1 Percent Increase | 1 Percent Decrease |
| Discount rate | **(P1,648)** | **P1,954** | (P1,996) | P2,295 |
| Salary increase rate | **2,148** | **(1,880)** | 2,311 | (2,028) |

The outstanding balances of the Group's receivable from the retirement plans are as follows:

a. The Parent Company has advances to and receivables from SMCRP amounting to P7,666 and P7,482 as at December 31, 2021 and 2020, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). Portion of the advances are subject to interest per annum of 5.75% in 2021 and 2020. Interest income earned from the advances amounted to P188 and P189 in 2021 and 2020, respectively (Notes 31 and 33).

b. Petron has advances to Petron Corporation Employee Retirement Plan (PCERP) amounting to P1,138 and P1,562 as at December 31, 2021 and 2020, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). The advances are subject to interest per annum of 5% in 2021 and 2020. Interest income earned from the advances amounted to P78 and P93 in 2021 and 2020, respectively (Notes 31 and 33).

   In 2021 and 2020, portion of Petron's interest bearing advances to PCERP were converted into contribution to the retirement plan.

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as at December 31, 2021 and 2020 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the Retirement Plans in 2021, 2020 and 2019.

## 36. Cash Dividends and Distributions

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** |

*Forward*

| Class of Shares | Date of Declaration | Date of Record | Date of Payment | Dividend Per Share |
|---|---|---|---|---|
| SMC2I | January 21, 2021 | March 19, 2021 | April 5, 2021 | **P1.18790625** |
| | 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.

Distributions
The Parent Company paid P200 and P1,804 to the holders of RPS and SCPS, respectively, in 2021 and P238 to the holders of RPS in 2020, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

## 37. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

| | ***Note*** | **2021** | 2020 | 2019 |
|---|---|---:|---:|---:|
| Net income attributable to equity holders of the Parent Company | | **P13,925** | P2,973 | P21,329 |
| Dividends on preferred shares | *24, 36* | **(6,002)** | (6,083) | (7,187) |
| Distributions to capital securities | *24, 36* | **(2,004)** | (857) | - |
| Net income (loss) attributable to common shareholders of the Parent Company (a) | | **P5,919** | (P3,967) | P14,142 |
| Weighted average number of common shares outstanding (in millions) - basic and diluted (b) | | **2,384** | 2,384 | 2,384 |
| Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b) | | **P2.48** | (P1.66) | P5.93 |

As at December 31, 2021, 2020 and 2019, the Parent Company has no dilutive debt or equity instruments.

## 38. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Trade and other receivables - net | **(P34,503)** | P8,591 | (P10,539) |
| Inventories | **(36,751)** | 26,503 | (8,949) |
| Prepaid expenses and other current assets | **(13,006)** | (5,329) | 4,395 |
| Accounts payable and accrued expenses | **37,519** | (18,154) | 34,369 |
| Income and other taxes payable and others | **3,133** | 1,212 | (2,886) |
| | **(P43,608)** | P12,823 | P16,390 |

b. Acquisition of subsidiaries, net of cash and cash equivalents acquired.

| | 2019 |
|---|---|
| Cash and cash equivalents | P301 |
| Trade and other receivables - net | 285 |
| Inventories | 326 |
| Prepaid expenses and other current assets | 154 |
| Property, plant and equipment - net | 1,959 |
| Right-of-use assets - net | 179 |
| Other intangible assets - net | 8 |
| Deferred tax assets | 12 |
| Other noncurrent assets - net | 387 |
| Accounts payable and accrued expenses | (899) |
| Income and other taxes payable | (24) |
| Long-term debt - net of debt issue costs | (48) |
| Deferred tax liabilities | (1) |
| Lease liabilities | (193) |
| Non-controlling interests | (45) |
| Net assets | 2,401 |
| Cash and cash equivalents | (301) |
| Goodwill in subsidiaries | 53 |
| Investments and advances | (745) |
| Net cash flows | P1,408 |

c. Changes in liabilities arising from financing activities

| | **Loans Payable** | **Long-term Debt** | **Lease Liabilities** | **Dividends Payable** |
|---|---|---|---|---|
| **Balance as at January 1, 2021** | **P140,645** | **P766,909** | **P117,037** | **P4,231** |
| **Changes from Financing Activities** | | | | |
| Proceeds from borrowings | **760,746** | **140,777** | **-** | **-** |
| Payments of borrowings | **(711,147)** | **(113,419)** | **-** | **-** |
| Payments of lease liabilities | **-** | **-** | **(26,151)** | **-** |
| Dividends and distributions paid | **-** | **-** | **-** | **(39,310)** |
| **Total Changes from Financing Activities** | **49,599** | **27,358** | **(26,151)** | **(39,310)** |
| **The Effect of Changes in Foreign Exchange Rates** | **535** | **17,319** | **2,681** | **1** |
| **Other Changes** | **-** | **2,379** | **1,425** | **39,374** |
| **Balance as at December 31, 2021** | **P190,779** | **P813,965** | **P94,992** | **P4,296** |

| | Loans Payable | Long-term Debt | Lease Liabilities | Dividends Payable |
|---|---|---|---|---|
| Balance as at January 1, 2020 | P169,492 | P682,804 | P142,248 | P4,116 |
| Changes from Financing Activities | | | | |
| Proceeds from borrowings | 813,187 | 160,437 | - | - |
| Payments of borrowings | (841,775) | (58,913) | - | - |
| Payments of lease liabilities | - | - | (24,825) | - |
| Dividends and distributions paid | - | - | - | (31,508) |
| Total Changes from Financing Activities | (28,588) | 101,524 | (24,825) | (31,508) |
| The Effect of Changes in Foreign Exchange Rates | (259) | (18,188) | (2,873) | (1) |
| Consolidation of a Subsidiary and Other Changes | - | 769 | 2,487 | 31,624 |
| Balance as at December 31, 2020 | P140,645 | P766,909 | P117,037 | P4,231 |

## 39. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. 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.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The Group uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Group assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

| **December 31, 2021** | **<1 Year** | **1-2 Years** | **>2-3 Years** | **>3-4 Years** | **>4-5 Years** | **>5 Years** | **Total** |
|---|---|---|---|---|---|---|---|
| **Fixed Rate** | | | | | | | |
| Philippine peso-denominated | **P68,436** | **P57,685** | **P95,030** | **P55,159** | **P68,051** | **P145,335** | **P489,696** |
| Interest rate | **3.875% - 9.8754%** | **3.284% - 9.8754%** | **3.284% - 9.8754%** | **3.284% - 9.8754%** | **3.284% - 9.8754%** | **3.3832% - 9.8754%** | |
| Foreign currency-denominated (expressed in Philippine peso) | **1,995** | **6,852** | **1,225** | **1,281** | **1,340** | **12,044** | **24,737** |
| Interest rate | **4.7776% - 5.5959%** | **4.7776% - 5.5959%** | **5.5959%** | **5.5959%** | **5.5959%** | **5.5959%** | |
| **Floating Rate** | | | | | | | |
| Philippine peso-denominated | **3,139** | **1,585** | **706** | **119** | **119** | **7,524** | **13,192** |
| Interest rate | **BVAL + margin or BSP overnight rate, whichever is higher** | **BVAL + margin or BSP overnight rate, whichever is higher** | **BVAL + margin or BSP overnight rate, whichever is higher** | **BVAL + margin or BSP overnight rate, whichever is higher** | **BVAL + margin or BSP overnight rate, whichever is higher** | **BVAL + margin or BSP overnight rate, whichever is higher** | |
| Foreign currency-denominated (expressed in Philippine peso) | **16,040** | **113,137** | **115,122** | **1,774** | **44,814** | **3,964** | **294,851** |
| Interest rate | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | **LIBOR/applicable reference rate + margin** | |
| | **P89,610** | **P179,259** | **P212,083** | **P58,333** | **P114,324** | **P168,867** | **P822,476** |

| December 31, 2020 | <1 Year | 1-2 Years | >2-3 Years | >3-4 Years | >4-5 Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|
| Fixed Rate | | | | | | | |
| Philippine peso-denominated | P47,064 | P67,112 | P56,017 | P91,422 | P36,513 | P136,808 | P434,936 |
| Interest rate | 4.0032% - 9.885% | 4.2105% - 9.885% | 3.2837% - 9.885% | 3.2837% - 9.885% | 3.2837% - 9.885% | 3.2837% - 9.885% | |
| Foreign currency-denominated (expressed in Philippine peso) | 2,581 | 1,878 | 31,250 | 1,154 | 1,207 | 12,603 | 50,673 |
| Interest rate | 4.7776% - 5.5959% | 4.7776% - 5.5959% | 4.7776% - 5.5959% | 5.5959% | 5.5959% | 5.5959% | |
| Floating Rate | | | | | | | |
| Philippine peso-denominated | 2,572 | 3,876 | 2,321 | 1,442 | 1,618 | 7,646 | 19,475 |
| Interest rate | BVAL + margin or BSP overnight rate, whichever is higher | BVAL + margin or BSP overnight rate, whichever is higher | BVAL + margin or BSP overnight rate, whichever is higher | BVAL + margin or BSP overnight rate, whichever is higher | BVAL + margin or BSP overnight rate, whichever is higher | BVAL + margin or BSP overnight rate, whichever is higher | |
| Foreign currency-denominated (expressed in Philippine peso) | 23,131 | 27,072 | 104,333 | 107,902 | 3,488 | 4,148 | 270,074 |
| Interest rate | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | LIBOR/applicable reference rate + margin | |
| | P75,348 | P99,938 | P193,921 | P201,920 | P42,826 | P161,205 | P775,158 |

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P3,080, P2,895 and P2,184 in 2021, 2020 and 2019, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. 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. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents is as follows:

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | **US Dollar** | **Peso Equivalent** | US Dollar | Peso Equivalent |
| **Assets** | | | | |
| Cash and cash equivalents | **US$3,177** | **P162,053** | US$5,053 | P242,683 |
| Trade and other receivables | **1,215** | **61,951** | 743 | 35,641 |
| Prepaid expenses and other current assets | **14** | **715** | 15 | 749 |
| Noncurrent receivables | **3** | **138** | 4 | 201 |
| | **4,409** | **224,857** | 5,815 | 279,274 |
| **Liabilities** | | | | |
| Loans payable | **331** | **16,884** | 166 | 8,011 |
| Accounts payable and accrued expenses | **2,573** | **131,235** | 1,708 | 82,110 |
| Long-term debt (including current maturities) | **6,267** | **319,588** | 6,679 | 320,747 |
| Lease liabilities (including current portion) | **847** | **43,210** | 1,131 | 54,306 |
| Other noncurrent liabilities | **63** | **3,200** | 212 | 10,216 |
| | **10,081** | **514,117** | 9,896 | 475,390 |
| Net foreign currency-denominated monetary liabilities | **(US$5,672)** | **(P289,260)** | (US$4,081) | (P196,116) |

The Group reported net gains (losses) on foreign exchange amounting to (P4,846), P5,444 and P5,422 in 2021, 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 32). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

| | **US Dollar to Philippine Peso** |
|---|---|
| **December 31, 2021** | **P50.999** |
| December 31, 2020 | 48.023 |
| December 31, 2019 | 50.635 |

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

| | **P1 Decrease in the US Dollar Exchange Rate** | | **P1 Increase in the US Dollar Exchange Rate** | |
|---|---|---|---|---|
| **December 31, 2021** | **Effect on Income before Income Tax** | **Effect on Equity** | **Effect on Income before Income Tax** | **Effect on Equity** |
| Cash and cash equivalents | **(P2,722)** | **(P2,608)** | **P2,722** | **P2,608** |
| Trade and other receivables | **(404)** | **(870)** | **404** | **870** |
| Prepaid expenses and other current assets | **(12)** | **(11)** | **12** | **11** |
| Noncurrent receivables | **-** | **(2)** | **-** | **2** |
| | **(3,138)** | **(3,491)** | **3,138** | **3,491** |
| Loans payable | **30** | **324** | **(30)** | **(324)** |
| Accounts payable and accrued expenses | **1,086** | **1,865** | **(1,086)** | **(1,865)** |
| Long-term debt (including current maturities) | **6,215** | **4,917** | **(6,215)** | **(4,917)** |
| Lease liabilities (including current portion) | **762** | **657** | **(762)** | **(657)** |
| Other noncurrent liabilities | **54** | **48** | **(54)** | **(48)** |
| | **8,147** | **7,811** | **(8,147)** | **(7,811)** |
| | **P5,009** | **P4,320** | **(P5,009)** | **(P4,320)** |

| | P1 Decrease in the US Dollar Exchange Rate | | P1 Increase in the US Dollar Exchange Rate | |
|---|---|---|---|---|
| December 31, 2020 | Effect on Income before Income Tax | Effect on Equity | Effect on Income before Income Tax | Effect on Equity |
| Cash and cash equivalents | (P4,619) | (P3,666) | P4,619 | P3,666 |
| Trade and other receivables | (185) | (457) | 185 | 457 |
| Prepaid expenses and other current assets | (5) | (14) | 5 | 14 |
| Noncurrent receivables | - | (4) | - | 4 |
| | (4,809) | (4,141) | 4,809 | 4,141 |
| Loans payable | 20 | 160 | (20) | (160) |
| Accounts payable and accrued expenses | 757 | 1,308 | (757) | (1,308) |
| Long-term debt (including current maturities) | 5,902 | 4,908 | (5,902) | (4,908) |
| Lease liabilities (including current portion) | 1,095 | 804 | (1,095) | (804) |
| Other noncurrent liabilities | 188 | 184 | (188) | (184) |
| | 7,962 | 7,364 | (7,962) | (7,364) |
| | P3,153 | P3,223 | (P3,153) | (P3,223) |

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

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. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

*Commodity Swaps, Futures and Options*. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, coal, aluminum, soybean meal and wheat.

*Commodity Forwards.* The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

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

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

| December 31, 2021 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years - 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and cash equivalents | **P300,030** | **P300,030** | **P300,030** | **P -** | **P -** | **P -** |
| Trade and other receivables - net | **161,808** | **161,808** | **161,808** | **-** | **-** | **-** |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **1,529** | **1,529** | **870** | **61** | **598** | **-** |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" account) | **298** | **298** | **298** | **-** | **-** | **-** |
| Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **41,982** | **42,016** | **47** | **32** | **-** | **41,937** |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **577** | **586** | **556** | **30** | **-** | **-** |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **32,310** | **32,902** | **-** | **7,085** | **20,475** | **5,342** |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **12,965** | **12,965** | **10,872** | **629** | **-** | **1,464** |
| **Financial Liabilities** | | | | | | |
| Loans payable | **190,779** | **191,186** | **191,186** | **-** | **-** | **-** |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities) | **191,864** | **191,864** | **191,864** | **-** | **-** | **-** |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **1,992** | **1,992** | **1,247** | **23** | **722** | **-** |
| Long-term debt (including current maturities) | **813,965** | **946,870** | **123,060** | **206,989** | **433,488** | **183,333** |
| Lease liabilities (including current portion) | **94,992** | **120,223** | **27,788** | **23,175** | **36,545** | **32,715** |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **7,897** | **8,097** | **-** | **3,453** | **3,553** | **1,091** |

| December 31, 2020 | Carrying Amount | Contractual Cash Flow | 1 Year or Less | > 1 Year - 2 Years | > 2 Years – 5 Years | Over 5 Years |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | P347,209 | P347,209 | P347,209 | P - | P - | P - |
| Trade and other receivables - net | 124,369 | 124,369 | 124,369 | - | - | - |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 635 | 635 | 596 | 20 | 19 | - |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" account) | 275 | 275 | 275 | - | - | - |
| Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 41,696 | 41,699 | 82 | 46 | 1 | 41,570 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | 255 | 270 | 112 | 96 | 62 | - |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | 28,095 | 28,119 | - | 333 | 24,237 | 3,549 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | 7,890 | 7,890 | 3,111 | 3,487 | - | 1,292 |
| Financial Liabilities | | | | | | |
| Loans payable | 140,645 | 141,245 | 141,245 | - | - | - |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities) | 149,448 | 149,448 | 149,448 | - | - | - |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | 3,898 | 3,898 | 1,731 | 201 | 1,966 | - |
| Long-term debt (including current maturities) | 766,909 | 909,772 | 109,404 | 129,043 | 489,632 | 181,693 |
| Lease liabilities (including current portion) | 117,037 | 145,425 | 31,994 | 27,237 | 49,652 | 36,542 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | 12,884 | 12,890 | - | 1,368 | 10,582 | 940 |

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. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

*Trade and Other Receivables*

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

*Investment in Debt Instruments*
The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

*Credit Quality*
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer’s nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

| | ***Note*** | **2021** | 2020 |
|---|---|---|---|
| Cash and cash equivalents (excluding cash on hand) | *7* | **P298,783** | P345,425 |
| Trade and other receivables - net | *8* | **161,808** | 124,369 |
| Derivative assets | *10, 18* | **1,529** | 635 |
| Investment in debt instruments at FVOCI | *10, 12* | **46** | 126 |
| Investment in debt instruments at amortized cost | *10, 12* | **577** | 255 |
| Noncurrent receivables and deposits - net | *18* | **32,310** | 28,095 |
| Restricted cash | *10, 18* | **12,965** | 7,890 |
| | | **P508,018** | P506,795 |

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

| | **2021** | | | | | |
|---|---|---|---|---|---|---|
| | **Financial Assets at Amortized Cost** | | | | | |
| | **12-Month ECL** | **Lifetime ECL not Credit Impaired** | **Lifetime ECL Credit Impaired** | **Financial Assets at FVPL** | **Financial Assets at FVOCI** | **Total** |
| Cash and cash equivalents (excluding cash on hand) | **P298,783** | **P -** | **P -** | **P -** | **P -** | **P298,783** |
| Trade and other receivables | **161,808** | **-** | **13,268** | **-** | **-** | **175,076** |
| Derivative assets | **-** | **-** | **-** | **850** | **679** | **1,529** |
| Investment in debt instruments at FVOCI | **-** | **-** | **-** | **-** | **46** | **46** |
| Investment in debt instruments at amortized cost | **547** | **30** | **-** | **-** | **-** | **577** |
| Noncurrent receivables and deposits | **-** | **32,310** | **572** | **-** | **-** | **32,882** |
| Restricted cash | **10,872** | **2,093** | **-** | **-** | **-** | **12,965** |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Financial Assets at Amortized Cost | | | | | |
| | 12-Month ECL | Lifetime ECL not Credit Impaired | Lifetime ECL Credit Impaired | Financial Assets at FVPL | Financial Assets at FVOCI | Total |
| Cash and cash equivalents (excluding cash on hand) | P345,425 | P - | P - | P - | P - | P345,425 |
| Trade and other receivables | 124,369 | - | 13,741 | - | - | 138,110 |
| Derivative assets | - | - | - | 604 | 31 | 635 |
| Investment in debt instruments at FVOCI | - | - | - | - | 126 | 126 |
| Investment in debt instruments at amortized cost | 105 | 150 | - | - | - | 255 |
| Noncurrent receivables and deposits | - | 28,095 | 606 | - | - | 28,701 |
| Restricted cash | 3,111 | 4,779 | - | - | - | 7,890 |

The aging of receivables is as follows:

| **December 31, 2021** | **Trade** | **Non-trade** | **Amounts Owed by Related Parties** | **Total** |
|---|---|---|---|---|
| Current | **P69,571** | **P30,459** | **P14,151** | **P114,181** |
| Past due: | | | | |
| 1 - 30 days | **10,052** | **1,063** | **386** | **11,501** |
| 31 - 60 days | **3,135** | **1,790** | **37** | **4,962** |
| 61 - 90 days | **1,947** | **2,418** | **30** | **4,395** |
| Over 90 days | **14,351** | **24,727** | **959** | **40,037** |
| | **P99,056** | **P60,457** | **P15,563** | **P175,076** |

| December 31, 2020 | Trade | Non-trade | Amounts Owed by Related Parties | Total |
|---|---|---|---|---|
| Current | P45,989 | P23,486 | P13,116 | P82,591 |
| Past due: | | | | |
| 1 - 30 days | 8,894 | 3,608 | 276 | 12,778 |
| 31 - 60 days | 2,736 | 316 | 60 | 3,112 |
| 61 - 90 days | 1,363 | 335 | 11 | 1,709 |
| Over 90 days | 15,680 | 21,226 | 1,014 | 37,920 |
| | P74,662 | P48,971 | P14,477 | P138,110 |

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The Group's cash and cash equivalents, derivative assets, investment in debt instruments at FVOCI, investment in debt instruments at amortized cost and restricted cash are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

## 40. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

| | **December 31, 2021** | | December 31, 2020 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **P300,030** | **P300,030** | P347,209 | P347,209 |
| Trade and other receivables - net | **161,808** | **161,808** | 124,369 | 124,369 |
| Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **1,529** | **1,529** | 635 | 635 |
| Financial assets at FVPL (included under "Prepaid expenses and other current assets" account) | **298** | **298** | 275 | 275 |
| Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **41,982** | **41,982** | 41,696 | 41,696 |
| Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts) | **577** | **577** | 255 | 255 |
| Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account) | **32,310** | **32,310** | 28,095 | 28,095 |
| Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts) | **12,965** | **12,965** | 7,890 | 7,890 |
| **Financial Liabilities** | | | | |
| Loans payable | **190,779** | **190,779** | 140,645 | 140,645 |
| Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities) | **191,864** | **191,864** | 149,448 | 149,448 |
| Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts) | **1,992** | **1,992** | 3,898 | 3,898 |
| Long-term debt (including current maturities) | **813,965** | **854,665** | 766,909 | 843,155 |
| Lease liabilities (including current portion) | **94,992** | **94,992** | 117,037 | 117,037 |
| Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities) | **7,897** | **7,897** | 12,884 | 12,884 |

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash and Cash Equivalents, Trade and Other Receivables, Noncurrent Receivables and Deposits and Restricted Cash.* The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

*Derivatives.* The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

*Financial Assets at FVPL and Financial Assets at FVOCI.* The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

*Loans Payable and Accounts Payable and Accrued Expenses.* The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

*Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities.* The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 1.0% to 4.8% and 0.9% to 3% as at December 31, 2021 and 2020, respectively. The discount rates used for foreign currency-denominated loans range from 0.3% to 1.5% and 0.1% to 0.9% as at December 31, 2021 and 2020, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

| | **Maturity** | | | |
|---|---|---|---|---|
| **December 31, 2021** | **1 Year or Less** | **> 1 Year - 2 Years** | **> 2 Years - 5 Years** | **Total** |
| Foreign currency risk: | | | | |
| Call spread swaps: | | | | |
| Notional amount | **US$40** | **US$60** | **US$190** | **US$290** |
| Average strike rate | **P51.96 to P54.47** | **P52.95 to P56.15** | **P48.00 to P53.70** | |
| Foreign currency and interest rate risks: | | | | |
| Cross currency swap: | | | | |
| Notional amount | **US$20** | **US$240** | **US$40** | **US$300** |
| Average strike rate | **P47.00 to P57.00** | **P47.00 to P56.50** | **P47.00 to P56.50** | |
| Fixed interest rate | **4.19% to 5.75%** | **4.19% to 5.80%** | **3.60% to 5.75%** | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | **US$15** | **US$30** | **US$15** | **US$60** |
| Interest rate | **0.44% to 1.99%** | **0.44% to 1.99%** | **0.44% to 1.99%** | |

| December 31, 2020 | 1 Year or Less | Maturity<br>> 1 Year - 2 Years | > 2 Years - 5 Years | Total |
|---|---|---|---|---|
| Foreign currency risk: | | | | |
| Call spread swaps: | | | | |
| Notional amount | US$90 | US$50 | US$60 | US$200 |
| Average strike rate | P52.41 to P56.15 | P52.41 to P55.02 | P52.95 to P56.15 | |
| Foreign currency and interest rate risks: | | | | |
| Cross currency swap: | | | | |
| Notional amount | US$20 | US$30 | US$280 | US$330 |
| Average strike rate | P47.00 to P57.00 | P47.00 to P56.83 | P47.00 to P56.50 | |
| Fixed interest rate | 4.19% to 5.75% | 4.19% to 5.75% | 3.60% to 5.80% | |
| Interest rate risk: | | | | |
| Interest rate collar: | | | | |
| Notional amount | US$15 | US$30 | US$45 | US$90 |
| Interest rate | 0.44% to 1.99% | 0.44% to 1.99% | 0.44% to 1.99% | |

The following are the amounts relating to hedged items:

| **December 31, 2021** | **Change in Fair Value Used for Measuring Hedge Ineffectiveness** | **Hedging Reserve** | **Cost of Hedging Reserve** |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | **(P577)** | **P -** | **(P304)** |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | **(680)** | **(802)** | **576** |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | **4** | **(3)** | **-** |

| December 31, 2020 | Change in Fair Value Used for Measuring Hedge Ineffectiveness | Hedging Reserve | Cost of Hedging Reserve |
|---|---|---|---|
| Foreign currency risk: | | | |
| US dollar-denominated borrowings | P85 | P - | (P87) |
| Foreign currency and interest rate risks: | | | |
| US dollar-denominated borrowings | 1,968 | (1,251) | 657 |
| Interest rate risk: | | | |
| US dollar-denominated borrowings | 28 | (20) | - |

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

| December 31, 2021 | Notional Amount | Carrying Amount Assets | Carrying Amount Liabilities | Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included | Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income | Cost of Hedging Recognized in Other Comprehensive Income | Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income | Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income | Line Item in the Consolidated Statement of Income Affected by the Reclassification |
|---|---|---|---|---|---|---|---|---|---|
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | **US$290** | **P635** | **P12** | Prepaid expenses and other current assets, Other noncurrent assets - net, and Accounts payable and accrued expenses | **P577** | **(P497)** | **(P597)** | **P194** | Interest expense and other financing charges and Other income - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | **300** | **42** | **817** | Other noncurrent assets – net, Accounts payable and accrued expenses and Other noncurrent liabilities | **680** | **(340)** | **(476)** | **168** | Interest expense and other financing charges and Other income - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | **60** | **2** | **5** | Other noncurrent assets – net, and Accounts payable and accrued expenses | **(4)** | **(16)** | **-** | **16** | Interest expense and other financing charges |

| December 31, 2020 | Notional Amount | Carrying Amount Assets | Carrying Amount Liabilities | Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included | Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income | Cost of Hedging Recognized in Other Comprehensive Income | Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income | Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income | Line Item in the Consolidated Statement of Income Affected by the Reclassification |
|---|---|---|---|---|---|---|---|---|---|
| Foreign currency risk: | | | | | | | | | |
| Call spread swaps | US$200 | P30 | P96 | Prepaid expenses and other current assets, Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities | (P85) | (P80) | P27 | P214 | Interest expense and other financing charges and Other income - net |
| Foreign currency and interest rate risks: | | | | | | | | | |
| Cross currency swap | 330 | - | 2,343 | Accounts payable and accrued expenses and Other noncurrent liabilities | (1,968) | 24 | 1,257 | 200 | Interest expense and other financing charges and Other income - net |
| Interest rate risk: | | | | | | | | | |
| Interest rate collar | 90 | - | 28 | Accounts payable and accrued expenses and Other noncurrent liabilities | (28) | (8) | - | 9 | Interest expense and other financing charges |

No ineffectiveness was recognized in the 2021 and 2020 consolidated statement of income.

The table below provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Hedging Reserve** | **Cost of Hedging Reserve** | Hedging Reserve | Cost of Hedging Reserve |
| Beginning balance | **(P1,271)** | **P570** | (P1,004) | P321 |
| Changes in fair value: | | | | |
| Foreign currency risk | **597** | **(497)** | (28) | (80) |
| Foreign currency and interest rate risks | **1,195** | **(340)** | (1,603) | 24 |
| Interest rate risk | **24** | **(16)** | (35) | (8) |
| Amount reclassified to profit or loss | **(1,073)** | **378** | 1,284 | 423 |
| Tax effect | **(277)** | **177** | 115 | (110) |
| Ending balance | **(P805)** | **P272** | (P1,271) | P570 |

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

*Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$748 and US$440 as at December 31, 2021 and 2020, respectively, and with various maturities in 2021 and 2022. The positive (negative) fair value of these currency forwards amounted to P380 and (P58) as at December 31, 2021 and 2020, respectively.

*Currency Options*

The Group has outstanding currency options with aggregate notional amount of US$400 and US$995 as at December 31, 2021 and 2020, respectively, and with various maturities in 2021 and 2022. The net negative fair value of these currency options amounted to P7 and P645 as at December 31, 2021 and 2020, respectively.

*Commodity Swaps*

The Group has outstanding swap agreements covering its fuel oil, coal and aluminum requirements, with various maturities in 2022 and 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant price index.

The outstanding notional quantity of fuel oil were 24.6 million barrels and 32.8 million barrels as at December 31, 2021 and 2020, respectively. The net negative fair value of these swaps amounted to P533 and P724 as at December 31, 2021 and 2020, respectively.

The outstanding notional quantity of coal was 96,000 metric tons as at December 31, 2021. The positive fair value of these swaps amounted to P62 as at December 31, 2021. The Group has no outstanding commodity swaps on the purchase of coal as at December 31, 2020.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

*Embedded Currency Forwards*
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$260 and US$173 as at December 31, 2021 and 2020, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to (P209) and P601 as at December 31, 2021 and 2020, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P9,427 and P5,007, P3,308 in 2021, 2020 and 2019, respectively (Note 32).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

| | **2021** | 2020 |
|---|---|---|
| Balance at beginning of year | **(P3,263)** | (P1,964) |
| Net change in fair value of derivatives: | | |
| Designated as accounting hedge | **1,492** | (1,730) |
| Not designated as accounting hedge | **(9,366)** | (4,841) |
| Acquisition of a subsidiary | **-** | 8 |
| | **(11,137)** | (8,527) |
| Less fair value of settled instruments | **(10,674)** | (5,264) |
| Balance at end of year | **(P463)** | (P3,263) |

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

| | **December 31, 2021** | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Total** | Level 1 | Level 2 | Total |
| **Financial Assets** | | | | | | |
| Derivative assets | **P -** | **P1,529** | **P1,529** | P - | P635 | P635 |
| Financial assets at FVPL | **-** | **298** | **298** | - | 275 | 275 |
| Financial assets at FVOCI | **777** | **41,205** | **41,982** | 784 | 40,912 | 41,696 |
| **Financial Liabilities** | | | | | | |
| Derivative liabilities | **-** | **1,992** | **1,992** | - | 3,898 | 3,898 |

The Group has no financial instruments valued based on Level 3 as at December 31, 2021 and 2020. In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

## 41. Events After the Reporting Date

Parent Company

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

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

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

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

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

The proceeds from the issuance of the bonds will be 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.

## 42. Registration with the Board of Investments (BOI) and Others

a. SMC Global

- In 2013, SMCPC and SCPC were granted incentives by the BOI on a pioneer status for six years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987 (Executive Order (EO) No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted SCPC's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or one month from the date of such commissioning or testing, whichever comes earlier as certified by NGCP. Subsequently, on December 21, 2016, BOI granted a similar request of SMCPC to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. SMCPC's request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of SCPC commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations.

- On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW Circulating Fluidized Bed Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to SCPC's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for three years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI's BOI registrations.

  In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to SCPC. On July 13, 2018, BOI granted the request of SCPC to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

  On August 26, 2015, February 11, 2016 and October 26, 2016, the BOI issued a Certificate of Authority (COA) to SMCPC, SCPC and LETI, respectively, subject to provisions and implementing rules and regulations of EO No. 70, entitled "Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI Registered New and Expanding Enterprises." The COA shall be valid for one year from the date of issuance. All capital equipment, spare parts and accessories imported by SMCPC and SCPC for the construction of the power plants were ordered, delivered and completed within the validity period of their respective COAs.

On July 10, 2017, the BOI issued a new COA to SCPC, as the new owner of the Phase II Limay Greenfield Power Plant, subject to provisions and implementing rules and regulations of EO No. 22 (which replaced EO No. 70), also entitled “Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories Imported by BOI Registered New and Expanding Enterprises.” The COA shall be valid for one year from the date of issuance. All capital equipment, spare parts and accessories imported by SCPC for the construction of the Phase II of the power plant were ordered, delivered and completed within the validity period of the COA.

- SMEC, SPDC and SPPC are registered with the BOI as administrator of their respective power plants, on a pioneer status with non-pioneer incentives and were granted ITH for four years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants. Upon expiration of the ITH in 2014, SMEC, SPDC and SPPC are now subject to the regular income tax rate. Accordingly, applications for deregistration have been filed by SMEC, SPDC and SPPC and the same were approved by the BOI on its letter dated February 22, 2022.

- On August 21, 2007, SEPC was registered with the BOI under EO No. 226, as New Domestic Producer of Coal on a Non-pioneer Status.

- On October 12, 2012, MPPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPPCL is entitled to ITH for three years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPPCL’s request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPPCL’s requests to downgrade the registered capacity from 600 MW to 300 MW.

  On December 21, 2015, MPPCL received the BOI approval for the application as new operator of 10MW BESS Project on a pioneer status. The BESS Facility provides 10MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPPCL is entitled to incentives that include, among others, an ITH for six years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPPCL’s BOI registration. The ITH period for the 10 MW BESS of MPPCL commenced on December 1, 2018. On October 1, 2020, MPPCL likewise received the BOI approval on the additional 20MW BESS Phase 2 Project of MPPCL.

  On February 23, 2021, MPPCL received the BOI approval for the applications as new operator of 315MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a four-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

- On August 24, 2016, SPESC received the BOI approval for the application as new operator of 2 x 20MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SPESC, a registered entity, is entitled to incentives that include, among others, an ITH for six years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SPESC filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SPESC Storage for the movement of Start of Commercial Operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SPESC's BOI registration.

- On November 29, 2019, the BOI has approved the application of UPSI as new operator of BESS Component of Integrated Renewable Power Facility (R-Hub) covering various sites across the Philippines. The BOI has also approved UPSI's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

- On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850 MW Batangas Combined Cycle Power Plant Phase 1, and 850 MW Batangas Combined Cycle Power Plant Phase 2 located in Brgy. Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a four-year ITH reckoned from the start of commercial operation in April 2023 and October 2026, respectively.

Registration with the Authority of the Freeport Area of Bataan (AFAB)
On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for four years for original project effective on the committed date or actual date of start of commercial operations, whichever is earlier. On December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB valid until December 31, 2022.

License Granted by the ERC
On August 4, 2008, August 22, 2011 and August 24, 2016, MPPCL, SMELC and SCPC, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another five years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete the transfer of its remaining contestable customer to SCPC.

On September 30, 2021, the ERC has extended the validity of SCPC's and MPPCL's RES License for six months or until March 29, 2022, pending final evaluation of its RES license renewal application.

b. SMFB

SMFI

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of EO No. 226 and the RA No. 9728, also known as “The Freeport Area of Bataan Act of 2009”, the projects are entitled, among others, to fiscal incentives described as follows:

- *New Producer of Hogs.* SMFI’s (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Certificate of Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

  SMFI’s six-year ITH for the Sumilao Hog Project ended on January 31, 2015. SMFI’s application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

  Notwithstanding the expiration of ITH benefit in 2016, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

  On February 11, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2008-192. On July 21, 2021, by virtue of Resolution No. 27-02, series of 2021, the Management Committee of the BOI noted the action taken by the Executive Director in approving the request for cancellation and removal of said registration from the BOI’s Book of Registry.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. The ITH period of the project commenced on July 1, 2018.

- *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

  On May 24, 2019, the BOI approved SMFI’s request to move the Davao Feedmill Project’s start of commercial operations and ITH reckoning date to April 2019. The ITH period of the project commenced on April 1, 2019.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

  On May 24, 2019, the BOI approved SMFI's request to move the Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019.

- SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017 under Certificate of Registration No. 2017-057, valid for a period of one year, renewable annually subject to qualifications as determined by AFAB.

  Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

| Registration Renewal Date | Certificate of Registration No. | Annual Period Covered |
|---|---|---|
| March 6, 2018 | 2018-096 | 2018 |
| February 14, 2019 | 2019-079 | 2019 |
| December 10, 2019 | 2020-047 | 2020 |
| December 29, 2020 | 2021-081 | 2021 |

  Under the terms of SMFI's AFAB registration, the Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on May 1, 2018.

- *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered with the BOI on a non-pioneer status on December 13, 2017 under Certificate of Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

  On March 19, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2017-335. On May 19, 2021, by virtue of Resolution No. 19-07, series of 2021, the Management Committee of the BOI noted the cancellation of said registration undertaken by the Executive Director and the deletion of the registration from the BOI's Book of Registry.

- *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Phividec, Tagoloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered with the BOI on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. ITH period of the project commenced on June 1, 2020.

PF-Hormel
PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in EO No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

SMMI
SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Products (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in EO No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

On July 25, 2019, the BOI approved SMMI's subsequent request to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier. The ITH period of the project commenced on December 1, 2019.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI approved SMMI's request for amendment of ITH Base Figure from peso sales value of 9,582,065,157 to sales volume of 388,447 metric tons.

c. Petron

Refinery Master Plan 2 (RMP-2) Project
On June 3, 2011, the BOI approved Petron's application under the Downstream Oil Industry Deregulation Act (RA No. 8479) as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

i. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based on the formula of the ITH rate of exemption.

ii. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.

iii. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.

iv. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

v. Exemption from real property tax on production equipment or machinery.

vi. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operations on January 1, 2016.

On August 19, 2019, the BOI approved Petron's application for the ITH incentive.

Petron did not avail of the ITH in 2020 and 2019. The RMP-2 entitlement period ended in June 2020.

Bataan Refinery
In December 2020, Bataan Refinery was granted approval as a registered enterprise by the AFAB. FAB-registered enterprises are entitled to avail of fiscal incentives under Special Economic Zone Act of 1995 or Omnibus Investment Code of 1987. On December 29, 2021, Petron's Certificate of Registration was renewed.

d. Packaging

SMYPC
On December 7, 2018, the BOI issued the certificate of registration to SMYPC's Plastic Caps Plant in Laguna as an expanding producer of injection plastic caps on a non-pioneer status under EO No. 226. The registration entitles SMYPC to certain tax and other incentives including but not limited to a three-year ITH starting June 1, 2019 when it started its commercial operations and will expire on May 31, 2022.

On June 19, 2019, the BOI issued the certificate of registration to SMYPC's Plastics Plant in Cebu as a new producer of plastic products such as but not limited to crates and poultry flooring on a non-pioneer status. The registration entitles SMYPC to a four-year ITH starting July 1, 2019 when it started its commercial operations and will expire on June 30, 2023.

On June 26, 2019, the BOI issued the certificate of registration to SMYPC's Plastics Plant in Manila as a modernization project of plastic pallets production on a non-pioneer status. The registration entitles SMYPC to a three-year ITH starting July 1, 2019 when it started its commercial operations and will expire on June 30, 2022.

In addition to the ITH, SMYPC is entitled to the following benefits:

i. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of EO No. 85 and its Implementing Rules and Regulations for a period of three years from the effectivity of the EO or on July 25, 2019 and until July 24, 2022.

ii. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Custom Bonded Manufacturing Warehouse (CBMW) exporting at least 70% of production.

iii. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

iv. Additional deduction for labor expense for a period of five years from registration an amount equivalent to 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from the date of registration but not simultaneously with ITH.

v. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

vi. Employment of foreign nationals.

vii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

viii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from the date of registration.

ix. Access to CBMW subject to the Customs rules and regulations.

As a result of the merger, the BOI certificate of registration for SMYAC's Glass Expansion Project under EO No. 226 was transferred to SMYPC. The registration entitles SMYPC to certain tax and other incentives including but not limited to ITH incentive starting March 1, 2019 and will expire on February 28, 2022.

SYFMC
On December 3, 2019, the BOI issued the certificate of registration to SYFMC's project as a new producer of molds for glass on a pioneer status under EO No. 226. The registration entitles SYFMC to certain tax and other incentives.

The ITH incentive is for a period of six years starting May 1, 2020 when it started its commercial operations. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue granted from the registered project.

e. SMCSLC

SMCSLC
SMCSLC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers, where SMCSLC is entitled to the following incentives:

i. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

ii. *Additional Deduction for Labor Expense.* For the first five years from registration, SMCSLC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

iii. *Importation of Capital Equipment, Spare Parts and Accessories*. For the operation of motor tankers, SMCSLC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

SLHBTC
In 2015, SLHBTC registered its own fuel storage facilities at Limay, Bataan under Registration No. 2015-027. In 2016, its newly built oil terminal located at Tagoloan, Cagayan de Oro was also registered with the BOI under Registration No. 2016-145. With the registration, SLHBTC is entitled to the following incentives under the RA No. 8479 from date of registration or date of actual start of commercial operations, whichever is earlier, and upon fulfillment of the terms enumerated below:

i. *ITH*

SLHBTC is entitled to ITH for five years without extension from date of registration or actual start of operations, whichever is earlier, but in no case earlier than the date of registration.

Only income directly attributable to the revenue generated from the registered project [Storage and Bulk Marketing of 172,000,000 liters (Tagoloan) or 35,000,000 liters (Limay) of petroleum products covered by Import Entry Declaration or sourced locally from new industry participants] pertaining to the capacity of the registered storage terminal shall be qualified for the ITH.

ii. *Additional Deduction from Taxable Income.* SLHBTC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH.

iii. *Minimum Duty of 3% and VAT on Imported Capital Equipment.* Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to the following conditions:

- they are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices;
- the equipment is reasonably needed and will be exclusively used in the registered activity; and
- prior BOI approval is obtained for the importation as endorsed by the DOE.

iv. *Tax Credit on Domestic Capital Equipment.* This shall be granted on locally fabricated capital equipment equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

v. *Importation of Consigned Equipment.* SLHBTC is entitled for importation of consigned equipment for a period of five years from the date of registration subject to posting of the appropriate bond, provided that such consigned equipment shall be for the exclusive use of the registered activity.

vi. *Exemption from Taxes and Duties on Imported Spare Parts for Consigned Equipment with Bonded Manufacturing Warehouse.* SLHBTC is entitled to this exemption upon compliance with the following requirements:

- at least 70% of production is imported;
- such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; and
- all such spare and supplies shall be used only on bonded manufacturing warehouse on the registered enterprise under such requirements as the Bureau of Customs may impose.

vii. *Exemption from Real Property Tax on Production Equipment or Machinery.* Equipment and machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity. BOI Certification to the appropriate Local Government Unit will be issued stating therein the fact of the applicant's registration with the BOI.

viii. *Exemption from the Contractor's Tax.* BOI certification to the BIR will be issued stating therein the fact of the applicant's registration with the BOI.

ix. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from date of registration. The President, General Manager and Treasurer of foreign-owned registered enterprise or their equivalent shall not be subject to the foregoing limitations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operation and/or date of registration.

<u>Molave Tanker Corporation (MTC)</u>
MTC is registered with the BOI under EO No. 226 for the operation of domestic cargo vessels and motor tankers with the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Apitong, 2,993GT).* The project was registered on January 11, 2017, where MTC is entitled to ITH for four years from January 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Guijo - 2,993 GT).* The project was registered on May 24, 2017, where MTC is entitled to ITH for four years from May 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, MTC is entitled to importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, MTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional Deduction for Labor Expense*. For the first five years from registration, MTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

<u>Balyena Tanker Corporation (BTC)</u>
BTC is registered with the BOI under EO No. 226 for the operation of domestic cargo vessels and motor tankers with the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (LPG Carrier/Tanker Vessel - BTC Balyena, 3,404 GT).* The project was registered on December 14, 2016, where BTC is entitled to ITH for four years from December 2016 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (One (1) Cargo Vessel - BTC Mt. Samat, 1,685 GT)*. The project was registered on July 30, 2018, where BTC is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Cargo Vessel BTC Harina, 872 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years from November 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Deck Cargo Vessel - BTC Mount Makiling, 1,685 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years from November 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Cargo Vessel - BTC Soya, 2,426 GT).* The project was registered on July 19, 2019, where BTC is entitled to ITH for four years from July 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator* (*Cargo Vessel - BTC Cassava, 2,426 GT*). The project was registered on July 19, 2019, where BTC is entitled to ITH for four years from July 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, BTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, BTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, BTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

vii. *Exemption from wharfage dues and any export tax, duty, impost and fees for a period of ten years from date of registration.*

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

<u>Narra Tanker Corporation (NTC)</u>
NTC is registered with the BOI under EO No. 226 for the operation of domestic cargo vessels and motor tankers with the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - NTC Agila, 1-2,112 GT).* The project was registered on May 24, 2017, where NTC is entitled to ITH for four years from May 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Haribon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from September 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Falcon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from September 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Heron, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Flamingo, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, NTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, NTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, NTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

f. Cement

<u>NCC</u>
On January 15, 2018, SMNCI was registered with the BOI as a new producer of cement on a non-pioneer status. SMNCI's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH for four years from January 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

viii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

As a result of the merger of NCC and SMNCI, the BOI registration for SMNCI's Lines A and B Cement Plant and Grinding Facility was transferred to NCC per BOI Management Committee Resolution No.38-07, Series of 2021.

NCC's cement lines A and B has not started its commercial operations as at December 31, 2021. Thus, NCC has not availed yet of any tax incentives.

Ionic Cementworks Industries Inc. (ICII)

- *New Producer of Cement (Barangay Ilayang Palsabangon, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status on April 17, 2018 under Certificate of Registration No. 2018-086. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

  i. ITH

     a) ITH for four years from May 2021 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

     b) Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

  ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No.22 and its Implementing Rules and Regulation.

  iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

- *New Producer of Cement (Malicboy Cement Plant Project, Barangay Kanlurang Malicboy, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status under Certificate of Registration No. 2021-095 on May 21, 2021. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH

a) ITH for four years from January 2026 or actual start of commercial operations of Line 1, whichever is earlier, but in no case earlier than the date of registration.

b) Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 85 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

ICII has not started commercial operations as at December 31, 2021. Thus, ICII has not availed yet of any tax incentives.

## 43. Other Matters

*a. Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- Deficiency Excise Tax/Excess Excise Tax Payments

  Filed by the Parent Company

  In 2004, the Parent Company was assessed of excise taxes by the BIR on "San Mig Light" which at that time was one of its products. These assessments were contested by the Parent Company but nonetheless made the corresponding payments. Consequently, the Parent Company filed three (3) claims for refund for overpayments of excise taxes with the BIR which were then elevated to the Court of Tax Appeals (CTA) by way of petition for review. The details of the such claims for refunds are as follows:

  (a) first claim for refund of overpayments for the period from February 2, 2004 to November 30, 2005 was filed on January 31, 2005 with the CTA First Division docketed as CTA Case No. 7405;

  (b) second claim for refund of overpayments for the period of December 31, 2005 to July 31, 2007 was filed on July 24, 2009 with the CTA Third Division docketed as CTA Case No. 7708; and

  (c) third claim for refund of overpayments for the period of August 1, 2007 to September 30, 2007 filed on July 24, 2009 with the CTA Third Division docketed as CTA Case No. 7953.

  In the meantime, effective October 1, 2007, the Parent Company spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

  *On the First Claim for Refund.* On October 18, 2011, the CTA (1st Division) rendered its joint decision in CTA Case Nos. 7052, 7053 and 7405, cancelling and setting aside the deficiency excise tax assessments against the Parent Company, granting the latter's claim for refund and ordering the BIR Commissioner to refund or issue a tax credit certificate in its favor in the amount of P782, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from February 1, 2004 to November 30, 2005. After unsuccessfully having the decision reconsidered, the BIR represented by the Office of the Solicitor General elevated the cases to the Supreme Court by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045.

*On the Second Claim for Refund*. On January 7, 2011, the CTA (3rd Division) under CTA Case No. 7708 rendered its decision in this case, granting the Parent Company's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue (CIR) to refund or issue a tax credit certificate in favor of the Parent Company in the amount of P926, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from December 1, 2005 up to July 31, 2007. This decision was elevated by the BIR Commissioner to the CTA *En Banc* and the appeal was denied in the case docketed as CTA EB No. 755. The Office of the Solicitor General filed with the Supreme Court a Petition for Review which was docketed as G.R. No. 205045.

On January 25, 2017, the Supreme Court, consolidating the First and Second Claims for refund, decided in the consolidated cases of G.R. Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period of December 1, 2005 to July 31, 2007, and P782 for the period of February 2, 2004 to November 30, 2005. The motions for reconsideration filed by the OSG were denied and the decision became final. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

On September 8, 2020, the BIR issued TCC Nos. 121-20-00012 and 121-20-00013 amounting to P782 and P926, respectively, in favor of the Parent Company. P62 out of the P782 TCC was partially applied to the Parent Company's 2021 tax obligations. As at December 31, 2021, the P926 TCC was not yet applied to any of the Parent Company's tax obligations.

*On the Third Claim for Refund*. CTA Case No. 7953 was consolidated with CTA Case No. 7973 filed by SMB, which consolidated cases were subsequently decided in favor of the Parent Company and SMB by the CTA Third Division, ordering the BIR to refund to them the joint amount of P934.

On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to P105 in favor of the Parent Company. P61 and P44 was applied to the Parent Company's tax obligations in 2021 and 2020, respectively.

Filed by SMB

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

(a) first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);

(b) second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);

(c) third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);

(d) fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);

(e) fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);

(f) sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

(g) seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(h) eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(i) ninth claim for refund of overpayments for the period from January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(j) tenth claim for refund of overpayments for the period from January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);

(k) eleventh claim for refund of overpayments for the period from January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019);

(l) twelfth claim for refund of overpayments for the period of January 1, 2019 to December 31, 2019 - Third Division docketed as CTA Case No. 10421 (December 16, 2020); and

(m) thirteenth claim for refund for overpayments for the period of January 23, 2020 to February 9, 2020 - docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022).

CTA Case No. 7973 was consolidated with CTA Case No. 7953. For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of P829 and the amount of P105 to SMC. The BIR appealed to the CTA *En Banc* which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of P829. SMB filed an application for the issuance of a TCC with the BIR.

The Integrated Tax System (ITS) TCC Trans No. 121-20-00009 was issued by the BIR in favor of SMB on August 10, 2020 in the amount of P829 (Note 32). P809 out of P829 was partially applied to SMB's 2020 tax obligations. The remaining P20 was applied in 2021.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731. The case was not elevated within the prescribed period, thus, the decision became final and executory. The BIR filed a Petition for Relief from Judgment which was denied by the CTA. Separately, the First Division granted SMB's Motion for Execution for the refund of P731, while the BIR filed a Petition for Certiorari before the Supreme Court (docketed as G.R. No. 221790). The Petition for Certiorari was dismissed by the Supreme Court with finality but the BIR still filed an Urgent Motion for Clarification. Subsequently, SMB received a clarificatory Resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's Petition for Certiorari and expunged from the records all pleadings of the BIR filed after its denial of BIR's Petition for Certiorari had become final and executory. SMB filed an application for the issuance of a TCC in the amount of P731. On November 6, 2019, the BIR issued ITS TCC Trans No. 121-19-00010 in favor of SMB which was fully utilized against SMB's tax obligations in 2020 (Note 32).

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA *En Banc.* The BIR was ordered to refund to SMB the amount of P699. The BIR elevated the case to the Supreme Court but the Supreme Court denied the BIR's petition through its March 20, 2017 Resolution. The BIR moved for reconsideration but the same was similarly denied by the Supreme Court through its July 24, 2017 Resolution. With the decision in favor of SMB, SMB moved for the execution of the decision on January 23, 2019 as the records of the case were already returned to the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 in favor of SMB. SMB filed an application for TCC issuance. The BIR issued ITS TCC Trans No. 121-19-00009 in favor of SMB on November 13, 2019 (Note 32) which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8591 was decided in favor of SMB by the CTA Second Division and CTA *En Banc*. The BIR was ordered to refund to SMB the amount of P740. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as G.R. No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. SMB filed a motion for the execution of the decision with the CTA Second Division. The CTA Second Division issued a Writ of Execution in the amount of P740 on November 13, 2019. SMB filed an application for TCC with the BIR in January 2020 which was issued on August 10, 2020. The said ITS TCC Trans No. 121-20-00008 with an amount of P740 (Note 32) has been fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA *En Banc* by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition.  The CTA *En Banc* denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019. The Supreme Court issued a Resolution dated January 27, 2021 denying the BIR's Petition for Review for failure to show any reversible error warranting the exercise by the Supreme Court of its discretionary appellate jurisdiction. SMB is awaiting the issuance of the corresponding Entry of Judgment.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the RTC rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA *En Banc* by way of a Petition for Review. On September 19, 2018, the CTA *En Banc* reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA *En Banc* in a resolution dated January 24, 2019.  The BIR sought anextension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated.  The records have been remanded and the case is now pending with the CTA Third Division.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 21, 2022, the CTA *En Banc* rendered a Decision denying the separate Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258812.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 4, 2021, the CTA *En Banc* affirmed the decision of CTA Second Division. Both parties filed motions for partial reconsideration of the CTA *En Banc*'s Decision. In its October 22, 2021 Resolution, the CTA *En Banc* denied the parties' motion for reconsideration. On December 16, 2021, SMB filed a Petition for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA *En Banc*. On February 10, 2022, the CTA *En Banc* rendered a Decision denying the Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258813.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division.

CTA Case No.10421, SMB's claim for refund for P162, was filed on December 16, 2020. SMB filed a Motion to Withdraw the Petition for Review as the BIR issued a TCC in the amount of P162 (Note 32). In its November 29, 2021 Resolution, the CTA granted SMB's Motion to Withdraw the Petition and deemed the Petition as withdrawn and the case closed and terminated. P80 was applied to SMB's tax obligations in 2021.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022. The case is yet to be raffled to a Division of the CTA. The case is a consolidation of two claims, to wit:

i. P8 under RA No. 10351 – the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on Revenue Memorandum Circular (RMC) No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the National Internal Revenue Code (NIRC), as amended by RA No. 10351 beginning January 1, 2020.

ii. P1,061 under RA No. 11467 – the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

<u>Administrative Case</u>
SMB filed an administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8 (Note 32). As at December 31, 2021, the TCC was not yet applied in any of SMB's tax obligations.

Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

(a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

    After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

    On July 28, 2020, the CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the CIR filed its Opposition.

    The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

    GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

    On January 4, 2022, GSMI elevated to the CTA *En Banc* the Decision dated July 28, 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

    Earlier, the CIR also filed a Petition for Review with the CTA *En Banc* elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division.

(b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

    After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA *En Banc* denied the Petition for Review filed by GSMI. The Decision dated February 6, 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 16, 2021, GSMI elevated the Decision of the CTA *En Banc* to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

The aforementioned assessments and collection cases arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

- Deficiency Tax Liabilities

IBI

(a) The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment (FDDA) issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA *En Banc* and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA *En Banc*. As a result, IBI paid the amount of P270 on August 26, 2016. On January 30, 2018, the CTA *En Banc* rendered a decision affirming the decision of the CTA First Division. IBI filed a Motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA *En Banc* in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for Review on September 7, 2018 docketed as G.R. Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR's Petition was docketed as G.R. Nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019. IBI's Petition was denied with finality on June 26, 2019.

On March 11, 2019, the Supreme Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of P285 as full satisfaction of the latter's supposed tax liability for taxable year 2009. The BIR further acknowledged that IBI no longer has any tax liability based upon, arising from, or in connection with CTA Case No. 8607.

On July 6, 2021, the Supreme Court approved the Compromise Agreement and considered G.R. Nos. 240651 and 240665 closed and terminated.

(b) On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA *En Banc* (docketed as CTA EB No 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110, where IBI requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA *En Banc* did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus IBI was ordered to pay a modified amount of P501 in light of the amendments under RA No. 10963, also known as Tax Reform for Acceleration and Inclusion (TRAIN Law), on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA *En Banc* has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR.

Noting the BIR's failure to file its Comment/Opposition, the Court issued a Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the BIR's Motion for Partial Reconsideration of the CTA *En Banc* Decision promulgated on September 18, 2018 and partially granting the Motion for Reconsideration filed by IBI of said CTA *En Banc* Decision.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911-12 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

On December 27, 2019, IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between the IBI and the BIR.

On September 2, 2020, the Supreme Court issued a Resolution requiring IBI and the BIR to manifest whether they consider the case closed and terminated. In compliance, IBI filed its manifestation on September 14, 2020. On December 3, 2020, IBI received a Manifestation filed by the BIR manifesting that in view of its receipt of certified true copy of Certificate of Availment (Compromise Settlement), the BIR considers the cases as closed.

On March 3, 2021, the Supreme Court considered GR Nos. 246911-12 and 246865, closed and terminated.

(c) On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax (DST) and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three Divisions of the Court.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, DST and compromise penalty are cancelled and set aside. However, the assessment for deficiency expanded withholding tax is affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review.

The CTA *En Banc* promulgated a Resolution on February 4, 2021 noting IBI's Comment to the Petition for Review, and referring the case for mediation in the Philippine Mediation Center - CTA.

SMFI

(a) SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. CIR CTA Case 9046

In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, an FDDA was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and DST assessments against SMFI.

SMFI filed a Request for Reconsideration which the CIR denied prompting SMFI to file a Petition for Review with the CTA, docketed as CTA Case No. 9046.

The CTA First Division granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

The BIR filed a Motion for Reconsideration with the CTA First Division, which was denied.

The BIR then filed a Petition for Review before the CTA *En Banc*, which was also denied.

While the Petition was pending, the BIR issued a Warrant of Distraint and/or Levy (WDL) against SMFI (as the surviving corporation). SMFI requested BIR for the lifting and cancellation of the WDL and filed an Urgent Omnibus Motion with the CTA to suspend collection of taxes and declare the WDL null and void.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a Judicial Compromise Agreement (JCA), which the Supreme Court approved on June 28, 2021. The Supreme Court further ruled that the case should be considered closed and terminated.

(b) SMFI vs. CIR CTA Case No. 9241

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI’s position that the use of the NOLCO and input tax credit from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

SMFI filed a Petition for Review before the CTA, docketed as CTA Case No. 9241.

The CTA Third Division rendered its decision granting SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR. The BIR then filed a Motion for Reconsideration which was denied.

Despite the finality of the Decision, the BIR issued a WDL against SMFI. SMFI requested BIR for the lifting and cancellation of the WDL.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a JCA, which was approved by the CTA Third Division.

The CTA Third Division also declared the WDL null and void and ordered it to be cancelled and withdrawn.

(c) SMFI vs. Office of the City Treasurer, City of Davao

SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

Following the dismissal of the appeals filed by SMFI with the Davao RTC, the following Petitions for review were filed with the CTA:

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018
- CTA Case AC No. 249, filed on February 26, 2021

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

The CTA First Division dismissed the Petition docketed as CTA Case AC No. 209. SMFI's Motion for Reconsideration was denied. A Petition for Review was then filed with the CTA *En Banc*, which is pending resolution to date.

The CTA First Division also dismissed the Petition docketed as CTA Case AC No. 210. SMFI's Motion for Reconsideration was likewise denied. SMFI's Petition for Review with the CTA *En Banc* is pending resolution.

The last Petition for Review docketed as AC No. 249 is still pending resolution.

- Oil Spill Incident in Guimaras

  On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTr and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

  Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2021. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the Court of Appeals issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering Petron to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, Petron filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far.

- Lease Agreements with PNOC

  On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

  The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and Petron executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, Petron, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

  The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Petron’s prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting Petron from possession of the subject properties until the case is decided.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. Petron also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted Petron’s motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to Petron’s conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to Petron of all such properties, and (iii) the payment by Petron to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. Petron also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to Petron all lease payments the latter had paid to PNOC since 1993.

Following the trial court’s denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. Petron filed its appellant’s brief in October 2020. PNOC filed its appellant’s brief in November 2020. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Petron’s position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Petron’s lease thereby depriving Petron a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the decision dismissed the Petron’s appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. The parties await the order of the Court of Appeals on the motions filed.

- Swakaya Sdn. Bhd. (Swakaya) Dispute

  In 2015, a disputed trade receivable balance of RM25 (P307) in favor of POMSB was reclassified to long-term receivables.

The dispute arose from the supply by POMSB of diesel to Swakaya. In 2013, POMSB entered into an agreement to supply diesel to Swakaya who subsequently sold the product to an operator of power plants in Sabah. In 2013, due to a government investigation, Swakaya's bank accounts were frozen which affected its ability to supply the power plants. Swakaya and the power plants operator agreed to ask POMSB to supply the power plants operator directly and, correspondingly, pay POMSB directly. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) which obligated the power plants operator to remit to SDB payments due to Swakaya. Due to some administrative issues, the moneys due to POMSB were remitted by power plants operator into a joint Swakaya/SDB Bank account. Despite SDB's earlier promise to remit the moneys to POMSB once it is established that the payment was for a direct supply to the power plants operator, SDB subsequently refused and set-off the moneys against Swakaya's debt to the bank. The sum involved was RM25 (P307). POMSB sued Swakaya and SDB before the Kota Kinabalu High Court for, among others, breach of trust. Swakaya did not appear in court and judgment was awarded in favor of POMSB and against Swakaya.

In April 2016, the Kota Kinabalu High Court ruled in favor of POMSB and a judgment sum inclusive of interest amounting to RM28 (P343) was deposited to its solicitor account in August 2016. SDB subsequently filed an appeal to Court of Appeal.

In May 2017, the Court of Appeal re-affirmed the decision of the Kota Kinabalu High Court and dismissed SDB's appeal with costs RM0.015 (P0.20) awarded to POMSB. In June 2017, SDB filed a Notice of Motion for leave to appeal to the Federal Court against the decision of the Court of Appeal, which was granted in April 2018. After hearing the appeal, in February 2020, the Federal Court allowed the appeal by SDB and set aside the Court of Appeal's decision. POMSB filed an application for a review by the Federal Court (to set aside its own decision). On August 2, 2021, the Federal Court disallowed the review. No further action was taken by POMSB and the decision of the Federal Court has attained finality.

Considering the length of time of litigation matters, a discount of RM8 (P95) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 (P20) was unwound in 2019 and recognized as interest income.

The balance amounting to RM23 (P282) was provided full impairment in 2019.

- Generation Payments to PSALM

  SPPC and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

  SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments calculated based on its interpretation and the amount which has already been paid by SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the performance bond posted by SPPC pursuant to the Ilijan IPPA Agreement.

On September 8, 2015, SPPC filed a Complaint with the RTC of Mandaluyong City. In its Complaint, SPPC requested the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld. The Complaint also asked that a 72-hour Temporary Restraining Order (TRO) be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended for until September 28, 2015.

On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 19, 2015, the RTC also issued an order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco.

In an order dated June 27, 2016 (the "June 27, 2016 RTC Order"), the RTC denied PSALM's: (1) Motion for Reconsideration of the order dated September 28, 2015, which issued a writ of preliminary injunction enjoining PSALM from further proceedings with the termination of the Ilijan IPPA Agreement while the case is pending; (2) Motion for Reconsideration of the order dated October 19, 2015, which allowed Meralco to intervene in the case; and (3) Motion to Dismiss. In response to June 27, 2016 RTC Order, PSALM filed a petition for certiorari with the Court of Appeals seeking to annul the same. PSALM also prayed for the issuance of a TRO and/or writ of preliminary injunction "against public respondent RTC and its assailed orders". The Court of Appeals, however, denied the petition filed by PSALM in its decision dated December 19, 2017 ("CA Decision"). In the CA Decision, the Court of Appeals upheld the lower court's issuance of a writ of preliminary injunction against PSALM prohibiting the termination of the Ilijan IPPA Agreement while the case in the lower court is pending.

PSALM filed its Motion for Reconsideration dated January 19, 2018 to the CA Decision. In a Resolution dated July 12, 2018 (the "2018 CA Resolution"), the Court of Appeals denied PSALM's Motion for Reconsideration of the CA Decision.

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the Supreme Court praying for the reversal and nullification of the CA Decision and the 2018 CA Resolution. Said petition was denied by the Supreme Court in its resolution dated March 4, 2019 (the "March 4, 2019 SC Resolution") due to lack of payment of the required fees and for PSALM's failure to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the exercise of the Court of Appeals' discretionary appellate jurisdiction. The motion for reconsideration filed by PSALM pursuant to the March 4, 2019 SC Resolution was denied by the Supreme Court in a resolution dated August 5, 2019 which became final and executory through an Entry of Judgment issued by the Supreme Court on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself in the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Request for Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM's Motion to Hear Affirmative Defense and granted SPPC's Motion for Production of Documents. PSALM then filed a Motion for Reconsideration of the said order. On December 14, 2018, SPPC filed its opposition to the Motion for Reconsideration. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much lease reverse, its order dated September 24, 2018 which denied the Motion to Hear Affirmative Defenses filed by PSALM.

On July 23, 2019, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction with the Court of Appeals, seeking the reversal of the September 24, 2018 and April 29, 2019 orders of the RTC. Although, the Court of Appeals dismissed the Petition for Certiorari filed by PSALM in a Resolution dated August 23, 2019 (the "2019 CA Resolution"), the Court of Appeals subsequently granted the Motion for Reconsideration filed by PSALM in response to the 2019 CA Resolution. In a Resolution dated February 24, 2020, the Court of Appeals required PSALM to revise its petition and send the revised copies to SPPC and Meralco.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its Opposition to this motion citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM filed several pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (2) Motion for Reconsideration of the RTC's Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. On July 6, 2020, SPPC filed an Opposition to the Motion for Reconsideration filed by PSALM on the RTC's Order of February 14, 2020.

PSALM also filed a Reply to SPPC's Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction. In August 2020, PSALM also filed a Reply to the Supplemental Opposition to the Motion Ad Cautelam to Dissolve the Writ of Preliminary Injunction. On September 14, 2020, SPPC filed a Motion to Admit Consolidated Rejoinder and Consolidated Rejoinder. The Consolidated Rejoinder addresses both PSALM's Reply to the Opposition to the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction and its Reply to SPPC's Supplemental Opposition to the same motion.

In September 2020, PSALM filed an Urgent Ex Parte Motion for Early Resolution of its Motion for Leave to File the Amended Answer Ad Cautelam.

In an Order dated November 17, 2020, the RTC considered as submitted for resolution, PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File the Amended Answer Ad Cautelam. On January 29, 2021 PSALM filed a Motion for Reconsideration. SPPC filed an Opposition and PSALM filed a Reply.

On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. PSALM has filed an Opposition to the motion.

In an Order dated March 23, 2021 (the "March 23, 2021 RTC Order"), the RTC denied PSALM's Motion for Reconsideration of the Order of November 27, 2020, which denied the Motion for Leave to File Amended Answer Ad Cautelam. In the same Order, the RTC also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

The mediation scheduled on April 19, 2021, was not held because the Supreme Court directed the closure of courts and related offices, including the Philippine Mediation Center, for the duration of the enhanced community quarantine and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled March 23, 2021 RTC Order, where it set the case for mediation given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case on June 18, 2021. The pre-trial was however cancelled and no new schedule was provided by the RTC. SPPC filed a motion to postpone the pre-trial on the ground that it still has a pending Motion for Reconsideration of the order denying its Motion for Summary Judgement. PSALM filed a Motion for Leave to File a Supplemental Pre-trial Brief, purportedly for purposes of complying with Section 6, Rule 18 of the Amended Rules of Civil Procedure.

On June 21, 2021, SPPC received PSALM's Opposition to its Motion for Reconsideration of the Order denying the Motion for Summary Judgment. On June 25, 2021, SPPC filed a Motion for Leave to File Reply and Reply to PSALM's Opposition. On July 19, 2021, PSALM moved for reconsideration of the court's postponement of the pre-trial and filed a Rejoinder to SPPC's Reply.

The RTC suspended pre-trial proceedings until after its resolution of SPPC's Motion for Reconsideration of the denial of the Motion for Summary Judgment.

In June 2021, PSALM also filed a petition for certiorari under Rule 65 of the rules of Court to annul the trial court's Order of November 27, 2020, which denied PSALM's Motion for Leave to File Amended Answer, and the March 23, 2021 RTC Order, which denied PSALM's Motion for Reconsideration of the Order of denial. The petition has been docketed as CA-G.R. SP NO. 169443.

On August 5, 2021, the Court of Appeals issued a Resolution, directing SPPC to file a Comment on the petition in CA-G.R. SP NO. 169443 within 10 days, and PSALM to file a Reply within five days from its receipt of the Comment. Since the courts in the National Capital Region were physically closed until October 15, 2021 because of the quarantine, SPPC was only able to file the Comment by registered mail on October 6, 2021. PSALM filed its reply on October 29, 2021.

On September 13, 2021, the RTC denied SPPC's motion for partial reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021.

The case underwent pre-trial on November 19, 2021 while the presentation of evidence is scheduled on January 28, February 18, and March 4 and March 25, 2022. The January 28, 2022 hearing by video conferencing was cancelled due to the physical closure of courts in the National Capital Region while the February 18, 2022 hearing, was cancelled upon the motion of the counsel for PSALM.

On December 7, 2021, the RTC denied the Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction filed by PSALM. PSALM filed a Motion for Reconsideration to which SPPC has filed an Opposition.

Meanwhile, the proceedings before the RTC continues and by virtue of the Preliminary Injunction issued by the RTC, SPPC continues to be the IPP Administrator for the Ilijan Power Plant without any restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its PSA with the latter, or the ability of SPPC to take possession of the Ilijan Power Plant upon the expiry of the Ilijan IPPA Agreement in June 2022.

- Intellectual Property Rights

  i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

     When the Court of Appeals affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the Petition) with the Supreme Court. The Supreme Court denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the Supreme Court *En Banc*. The Supreme Court denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the Supreme Court *En Banc*.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of "*League of Cities vs. Commission of Elections*" (G.R. Nos. 176951, 177499 and 178056) to invite the Supreme Court *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the Supreme Court *En Banc* issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the Supreme Court Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R Nos. 216104, 210224 and 219632) with the *En Banc* case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO]."

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

ii. G.R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the RTC, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the Court of Appeals, due to technicalities, two cases were lodged in the Court of Appeals: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the Court of Appeals reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the Court of Appeals ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The Court of Appeals likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the Court of Appeals also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term, there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the Court of Appeals, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The Court of Appeals added that "the mere use of the word 'GINEBRA' in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product", and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the Supreme Court, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the Supreme Court on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.
The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the Court of Appeals reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The Court of Appeals ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the Supreme Court, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

- Imported Industrial Fuel Oil

SLHBTC has an on-going case with the CTA against the Commissioner of Customs (the Commissioner). On January 16, 2016, a Warrant of Seizure and Detention was issued against the 44,000 metric tons of fuel imported by SLHBTC with approximate value of P751. The Commissioner alleged that SLHBTC discharged fuel directly from the vessel carrying SLHBTC's imported fuel to another vessel via loop loading without paying duties and taxes and therefore, violating the Customs Modernization Tariff Act and other customs regulations. On January 20, 2017, the District Collector of Customs issued a decision forfeiting the fuel in favor of the government.

Subsequently, SLHBTC filed with the CTA a petition seeking the lifting and termination of the Warrant of Seizure and Detention and the reversal of the decision issued by the District Collector of Customs.

On April 19, 2017, SLHBTC filed with the CTA a Motion for Special Order to release the 44,000 metric tons of fuel, which was granted on January 28, 2018 subject to the posting of a surety bond amounting to P123 or one and one-half times of the assessed amount of P82 representing VAT. SLHBTC posted the surety bond and the 44,000 metric tons of fuel were released.

On September 18, 2018, a pre-trial conference was conducted.

However, by Order dated September 25, 2018, the case was transferred to the CTA First Division.

The latest court hearing for the presentation of evidence was made in February 2020.

On December 1, 2020, the customs officer representing the District Collector of Customs was cross-examined by the SLHBTC legal counsel. He admitted that he did not examine the imported documents prior to recommending the issuance of a Writ of Seizure and Detention.

On February 2021, the case was deemed submitted for decision. As at the reporting date, the case is still pending decision with the CTA.

On February 24, 2022, the Petition for Review filed by SLHBTC in March 2017 was granted by the CTA. Accordingly, the Warrant of Seizure and Detention was lifted, and the decision issued by the District Collector of Customs in January 2017 was reversed and set aside. In addition, the order granted by the CTA in January 2018 to release the 44,000 metric tons of fuel is now permanent and the surety bond of P123 shall be released and discharged upon finality of judgement.

SLHBTC and its legal counsel assessed that it has a meritorious case and the final outcome will not have a material adverse effect on the SLHBTC's business financial condition and results of operations.

- Criminal Cases

SPPC

On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of RA No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, before the DOJ, against certain officers of PSALM, in connection with the termination of SPPC's Ilijan's IPPA Agreement, which was made by PSALM with manifest partially and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount US$60. On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action where it is still pending to date.

On a related matter, on November 14, 2018, SPPC filed with the Office of the Ombudsman-Field Investigation Office, an administrative complaint against an executive officer of PSALM and several unidentified persons for violation of the Ombudsman Act and the Revised Administrative Code, in the performance of their functions as public officers. The case is still pending with the Ombudsman-Field Investigation Office.

SMEC

On October 21, 2015, SMEC filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of Team Philippines Energy Corp. (TPEC) and TeaM Sual Corporation, relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SMEC.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file an Information against the respondents for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019. The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said DOJ's Resolution of July 29, 2016 with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SMEC filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution. Said motion is still pending to date.

- Civil Case

On June 17, 2016, SMEC filed with the RTC Pasig a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SMEC's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant ("Sale of the Excess Capacity"). With the filing of the complaint, SMEC also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

On October 3, 2016, SMEC filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender ("Omnibus Motion"). Together with this Omnibus Motion, SMEC consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

On July 5, 2017, SMEC consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SMEC also filed a Motion to Admit Second Supplemental Complaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignation filed by SMEC on the ground that the court has no jurisdiction over the subject matter of the complaint and finding that the ERC has the technical competence to determine the proper interpretation of "contracted capacity", the fairness of the settlement formula and the legality of the memorandum of agreement.

On July 4, 2018, SMEC filed its Motion for Reconsideration to the May 22, 2018 order which dismissed the consignation case. The Motion for Reconsideration was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the Motion for Reconsideration and SMEC filed its Reply to PSALM's Comment on August 13, 2018. The motion has not yet been resolved as of date.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case.

On December 13, 2019, the case was re-raffled to Branch 268. On February 7, 2020, a clarificatory hearing was held and Branch 268 noted the pending incidents, which are: (a) SMEC's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SMEC's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

In an Order dated September 30, 2021, the RTC Branch 268: (a) granted SMEC's Motion for Reconsideration of the Order of May 22, 2018, which dismissed the case for lack of jurisdiction; (b) granted SMEC's Omnibus Motion to Admit Supplemental Complaint and Allow Future Consignations without Tender; and (c) reinstated the Complaint (the "September 30, 2021 Order").

RTC Branch 268 scheduled the pre-trial on December 13, 2021 but the pre-trial was postponed because PSALM filed an Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial. SMEC has already filed an Opposition to the Omnibus Motion.

Further related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the ERC against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SMEC filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case. The complaint is still pending with the ERC to date.

As at December 31, 2021 and 2020 the total amount consigned with the RTC Pasig is P491, included under "Other noncurrent assets", particularly "Restricted cash" account, in the consolidated statements of financial position (Note 18).

- TRO Issued to Meralco

SMEC, SPPC, SPDC, MPPCL and other generation companies became parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction ("Petition") filed in the Supreme Court by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. On December 23, 2013, the Supreme Court issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition ("Counter-Petition") which prayed, among others, for the inclusion of SMEC, SPPC, SPDC, MPPCL and several generators as respondents to the case. On January 10, 2014, the Supreme Court issued an order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SMEC, SPPC, SPDC and MPPCL as respondents in the Petition.

On February 18, 2014, the Supreme Court extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a resolution dated April 22, 2014, the Supreme Court extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014. To date, the Petition is pending resolution with the Supreme Court.

- ERC Order Voiding WESM Prices

Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the "March 3, 2014 Order"). On March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the order within which to comply with the settlement of their respective adjusted WESM bills in accordance with the March 3, 2014 Order. The period to comply with the settlement of the adjusted WESM bills was further extended by the ERC in a subsequent order dated May 9, 2014. Based on these orders, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC and MPPCL recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

SMEC, SPPC, SPDC and MPPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the Supreme Court to stop the implementation of the March 3, 2014 Order.

On June 26, 2014, SMEC, SPPC and SPDC filed with the Court of Appeals a Petition for Review under Rule 43 of the Revised Rules of Court assailing the ERC orders dated March 3, 27 and May 9, 2014 (the “2014 ERC Orders”). On the other hand, MPPCL filed its Petition for Review with the Court of Appeals on December 12, 2014.

After consolidating the cases, the Court of Appeals, in its decision dated November 7, 2017 (the “November 7, 2017 Decision”), granted the Petition for Review filed by SMEC, SPPC, SPDC, and MPPCL, declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

Motions for Reconsideration of the November 7, 2017 Decision and Motions for Intervention and Motions to Admit Motions for Reconsideration were filed by various intervenors.

In a resolution dated March 22, 2018 (the “March 22, 2018 Resolution”), the Court of Appeals denied the aforesaid motions. In June 2018, the intervenors filed their respective motions for reconsideration of the said resolution of the Court of Appeals dated March 22, 2018. On June 27, 2018, MPPCL filed a Consolidated Comment to various Motions for Reconsideration while SMEC, SPPC and SPDC filed their Consolidated Opposition to said Motions for Reconsideration on July 27, 2018.

On March 29, 2019, the Court of Appeals issued an Omnibus Resolution affirming the November 7, 2017 Decision and the March 22, 2018 Resolution.

The intervenors thereafter filed petitions for certiorari before the Supreme Court, First Division. Each were denied by the Supreme Court through its resolutions dated September 11, 2019 and October 1, 2019 generally on the same ground that the petitioners each failed to sufficiently show that the Court of Appeals committed any reversible error in promulgating its resolution dated March 22, 2018 denying petitioners’ motions to intervene and the subsequent Omnibus Resolution dated March 29, 2019 denying the petitioners’ motions for reconsideration of the denial of their respective motions to intervene.

MPPCL filed on January 22, 2020, while SMEC, SPPC and SPDC filed on January 30, 2020, their respective Comments on the Petition for Review filed by the ERC with the Supreme Court. In its petition, the ERC appealed the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019, which nullified and set aside the 2014 ERC Orders, which declared the WESM prices for November and December 2013 void.

PEMC also filed a Motion to Admit Comment and Comment on the ERC's Petition for Review both dated March 12, 2020.

In a Resolution dated February 10, 2020, the Supreme Court directed the respondents to file their respective Comments on the Petition for Review filed by Meralco ("Meralco Petition"). SMEC, SPPC and SPDC, received, through counsel, a copy of the Resolution on June 25, 2020. SMEC, SPPC and SPDC filed on July 15, 2020, while MPPCL filed on July 16, 2020, their Comments on the Meralco Petition, all within the period of extension granted by the Supreme Court.

On July 9, 2020, AP Renewables Inc. ("APRI") filed a Motion to Consolidate praying for the Supreme Court to direct the consolidation of the foregoing case with ERC v. SMEC, et. al. (SC-G.R. Nos. 246621-30, First Division). The ERC, through the Office of the Solicitor General, filed a Manifestation and Motion dated September 15, 2020, agreeing with APRI but deferring to the judgment of the Supreme Court on the matter.

On July 21, 2020, Meralco filed a Motion for Leave to File and Admit the Attached Manifestation with Manifestation, both of even date, (collectively, "Meralco Manifestation"), praying that the Supreme Court apply the ruling in the case of PSALM v. PEMC (G.R. No. 190199, March 11, 2020) in resolving the instant case. The Supreme Court has not yet issued an order to respondents to comment on said Meralco Manifestation.

On September 22, 2020, SMEC, SPPC and SPDC filed motions to admit their Comment on the Meralco Manifestation.

Entries of judgment have been issued by the Supreme Court certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SMEC, SPPC, SPDC and MPPCL, among others, have become final and executory.

In a Resolution dated November 4, 2020, the Supreme Court directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the Meralco Petition to the third division of the Supreme Court handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020. To date, the case remains pending with the Supreme Court.

Upon finality of the decision, a claim for refund may be made by the relevant subsidiaries with PEMC for an amount up to P2,322, plus interest.

*b. EPIRA*

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which SMC Global was selected winning bidder of the IPPA Agreements (Note 34).

The EPIRA requires generation and DU companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2021 and 2020.

c. *Notice of Withdrawal of Philippine Competition Commission (PCC) Notification for the Acquisition of Holcim Philippines, Inc. (HPI)*

On May 10, 2019, the Parent Company, through FSCII, a subsidiary of SMEII, signed a definitive agreement to acquire a controlling interest in HPI from entities controlled by Lafarge Holcim which was subject to the PCC review and approval.

On April 23, 2020, the PCC issued Commission Resolution No. 010-2020 which resolved to suspend all proceedings pending before it during the ECQ period in accordance with Administrative Order No. 30, issued by the President of the Philippines on April 21, 2020. On May 10, 2020, the Parent Company disclosed to the PSE, that the agreement to acquire the 85.73% shares of HPI, between and among FSCII, the Parent Company and Holderfin B.V. dated May 10, 2019, has lapsed in accordance with its terms. The completion of the acquisition required the approval of the PCC which was not able to be achieved. In view of the foregoing, the proposed acquisition by FSCII of the 85.73% of HPI shall no longer proceed. Accordingly, FSCII withdrew the launch of the tender offer of the HPI shares held by its minority shareholders which was made by the Parent Company on September 23, 2019. On May 13, 2020, Top Frontier filed a notice of withdrawal of its notification to the PCC covering the aforementioned proposed acquisition.

d. *Effect of COVID-19*

2021 was a year of economic recovery which saw business operations once again opening up, while the challenges of COVID-19 still remained throughout the year. Commercial activities have started to pick up as COVID-19 quarantine restrictions were relatively lighter compared to 2020.

The Parent Company and its subsidiaries have shown a strong recovery, registering a 30% increase in sales compared to 2020 and just 8% behind pre-pandemic level in 2019 from a 29% decline in 2020. Consolidated operating income grew 64% from the previous year and 1% higher than the 2019 pre-pandemic level.

e. *Uncertainty Due to Russia-Ukraine Conflict*

The ongoing conflict between Russia and Ukraine has no direct effect to the Parent Company and its subsidiaries. Petron, the Fuel and Oil business of the Parent Company, primarily sources its crude requirement from the Middle East and does not have a term crude supply contract with Russia. However, based on recent events and market sentiments, oil prices are expected to be high during the crisis and in the event of a protracted conflict, oil supply could become tight.

The extent to which the ongoing conflict will affect the Parent Company and its subsidiaries will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 10, 2022.

f. *Commitments*

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

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

These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

g. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries, associates and joint ventures to Philippine peso were closing rates of P50.999 and P48.023 in 2021 and 2020, respectively, for consolidated statements of financial position accounts; and average rates of P49.285, P49.624 and P51.790 in 2021, 2020 and 2019, respectively, for income and expense accounts.

*h.* Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

**San Miguel Corporation**
**Proceeds from Issuance of Series "2", in Subseries “J" Preferred Shares**
**December 31, 2021**
***(Amounts in Millions)***

| | | | | | |
|---|---|---|---|---|---|
| **i)** | **Gross and Net Proceeds as Disclosed in the Final Prospectus** | | | | |
| | Gross Proceeds | | | **P** | 20,000 |
| | Estimated Fees, Commissions and Expenses Relating to the Issue: | | | | |
| | Underwriting fees for the Series 2-J Preferred Shares being sold by the Company | **P** | 65 | | |
| | Taxes to be paid by the Company | | 13 | | |
| | Philippine SEC filing and legal research fee | | 6 | | |
| | PSE filing fee (inclusive of VAT) | | 22 | | |
| | Estimated legal and other professional fees | | 5 | | |
| | Estimated other expenses | | 3 | | 114 |
| | Net Proceeds | | | **P** | 19,886 |
| **ii)** | **Actual Gross and Net Proceeds** | | | | |
| | Gross Proceeds | | | **P** | 20,000 |
| | Underwriting fees | **P** | 63 | | |
| | Taxes | | 10 | | |
| | Philippine SEC filing and legal research fee | | 6 | | |
| | PSE filing fee (inclusive of VAT) | | 22 | | |
| | Estimated legal and other professional fees | | 4 | | |
| | Other expenses | | 3 | | 108 |
| | Net Proceeds/Balance of the Proceeds | | | **P** | 19,892 |
| **iii)** | **Each Expenditure Item Where the Proceeds were Used** | | | | |
| | Additional investment in San Miguel Holdings Corp. for the following infrastructure projects of its subsidiaries: | | | | |
| | Manila International Airport | | | **P** | 15,322 |
| | Mass Rail Transit 7 | | | | 4,094 |
| | Total Expenditure Where the Proceeds Were Used | | | **P** | 19,416 |
| **iv)** | **Balance of the Proceeds as of End of Reporting Period** | | | **P** | 476 |

**San Miguel Corporation**
**Proceeds from Issuance of Series "2", in Subseries “K” Preferred Shares**
**December 31, 2021**
***(Amounts in Millions)***

| | | | | | |
|---|---|---|---|---|---|
| **i)** | **Gross and Net Proceeds as Disclosed in the Final Prospectus** [a] | | | | |
| | Gross Proceeds | | | **P** | 20,000 |
| | Estimated Fees, Commissions and Expenses Relating to the Issue: | | | | |
| | Underwriting fees for the Series 2-K Preferred Shares being sold by the Company | **P** | 118 | | |
| | Taxes to be paid by the Company | | 13 | | |
| | Philippine SEC filing and legal research fee | | 5 | | |
| | PSE filing fee (inclusive of VAT) | | 22 | | |
| | Estimated legal and other professional fees | | 5 | | |
| | Estimated other expenses | | 4 | | 167 |
| | Net Proceeds | | | **P** | 19,833 |
| **ii)** | **Actual Gross and Net Proceeds** [b] | | | | |
| | Gross Proceeds | | | **P** | 13,793 |
| | Underwriting fees | **P** | 80 | | |
| | Taxes | | 7 | | |
| | Philippine SEC filing and legal research fee | | 5 | | |
| | PSE filing fee (inclusive of VAT) | | 22 | | |
| | Estimated legal and other professional fees | | 3 | | 117 |
| | Net Proceeds/Balance of the Proceeds | | | **P** | 13,676 |
| **iii)** | **Each Expenditure Item Where the Proceeds were Used** | | | | |
| | Investment in Bank of Commerce through SMC Equivest Corporation | | | **P** | 5,500 |
| **iv)** | **Balance of the Proceeds as of End of Reporting Period** | | | **P** | 8,176 |

[a] The Gross and Net Proceeds as disclosed in Final Prospectus is based on (a) 133,333,400 Series "2" Preferred Shares with an (b) oversubscription option of 133,333,267 Series "2" Preferred Shares at P75.00 per share amounting to P20,000 million.

[b] The Actual Gross and Net Proceeds is based on (a) 133,333,400 Series "2" Preferred Shares with an (b) oversubscription option of 50,571,500 Series "2" Preferred Shares at P75.00 per share amounting to P13,793 million.

**ANNEX “C”**

# SUPPLEMENTARY SCHEDULES

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**REPORT OF INDEPENDENT AUDITORS**
**TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING**
**WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2021, on which we have rendered our report dated March 18, 2022.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

KPMG

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

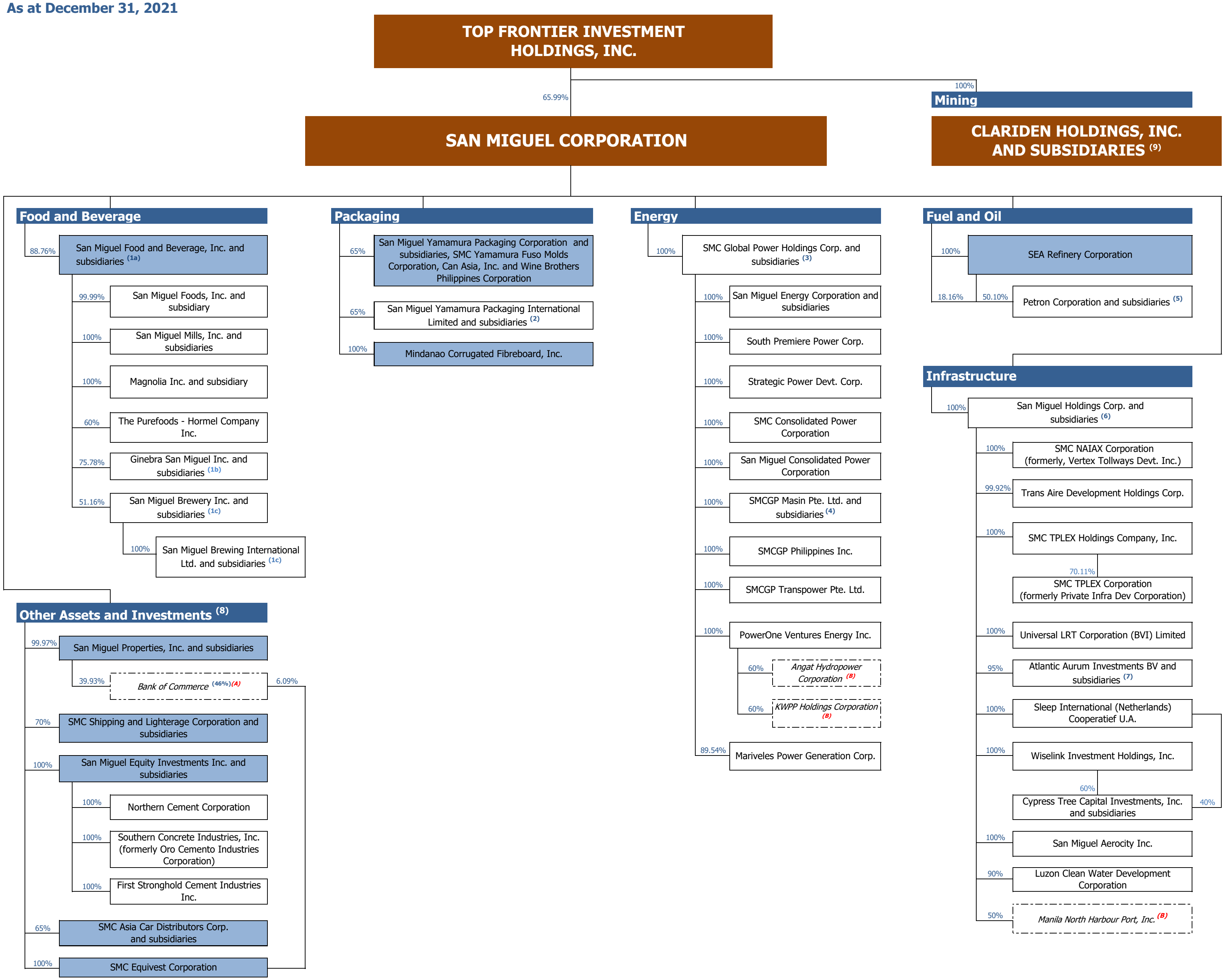
**R.G. MANABAT & CO.**

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854088
Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

# SAN MIGUEL CORPORATION GROUP STRUCTURE *

As at December 31, 2021




* The group structure includes the Parent Company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries, associates and joint ventures.

Note:
(A) Associate
(B) Joint Venture

## I. Subsidiaries

1. San Miguel Food and Beverage Inc. subsidiaries also include: (a) 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, San Miguel Pure Foods (VN) Co., Ltd.; (b) Ginebra San Miguel Inc. 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 (c) San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and 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 Company Limited, San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at December 31, 2021.

2. San Miguel Yamamura Packaging International Limited subsidiaries include 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, 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., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYB Pty Ltd, SMYP Pty Ltd, Cospak Ltd (New Zealand), SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Limited. SMYB Pty Ltd is in the process of liquidation as at December 31, 2021.

3. SMC Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc., SMC Power Generation Corp., Albay Power and Energy Corp., Lumiere Energy Technologies Inc., Universal Power Solutions, Inc., SMCGP Philippines Energy Storage Co. Ltd. and Prime Electric Generation Corporation and subsidiary, Alpha Water and Realty Services, Corp.

4. SMCGP Masin Pte. Ltd. subsidiaries include SMCGP Masinloc Partners Company Limited, SMCGP Masinloc Power Company Limited and Masinloc Power Partners Co. Ltd. SMCGP Masin Pte. Ltd. is in the process of liquidation as at December 31, 2021.

5. Petron Corporation subsidiaries include 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.

6. San Miguel Holdings Corp. subsidiaries include Optimal Infrastructure Development, Inc., ULCOM Company Inc., Terramino Holdings, Inc. and subsidiary, Alloy Manila Toll Expressways Inc., SMC Infraventures, Inc. and subsidiary, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways Inc.) and SMC Mass Rail Transit 7 Inc.

7. Atlantic Aurum Investments B.V. subsidiaries include 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.), and SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corp., 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).

8. Other Assets and Investments also include San Miguel International Limited and subsidiaries, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services, Inc. and subsidiary, Anchor Insurance Brokerage Corporation, Davana Heights Development Corporation and subsidiaries and Petrogen Insurance Corporation.

## II. Co-Subsidiary

9. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp., Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group).

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**REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation (the Company) as at and for the year ended December 31, 2021, on which we have rendered our report dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8854088
Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

**RECONCILIATION OF RETAINED EARNINGS**
**AVAILABLE FOR DIVIDEND DECLARATION**
(In Millions)
**AS OF DECEMBER 31, 2021**

**SAN MIGUEL CORPORATION**
No. 40 San Miguel Avenue, Mandaluyong City

| | |
|---|---|
| **Unappropriated Retained Earnings, January 1, 2021** | **P490,594** |
| **Adjustments:** | |
| *(see adjustments in previous year's reconciliation)* | **(402,653)** |
| Unappropriated retained earnings as adjusted, January 1, 2021 | **87,941** |
| **Add: Net income actually earned/realized during the period** | |
| Net income during the period closed to retained earnings | **1,194** |
| Deferred tax assets | **1,949** |
| **Net income actually earned during the period** | **3,143** |
| **Less: Dividends and distributions declared during the period** | **(11,507)** |
| **Total Unappropriated Retained Earnings Available for Dividend Declaration, December 31, 2021** | **P79,577** |

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**REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Board of Directors and Stockholders
**San Miguel Corporation**
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2021, on which we have rendered our report dated March 18, 2022.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies.

This supplementary information is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
  covering the audit of 2019 to 2023 financial statements
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PTR No. MKT 8854088
  Issued January 3, 2022 at Makati City

March 18, 2022
Makati City, Metro Manila

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**FINANCIAL SOUNDNESS INDICATORS**

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2021 and 2020 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2021 and 2020 for operating efficiency ratios.

| | 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 | **4%** | (20%) |
| Revenue Growth | **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 | $\dfrac{\text{Current Assets - Inventory - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$ |
| 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 | $\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$ |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2021**



* Balance of account is less than 5% of total assets of the Group

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE A - FINANCIAL ASSETS**
**DECEMBER 31, 2021**
**(Amounts in Millions, except No. of Shares Data)**

| Name of Issuing Entity / Description of Each Issue | Number of shares or Principal Amount of Bonds and Notes | Amount Shown in the Statements of Financial Position | Value Based on Market Quotations at Dec. 31, 2021 | Income (Loss) Received and Accrued |
|---|---|---|---|---|
| Cash and cash equivalents | - | ₱ 300,030 | Not applicable | ₱ 3,052 |
| Trade and other receivables - net | - | 161,808 | Not applicable | 352 |
| Derivative assets | - | 1,529 | Not applicable | (9,427)* |
| Financial assets at FVPL | - | 298 | Not applicable | 23 |
| Financial assets at FVOCI** | - | 41,982 | ₱ 41,982 | 2,695 |
| Financial assets at amortized cost** | - | 577 | 577 | 6 |
| Noncurrent receivables and deposits - net | - | 32,310 | Not applicable | 32 |
| Restricted cash | - | 12,965 | Not applicable | 34 |
| | | ₱ 551,499 | ₱ 42,559 | ₱ (3,233) |

* *This represents net marked-to-market gains/losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.*

** *The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS.*

See Notes 39 and 40 of the Consolidated Financial Statements.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS**
**DECEMBER 31, 2021**
***(Amounts in Millions, Except No. of Shares Data)***

| Name of Issuing Entity | No. of Shares or Principal Amount of Bonds and Notes | | Value Based on Market Quotation at December 31, 2021 (a) |
|---|---|---|---|
| **San Miguel Corporation** | | | |
| Alabang Country Club | 7 | P | 47 |
| Alta Vista Golf and Country Club | 2 | | 1 |
| Apo Golf & Country Club | 3 | | - |
| Baguio Country Club | 1 | | 4 |
| Bancom Group Inc | 999,546 | | - |
| Calatagan Golf Club | 1 | | - |
| Camp John Hay | 2 | | 1 |
| Canlubang Golf Club | 3 | | 5 |
| Capitol Hills Golf & Country Club | 1 | | - |
| Casino Espanol de Manila | 2 | | - |
| Cebu Country Club | 1 | | 8 |
| Celebrity Sports Plaza | 3 | | - |
| Club Filipino | 8 | | 4 |
| Continental Potash | 7,909 | | - |
| Evercrest | 2 | | - |
| Export & Industry Bank | 940,560,000 | | - |
| Green Valley Club - Baguio | 1 | | - |
| Greenfield Tennis Club | 3 | | - |
| Iloilo Golf Club | 1 | | - |
| Inter island Broadcasting Corp | 4,458,928 | | - |
| Landgolf Inc | 2 | | - |
| Makati Executive Center | 1 | | - |
| Makati Sports Club | 11 | | 8 |
| Manila Bankers Life | 250,000 | | 1 |
| Manila Electric Company | 100,331 | | 1 |
| Manila Golf & Country Club | 3 | | 201 |
| Manila Polo Club | 2 | | 50 |
| Manila Southwoods Golf & Country Club | 1 | | 2 |
| Medical Doctors Inc. | 83,379 | | 203 |
| Merchant Investment | 41,660 | | - |
| Metropolitan Club | 2 | | 1 |
| Metropolitan Theater | 198 | | - |
| Mimosa Golf & Country Club | 3 | | 2 |
| Monserrat Trading | 1,000 | | - |
| Motor Services | 52,500 | | - |
| Naga Telephone Co. | 220 | | - |
| Negros Occidental Golf club | 6 | | - |
| Norcem Philippines | 80,000 | | - |
| Orchard Golf & Country Club | 5 | | 4 |
| Pacific Club Corporate | 1 | | - |
| Pantranco South Express | 340,992 | | - |
| People's Press | 1,500 | | - |
| Phil. Columbian Club | 3 | | - |
| Phil. Dealing Sytem Holding Corp. | 250,000 | | 25 |
| Phil. International Fair | 500 | | - |
| Phil. Long Distance Tel. Co | 230,594 | | 2 |
| Phil. Overseas Resources | 10,000 | | - |
| Pilipino Telephone | - | | - |
| Puerto Azul Golf Club | 3 | | 1 |
| Quezon City Sports Club | 1 | | 1 |
| Sta Elena Properties | 7 | | 5 |
| Sta Elena Golf Club | 1 | | 6 |
| Sta Lucia Realty Golf Club | 2 | | 1 |
| Subic Bay Yacht Club | 1 | | - |
| Tagaytay Highland Golf and Country Club | 2 | | 2 |
| Tagaytay Midlands Country Club | 1 | | 1 |
| The Country Club - Canlubang | 2 | | 8 |
| Top Frontier Holdings, Inc. - Common | 2,561,031 | | 313 |
| Top Frontier Holdings, Inc. - Preferred | 1,904,540 | | 35,424 |
| Universal Leisure Club | 1 | | - |

| Name of Issuing Entity | No. of Shares or Principal Amount of Bonds and Notes | Value Based on Market Quotation at December 31, 2021 (a) |
|---|---|---|
| Valle Verde Golf Club | 53 | P 16 |
| Valley Golf Club Inc. | 2 | 3 |
| Victorias Country Club | 1 | - |
| **SMC Equivest Corporation** | | |
| Bank of Commerce - Preferred | 416,666,670 | 5,500 |
| **Petrogen Insurance Corporation** | | |
| Government Security | - | 120 |
| Treasury Bill | - | 457 |
| Ayala Bond | 46 | 46 |
| **San Miguel Properties, Inc.** | | |
| Apo Golf & Country Club | 1 | 1 |
| Mimosa Golf & Country Club | 4 | 2 |
| Sta. Elena Golf & Country Club | 1 | 5 |
| Metro Club | 1 | - |
| Meralco | 91,011 | 1 |
| Riviera Golf Course and Country Club | 1 | 4 |
| Tagaytay Midlands Country Club | 1 | 1 |
| **San Miguel Paper Packaging Corp.** | | |
| Phil Long Distance Tel. | 5,200 | - |
| Evercrest Golf & Country Club | 1 | - |
| Orchard Golf & Country Club | 1 | 1 |
| Apo Golf & Country Club | 1 | - |
| **San Miguel Yamamura Packaging Corporation** | | |
| Canlubang Golf & Country Club | 1 | 2 |
| Manila Southwoods Golf and Country Club | 1 | 8 |
| Orchard Golf & Country Club | 1 | 2 |
| Puerto Azul Golf Club | 1 | - |
| Riviera Golf Course and Country Club | 1 | - |
| **Mindanao Corrugated Fibreboard, Inc.** | | |
| Apo Golf Country Club | 1 | - |
| **Food and Beverage Group** | | |
| Club Filipino | 2 | 1 |
| Makati Sports Club, Inc. | 2 | 2 |
| Philippine Long Distance Tel. Co. | 5,753 | 1 |
| Valle Verde Country Club | 1 | 1 |
| Capitol Hills Golf and Country Club, Inc. | 1 | - |
| Alabang Country Club | 1 | 6 |
| Manila Southwoods Golf & Country Club | 1 | 1 |
| Sta Elena Golf Club | 1 | 6 |
| Manila Electric Co. | 14,895 | - |
| Tagaytay Highland Golf and Country Club | 1 | 1 |
| Royal Tagaytay Country Club | 1 | - |
| Orchard Golf and Country Club | 1 | 1 |
| HSBC Holdings | 20,400 | 6 |
| Pacific Club Kowloon | 1 | 7 |
| The American Club Hong Kong | 1 | 9 |
| Hong Kong Football Club | 1 | 6 |
| Discovery Bay Golf Club | 1 | 9 |
| **San Miguel Holdings Corp.** | | |
| Architectural Center Club Inc | 1 | - |
| Philippine Expressway Support Service Inc | 1 | - |
| Phil Am Properties | 1 | 1 |
| **Total Financial Assets** | | **P 42,559** |

See Notes 4, 10, 12, 39 and 40 of the Consolidated Financial Statements.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**
**DECEMBER 31, 2021**
**(Amounts in Millions)**

| NAME OF RELATED PARTY | BEGINNING BALANCE | ADDITIONS/ CTA/RECLASS/ OTHERS | AMOUNTS COLLECTED/ CREDIT MEMO | AMOUNTS WRITTEN OFF | TOTAL | CURRENT | NONCURRENT | ENDING BALANCE |
|---|---|---|---|---|---|---|---|---|
| Sea Refinery Corporation | ₱ 31,382 | ₱ - | ₱ - | ₱ - | ₱ 31,382 | ₱ 31,382 | ₱ - | ₱ 31,382 |
| San Miguel Holdings Corp. and Subsidiaries | 29,941 | 2,665 | (1,477) | - | 31,129 | 24,116 | 7,013 | 31,129 |
| San Miguel Food and Beverage, Inc. and Subsidiaries | 8,787 | 49,656 | (46,238) | - | 12,205 | 12,172 | 33 | 12,205 |
| Challenger Aero Air Corporation | 5,939 | 670 | (337) | - | 6,272 | 6,272 | - | 6,272 |
| Petrogen Insurance Corp. | - | 2,620 | (567) | - | 2,053 | 2,053 | - | 2,053 |
| San Miguel Integrated Logistics Services, Inc. | 2,829 | 548 | (511) | - | 2,866 | 614 | 2,252 | 2,866 |
| San Miguel International Limited and Subsidiaries | 766 | 2,227 | (783) | - | 2,210 | 1,778 | 432 | 2,210 |
| Fortunate Land Inc. and a Subsidiary | 2,010 | - | - | - | 2,010 | - | 2,010 | 2,010 |
| San Miguel Corporation | 3,021 | 35,822 | (36,987) | - | 1,856 | 1,856 | - | 1,856 |
| SMC Shipping and Lighterage Corporation and Subsidiaries | 872 | 15,331 | (14,545) | - | 1,658 | 1,658 | - | 1,658 |
| San Miguel Yamamura Packaging Corp. and Subsidiaries | 1,563 | 6,280 | (6,366) | - | 1,477 | 1,477 | - | 1,477 |
| Petron Corporation and Subsidiaries | 1,118 | 4,458 | (4,055) | - | 1,521 | 1,521 | - | 1,521 |
| San Miguel Beverages, Inc. | 637 | - | - | - | 637 | 637 | - | 637 |
| SMC Global Power Holdings Corp. and Subsidiaries | 383 | 5,199 | (4,982) | - | 600 | 547 | 53 | 600 |
| Advantage Properties Corporation | 546 | 1 | (1) | - | 546 | 546 | - | 546 |
| Others | 6,191 | 3,741 | (6,572) | - | 3,360 | 2,845 | 515 | 3,360 |
| | **₱ 95,985** | **₱ 129,218** | **₱ (123,421)** | **₱ -** | **₱ 101,782** | **₱ 89,474** | **₱ 12,308** | **₱ 101,782** |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**
**DECEMBER 31, 2021**
**(Amounts in Millions)**

| NAME OF RELATED PARTY | BEGINNING BALANCE | ADDITIONS/ CTA/RECLASS/ OTHERS | AMOUNTS PAID/ DEBIT MEMO | AMOUNTS WRITTEN OFF | TOTAL | CURRENT | NONCURRENT | ENDING BALANCE |
|---|---|---|---|---|---|---|---|---|
| San Miguel Corporation | ₱ 77,792 | ₱ 17,674 | ₱ (19,613) | ₱ - | ₱ 75,853 | ₱ 64,360 | ₱ 11,493 | ₱ 75,853 |
| San Miguel Integrated Logistics Services, Inc. | 1,442 | 9,678 | (5,985) | - | 5,135 | 5,135 | - | 5,135 |
| San Miguel Yamamura Packaging Corp. and Subsidiaries | 3,281 | 13,902 | (13,557) | - | 3,626 | 3,121 | 505 | 3,626 |
| SMC Shipping and Lighterage Corporation and Subsidiaries | 3,322 | 17,170 | (17,187) | - | 3,305 | 3,305 | - | 3,305 |
| Petron Corporation and Subsidiaries | 977 | 7,342 | (5,659) | - | 2,660 | 2,660 | - | 2,660 |
| Petrogen Insurance Corp. | - | 3,614 | (1,443) | - | 2,171 | 2,171 | - | 2,171 |
| San Miguel Holdings Corp. and Subsidiaries | 927 | 1,471 | (920) | - | 1,478 | 1,373 | 105 | 1,478 |
| SMC Global Power Holdings Corp. and Subsidiaries | 962 | 4,944 | (4,585) | - | 1,321 | 1,321 | - | 1,321 |
| San Miguel International Limited and Subsidiaries | 793 | 1,500 | (1,030) | - | 1,263 | 1,263 | - | 1,263 |
| San Miguel Food and Beverage, Inc. and Subsidiaries | 768 | 1,319 | (1,137) | - | 950 | 852 | 98 | 950 |
| SMITS, Inc. and Subsidiaries | 855 | 1,860 | (2,016) | - | 699 | 609 | 90 | 699 |
| San Miguel Properties, Inc. and Subsidiaries | 1,206 | 1,030 | (1,781) | - | 455 | 455 | - | 455 |
| Others | 3,660 | 7,280 | (8,074) | - | 2,866 | 2,736 | 130 | 2,866 |
| | **₱ 95,985** | **₱ 88,784** | **₱ (82,987)** | **₱ -** | **₱ 101,782** | **₱ 89,361** | **₱ 12,421** | **₱ 101,782** |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - LONG-TERM DEBT**
**DECEMBER 31, 2021**
***(Amounts in Millions)***

| TITLE OF ISSUE | AGENT / LENDER | Outstanding Balance | Current Portion of Debt | Transaction Cost Current | Amount Shown as Current | Long-term Noncurrent Portion Debt | Noncurrent Transaction Cost | Amount Shown as Noncurrent | Outstanding Balance | INTEREST RATES | Number of Periodic Installments | Interest Payments | Final Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Parent Company** | | | | | | | | | | | | | |
| *Peso denominated:* | | | | | | | | | | | | | |
| Fixed | Philippine Depository and Trust Corp. | P 60,000 | P 16,683 | P (10) | P 16,673 | P 43,317 | P (242) | P 43,075 | P 59,748 | 4.8243%, 5.1923%, 6.25%, 5.2840%, 5.55%, 6.625%, 5.7613% and 7.125% | Bullet | Quarterly | March 2022, April 2022, March 2023, March 2024, October 2024, March 2025, March 2027 and March 2028 |
| Fixed | Philippine Depository and Trust Corp. | 30,000 | - | - | - | 30,000 | (360) | 29,640 | 29,640 | 3.3832% | Bullet | Quarterly | July 2027 |
| Fixed | BDO Unibank, Inc. | 15,600 | 160 | - | 160 | 15,440 | (83) | 15,357 | 15,517 | 6.9375% | Amortized | Quarterly | June 2026 |
| *Foreign currency - denominated* | | | | | | | | | | | | | |
| Floating | Standard Chartered Bank (Hongkong) Limited as Agent | 101,998 | - | - | - | 101,998 | (1,581) | 100,417 | 100,417 | LIBOR + margin | Bullet | 1/3/6 months | September 2024 |
| Floating | Standard Chartered Bank (Hongkong) Limited as Agent | 22,949 | - | - | - | 22,949 | (1,062) | 21,887 | 21,887 | LIBOR + margin | Bullet | 1/3/6 months | October 2026 |
| Floating | Standard Chartered Bank (Hongkong) Limited as Agent | 20,399 | - | - | - | 20,399 | (121) | 20,278 | 20,278 | LIBOR + margin | Bullet | 1/3/6 months | March 2023 |
| Floating | Various foreign banks | 15,300 | - | - | - | 15,300 | (89) | 15,211 | 15,211 | LIBOR + margin | Bullet | 1/3/6 months | June 2023 |
| Floating | Sumitomo Mitsui Banking Corporation Singapore Branch | 15,300 | - | - | - | 15,300 | (106) | 15,194 | 15,194 | LIBOR + margin | Bullet | 1/3/6 months | September 2023 |
| Floating | Mizuho Bank, Ltd. | 10,200 | - | - | - | 10,200 | (73) | 10,127 | 10,127 | LIBOR + margin | Bullet | 1/3/6 months | November 2023 |
| Floating | United Overseas Bank Limited as Agent | 5,100 | - | - | - | 5,100 | (80) | 5,020 | 5,020 | LIBOR + margin | Bullet | 1/3/6 months | December 2026 |
| Floating | Various foreign banks | 4,590 | - | - | - | 4,590 | (29) | 4,561 | 4,561 | LIBOR + margin | Bullet | 1/3/6 months | October 2024 |
| | | 301,436 | 16,843 | (10) | 16,833 | 284,593 | (3,826) | 280,767 | 297,600 | | | | |
| **Subsidiaries** | | | | | | | | | | | | | |
| *Peso denominated:* | | | | | | | | | | | | | |
| ***Petron Corporation*** | | | | | | | | | | | | | |
| Fixed | Philippine Depository and Trust Corp. | 7,000 | - | - | - | 7,000 | (21) | 6,979 | 6,979 | 4.5219% | Bullet | Quarterly | October 2023 |
| Fixed | Philippine Depository and Trust Corp. | 13,200 | - | - | - | 13,200 | (83) | 13,117 | 13,117 | 7.8183% | Bullet | Quarterly | April 2024 |
| Fixed | Philippine Depository and Trust Corp. | 6,800 | - | - | - | 6,800 | (50) | 6,750 | 6,750 | 8.0551% | Bullet | Quarterly | April 2025 |
| | | 27,000 | - | - | - | 27,000 | (154) | 26,846 | 26,846 | | | | |
| Fixed | Philippine Commercial Capital Inc. – Trust and Investment Group | 9,000 | - | - | - | 9,000 | (110) | 8,890 | 8,890 | 3.4408% | Bullet | Quarterly | October 2025 |
| Fixed | Philippine Commercial Capital Inc. – Trust and Investment Group | 9,000 | - | - | - | 9,000 | (111) | 8,889 | 8,889 | 4.3368% | Bullet | Quarterly | October 2027 |
| | | 18,000 | - | - | - | 18,000 | (221) | 17,779 | 17,779 | | | | |
| Fixed | BDO Unibank, Inc. | 5,893 | 2,143 | (9) | 2,134 | 3,750 | (6) | 3,744 | 5,878 | 5.5276% | Amortized | Quarterly | July 2024 |
| Fixed | Bank of the Philippine Islands | 4,375 | 1,250 | (9) | 1,241 | 3,125 | (10) | 3,115 | 4,356 | 4.5900% | Amortized | Quarterly | April 2025 |
| Fixed | Bank of the Philippine Islands | 2,500 | 2,500 | (3) | 2,497 | - | - | - | 2,497 | 5.7584% | Amortized | Quarterly | December 2022 |
| Fixed | Union Bank of the Philippines | 1,000 | 1,000 | - | 1,000 | - | - | - | 1,000 | 5.4583% | Amortized | Quarterly | October 2022 |
| ***SMC Global Power Holdings Corp.*** | | | | | | | | | | | | | |
| Fixed | Philippine Depository and Trust Corp. | 35,000 | 9,913 | (24) | 9,889 | 25,087 | (131) | 24,956 | 34,845 | 5.375%, 6.75%, 6.25% and 6.625% | Bullet | Quarterly | December 2022, August 2023, December 2024 and December 2027 |
| Fixed | Philippine Depository and Trust Corp. | 30,000 | 13,845 | (21) | 13,824 | 16,155 | (122) | 16,033 | 29,857 | 6.8350%, 7.1783% and 7.6000% | Bullet | Quarterly | April 2022, April 2024 and April 2026 |
| Fixed | Philippine Depository & Trust Corp. | 4,091 | - | - | - | 4,091 | (11) | 4,080 | 4,080 | 4.7575% | Bullet | Quarterly | July 2023 |
| Fixed | Philippine Depository & Trust Corp. | 4,756 | - | - | - | 4,756 | (28) | 4,728 | 4,728 | 5.1792% | Bullet | Quarterly | July 2026 |
| | | 8,847 | - | - | - | 8,847 | (39) | 8,808 | 8,808 | | | | |
| Fixed | BDO Unibank, Inc. | 14,400 | 150 | (24) | 126 | 14,250 | (35) | 14,215 | 14,341 | 6.9265% | Amortized | Quarterly | April 2024 |
| Fixed | China Banking Corporation | 4,975 | 50 | (14) | 36 | 4,925 | (36) | 4,889 | 4,925 | 5.0000% | Bullet | Quarterly | May 2025 |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - LONG-TERM DEBT**
**DECEMBER 31, 2021**
***(Amounts in Millions)***

| TITLE OF ISSUE | AGENT / LENDER | Outstanding Balance | Current Portion of Debt | Transaction Cost Current | Amount Shown as Current | Long-term Noncurrent Portion Debt | Noncurrent Transaction Cost | Amount Shown as Noncurrent | Outstanding Balance | INTEREST RATES | Number of Periodic Installments | Interest Payments | Final Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***SM Brewery Inc.*** | | | | | | | | | | | | | |
| Fixed | Bank of the Philippine Islands | P 10,000 | P - | P - | P - | P 10,000 | P (47) | P 9,953 | P 9,953 | 4.63% | Bullet | Quarterly | December 2024 |
| Fixed | Philippine Depository & Trust Corp. | 7,000 | 7,000 | (2) | 6,998 | - | - | - | 6,998 | 6.60% | Bullet | Semi-annual | April 2022 |
| Fixed | Philippine Depository & Trust Corp. | 2,538 | - | - | - | 2,538 | (7) | 2,531 | 2,531 | 6.00% | Bullet | Semi-annual | April 2024 |
| Fixed | BDO Unibank Inc. | 4,000 | - | - | - | 4,000 | (26) | 3,974 | 3,974 | 3.80% | Bullet | Quarterly | March 2026 |
| Fixed | Rizal Commercial Banking Corporation | 2,484 | 21 | (4) | 17 | 2,463 | (12) | 2,451 | 2,468 | 3.875% | Amortized | Quarterly | March 2026 |
| Fixed | Bank of the Philippine Island | 2,000 | - | - | - | 2,000 | (13) | 1,987 | 1,987 | 3.95% | Bullet | Quarterly | March 2026 |
| Fixed | BDO Unibank Inc. | 2,000 | - | - | - | 2,000 | (13) | 1,987 | 1,987 | 4.15% | Bullet | Quarterly | March 2028 |
| Fixed | China Banking Corporation | 1,500 | - | - | - | 1,500 | (10) | 1,490 | 1,490 | 3.95% | Bullet | Quarterly | March 2026 |
| | | 11,984 | 21 | (4) | 17 | 11,963 | (74) | 11,889 | 11,906 | | | | |
| ***SMC Consolidated Power Corporation*** | | | | | | | | | | | | | |
| Fixed | Philippine National Bank as Trustee | 38,095 | 2,525 | (77) | 2,448 | 35,570 | (392) | 35,178 | 37,626 | 6.2836%, 6.5362% and 7.3889% | Amortized | Quarterly | June 2029 |
| ***SMC Skyway Stage 3 (formerly Citra Central Expressway Corp.)*** | | | | | | | | | | | | | |
| Fixed | BDO Unibank Inc. - Trust and Investment Group as Trustee | 8,214 | 679 | (13) | 666 | 7,535 | (37) | 7,498 | 8,164 | 6.865%, 6.9283%, 7.4817% | Amortized | Quarterly | August 2027 |
| Fixed | BDO Unibank Inc. - Trust and Investment Group as Trustee | 3,021 | 249 | (6) | 243 | 2,772 | (16) | 2,756 | 2,999 | 8.0589% | Amortized | Quarterly | August 2027 |
| Fixed | BDO Unibank Inc. - Trust and Investment Group as Trustee | 17,088 | 1,412 | (34) | 1,378 | 15,676 | (104) | 15,572 | 16,950 | 9.0260%, 9.4679%, 9.8080 % and 9.8754% | Amortized | Quarterly | August 2027 |
| Fixed | BDO Unibank Inc. - Trust and Investment Group as Trustee | 944 | 78 | (2) | 76 | 866 | (6) | 860 | 936 | 8.6960% | Amortized | Quarterly | August 2027 |
| | | 29,267 | 2,418 | (55) | 2,363 | 26,849 | (163) | 26,686 | 29,049 | | | | |
| ***SMC Tollways Corp (formerly Atlantic Aurum Investments Philippines Corporation)*** | | | | | | | | | | | | | |
| Fixed | Philippine National Bank as Trustee | 38,873 | 1,648 | (82) | 1,566 | 37,225 | (384) | 36,841 | 38,407 | 5.556%, 5.825% and 5.997% | Amortized | Quarterly | December 2029 |
| ***San Miguel Consolidated Power Corportion*** | | | | | | | | | | | | | |
| Fixed | RCBC Trust and Investments Division as Trustee | 17,412 | 1,296 | (36) | 1,260 | 16,116 | (222) | 15,894 | 17,154 | 6.5077% and 7.7521% | Amortized | Quarterly | August 2030 |
| ***San Miguel Food and Beverage*** | | | | | | | | | | | | | |
| Fixed | RCBC Trust and Investments Division | 8,000 | - | - | - | 8,000 | (69) | 7,931 | 7,931 | 5.0500% | Bullet | Quarterly | March 2025 |
| Fixed | RCBC Trust and Investments Division | 7,000 | - | - | - | 7,000 | (71) | 6,929 | 6,929 | 5.2500% | Bullet | Quarterly | March 2027 |
| | | 15,000 | - | - | - | 15,000 | (140) | 14,860 | 14,860 | | | | |
| ***SMC TPLEX Corp (formerly Private Infra Dev Corporation)*** | | | | | | | | | | | | | |
| Fixed | BDO Unibank Inc. - Trust and Investment Group as Trustee | 11,220 | 720 | (20) | 700 | 10,500 | (84) | 10,416 | 11,116 | 5.6276% | Amortized | Quarterly | September 2029 |
| ***San Miguel Foods, Inc.*** | | | | | | | | | | | | | |
| Fixed | Bank of the Philippine Islands | 10,000 | - | - | - | 10,000 | (62) | 9,938 | 9,938 | 3.5483% | Amortized | Quarterly | December 2029 |
| ***Northern Cement Corporation*** | | | | | | | | | | | | | |
| Fixed | Philippine National Bank as Trustee | 7,075 | - | - | - | 7,075 | (222) | 6,853 | 6,853 | 4.8356% | Amortized | Quarterly | June 2031 |
| ***The Purefoods-Hormel Company, Inc.*** | | | | | | | | | | | | | |
| Fixed | Bank of the Philippines Islands | 2,000 | - | - | - | 2,000 | (14) | 1,986 | 1,986 | 3.8460% | Bullet | Quarterly | September 2026 |
| Fixed | BDO Unibank, Inc. | 5,000 | - | - | - | 5,000 | (36) | 4,964 | 4,964 | 3.8460% | Bullet | Quarterly | September 2026 |
| | | 7,000 | - | - | - | 7,000 | (50) | 6,950 | 6,950 | | | | |
| ***Southern Concrete Industries, Inc. (formerly Oro Cemento Industries Corporation)*** | | | | | | | | | | | | | |
| Fixed | Bank of Commerce - Trust Services Group as Security Trustee | 4,800 | - | - | - | 4,800 | (38) | 4,762 | 4,762 | 6.37239% | Amortized | Quarterly | December 2028 |
| ***SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc.)*** | | | | | | | | | | | | | |
| Fixed | Philippine National Bank as Trustee | 4,088 | 1,069 | (7) | 1,062 | 3,019 | (11) | 3,008 | 4,070 | 6.7495%, 6.7701%, 7.165%, 7.5933% and 7.6567% | Amortized | Quarterly | February 2025 |
| ***South Luzon Tollway Corporation*** | | | | | | | | | | | | | |
| Fixed | BDO Unibank Inc. - Trust and Investment Group as Trustee | 4,900 | 2,400 | (2) | 2,398 | 2,500 | (13) | 2,487 | 4,885 | 5.5796% and 6.4872% | Bullet | Quarterly | May 2022 and May 2025 |

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE D - LONG-TERM DEBT**
**DECEMBER 31, 2021**
***(Amounts in Millions)***

| TITLE OF ISSUE | AGENT / LENDER | Outstanding Balance | Current Portion of Debt | Transaction Cost Current | Amount Shown as Current | Long-term Noncurrent Portion Debt | Noncurrent Transaction Cost | Amount Shown as Noncurrent | Outstanding Balance | INTEREST RATES | Number of Periodic Installments | Interest Payments | Final Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Luzon Clean Water Development Corporation*** | | | | | | | | | | | | | |
| Fixed | Asia United Bank Corporation - Trust and Investment Group as Trustee | P 3,948 | P 252 | P (5) | P 247 | P 3,696 | P (22) | P 3,674 | P 3,921 | 7.1243%, 7.4022%, 7.9812% and 8.5885% | Amortized | Quarterly | March 2030 |
| ***San Miguel Mills, Inc.*** | | | | | | | | | | | | | |
| Fixed | Bank of the Philippine Islands | 2,000 | - | - | - | 2,000 | (11) | 1,989 | 1,989 | 3.2837% | Amortized | Quarterly | December 2026 |
| ***Star Infrastructure Development Corporation*** | | | | | | | | | | | | | |
| Fixed | Philippine National Bank as Trustee | 862 | 489 | (1) | 488 | 373 | (1) | 372 | 860 | 6.6583% | Amortized | Quarterly | June 2023 |
| ***SMC Shipping and Lighterage Corporation*** | | | | | | | | | | | | | |
| Fixed | BDO Unibank, Inc. | 1,000 | - | - | - | 1,000 | (7) | 993 | 993 | 4.200% | Bullet | Quarterly | July 2026 |
| Fixed | China Banking Corporation | 1,000 | - | - | - | 1,000 | (7) | 993 | 993 | 4.200% | Bullet | Quarterly | July 2026 |
| | | 2,000 | - | - | - | 2,000 | (14) | 1,986 | 1,986 | | | | |
| ***Ginebra San Miguel Inc.*** | | | | | | | | | | | | | |
| Fixed | Security Bank Corporation | 333 | 167 | (1) | 166 | 166 | (1) | 165 | 331 | 4.2105% | Amortized | Quarterly | December 2023 |
| ***San Miguel Yamamura Packaging Corp*** | | | | | | | | | | | | | |
| Fixed | China Banking Corporation | 3,711 | 737 | (8) | 729 | 2,974 | (11) | 2,963 | 3,692 | 5.1657% | Amortized | Quarterly | January 2025 |
| Floating | Philippine National Bank | 2,053 | 1,173 | (4) | 1,169 | 880 | - | 880 | 2,049 | BVAL + margin | Amortized | Quarterly | July 2023 |
| Floating | Philippine National Bank | 1,760 | 587 | (4) | 583 | 1,173 | (3) | 1,170 | 1,753 | BVAL + margin | Amortized | Quarterly | December 2024 |
| ***San Miguel Foods, Inc.*** | | | | | | | | | | | | | |
| Floating | Bank of the Philippine Islands | 8,000 | - | - | - | 8,000 | (50) | 7,950 | 7,950 | BVAL + margin or BSP overnight rate + margin whichever is higher | Amortized | Quarterly | December 2029 |
| ***Trans Aire Development Holdings Corp.*** | | | | | | | | | | | | | |
| Floating | Bank of Commerce | 1,379 | 1,379 | (1) | 1,378 | - | - | - | 1,378 | BVAL + margin | Amortized | Quarterly | October 2022 |
| *Foreign currency - denominated* | | | | | | | | | | | | | |
| ***Petron Corporation*** | | | | | | | | | | | | | |
| Floating | Standard Chartered Bank (Hongkong) Limited as Agent | 7,256 | 7,256 | (37) | 7,219 | - | - | - | 7,219 | LIBOR + margin | Amortized | 1, 3, or 6 months | June 2022 |
| Floating | Standard Chartered Bank (Hongkong) Limited as Agent | 23,307 | 5,821 | (185) | 5,636 | 17,486 | (130) | 17,356 | 22,992 | LIBOR + margin | Amortized | 1, 3, or 6 months | May 2024 |
| Floating | Standard Chartered Bank (Hongkong) Limited | 7,650 | - | - | - | 7,650 | (128) | 7,522 | 7,522 | LIBOR + margin | Amortized | 1, 3, or 6 months | August 2023 |
| Floating | Sumitomo Mitsui Banking Corp. | 6,647 | 1,900 | (44) | 1,856 | 4,747 | (47) | 4,700 | 6,556 | LIBOR + margin | Amortized | 1, 3, or 6 months | March 2025 |
| ***SMC Global Power Holdings Corp.*** | | | | | | | | | | | | | |
| Floating | Standard Chartered Bank (Hongkong) Limited as Agent | 25,500 | - | - | - | 25,500 | (163) | 25,337 | 25,337 | LIBOR + margin | Bullet | 1, 3, or 6 months | March 2023 |
| Floating | Standard Chartered Bank (Hongkong) Limited as Agent | 15,300 | - | - | - | 15,300 | (351) | 14,949 | 14,949 | LIBOR + margin | Bullet | 1, 3, or 6 months | March 2026 |
| Floating | Mizuho Bank Ltd as Agent | 2,550 | - | - | - | 2,550 | (46) | 2,504 | 2,504 | LIBOR + margin | Bullet | 1, 3, or 6 months | October 2023 |
| ***Masinloc Power Partners Co. Ltd.*** | | | | | | | | | | | | | |
| Fixed | Philippine National Bank as Trustee | 24,737 | 1,995 | (40) | 1,955 | 22,742 | (209) | 22,533 | 24,488 | 4.7776% and 5.5959% | Amortized | Semi-annual | January 2023 and December 2030 |
| Floating | Philippine National Bank as Trustee | 8,169 | 660 | (13) | 647 | 7,509 | (69) | 7,440 | 8,087 | LIBOR + margin | Amortized | Semi-annual | January 2023 and December 2030 |
| ***San Miguel Yamamura Australasia PTY. Ltd*** | | | | | | | | | | | | | |
| Floating | MUFG Bank Ltd. as Agent | 2,494 | 370 | (11) | 359 | 2,124 | (13) | 2,111 | 2,470 | BBSY + margin | Amortized | Quarterly | July 2024 |
| Floating | MUFG Bank Ltd. as Agent | 142 | 33 | - | 33 | 109 | - | 109 | 142 | BBSY + margin | Amortized | Quarterly | February 2026 |
| | | 521,040 | 72,767 | (743) | 72,024 | 448,273 | (3,932) | 444,341 | 516,365 | | | | |
| **Total Long-term Debt** | | **P 822,476** | **P 89,610** | **P (753)** | **P 88,857** | **P 732,866** | **P (7,758)** | **P 725,108** | **P 813,965** | | | | |

See Notes 21, 30, 33, 38, 39 and 40 of the Consolidated Financial Statements.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**SCHEDULE G - CAPITAL STOCK**
**December 31, 2021**

| DESCRIPTION | NUMBER OF SHARES AUTHORIZED | NUMBER OF SHARES ISSUED | TREASURY SHARES | NUMBER OF SHARES OUTSTANDING | NUMBER OF SHARES RESERVED FOR OPTIONS * | NUMBER OF SHARES HELD BY: AFFILIATES | DIRECTORS, OFFICERS AND EMPLOYEES |
|---|---|---|---|---|---|---|---|
| ISSUED SHARES | | | | | | | |
| COMMON STOCK | 3,790,000,000 | 3,288,649,125 | 904,752,537 | 2,383,896,588 | 134,641,564 | 16,395 | 4,467,652 |
| SERIES "1" PREFERRED SHARES | 300,000,000 | 279,406,667 | 279,406,667 | - | - | - | - |
| SERIES "2" PREFERRED SHARES | 1,910,000,000 | 1,758,099,686 | 750,861,219 | 1,007,238,467 | - | - | 435,000 |
| | 6,000,000,000 | 5,326,155,478 | 1,935,020,423 | 3,391,135,055 | 134,641,564 | 16,395 | 4,902,652 |

* See Notes 24, 36 and 37 of the Consolidated Financial Statements.

**SAN MIGUEL CORPORATION AND SUBSIDIARIES**
**TRADE AND OTHER RECEIVABLES**
**DECEMBER 31, 2021**
**(In Millions)**

| | | | | Past Due | | | |
|---|---|---|---|---|---|---|---|
| | | **Total** | **Current** | **1 - 30 Days** | **31 - 60 Days** | **61 - 90 Days** | **Over 90 Days** |
| Trade | P | 99,056 | P 69,571 | P 10,052 | P 3,135 | P 1,947 | P 14,351 |
| Non-trade | | 60,457 | 30,459 | 1,063 | 1,790 | 2,418 | 24,727 |
| Others | | 15,563 | 14,151 | 386 | 37 | 30 | 959 |
| Total | | 175,076 | P 114,181 | P 11,501 | P 4,962 | P 4,395 | P 40,037 |
| Less allowance for impairment losses | | 13,268 | | | | | |
| Net | P | **161,808** | | | | | |

# APPENDIX C

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| **FOOD AND BEVERAGE BUSINESS** | | | | | | | |
| 1 | **SAN MIGUEL BREWERY, INC.** | | | | | | |
| | **A. DOMESTIC** | | | | | | |
| | **Head Office** | | | | | | |
| | Office Space | 40 San Miguel Ave., Mandaluyong City | Owned | Good | | | |
| | **Production Facilities** | | | | | | |
| | Polo Brewery | Marulas, Valenzuela City, Metro Manila | Owned | Good | | | |
| | San Fernando Brewery | Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga | Owned | Good | | | |
| | Sta. Rosa Brewery | Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna | Owned | Good | | | |
| | Bacolod Brewery | Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental | Owned | Good | | | |
| | Mandaue Brewery | National Highway, Brgy.Tipolo, Mandaue City | Owned | Good | | | |
| | Davao Brewery | Brgy. Darong, Sta. Cruz, Davao del Sur | Owned | Good | | | |
| | Cagayan de Oro Brewery | Sta. Ana, Tagoloan, Misamis Oriental | Building & Facilities- Owned; Land-Rented | Good | 1,230,428.97 | March 25, 2028 | The lease may be renewed for a period of 25 years upon such terms and conditions mutually agreed upon by the parties |
| | **Sales/Area Offices and Warehouses** | | | | | | |
| | San Fernando Region Office | SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga | Owned | Good | | | |
| | Carmen Sales Office | Carmen East, Rosales, Pangasinan | Owned | Good | | | |
| | Dagupan Sales Office | Caranglaan Dist., Dagupan City, Pangasinan | Owned | Good | | | |
| | Baguio Sales Office | Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet | Owned | Good | | | |
| | Carlatan Sales Office | Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union | Owned | Good | | | |
| | Cauayan Sales Office | Brgy. San. Fermin, Cauayan, Isabela | Owned | Good | | | |
| | Santiago Sales Office | National Road, Brgy. Mabini, Santiago City, Isabela | Owned | Good | | | |
| | Region Office (Angeles Sales Office) | San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga | Owned | Good | | | |
| | Region Office | Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte | Owned | Good | | | |
| | Central North Luzon Area | Brgy. Tablac, Candon City, Ilocus Sur | Owned | Good | | | |
| | Central North Luzon Area | Maharlika Highway, Brgy. Sta Maria, Lallo, Cagayan | Owned | Good | | | |
| | Guiguinto Sales Office | Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan | Owned | Good | | | |
| | San Isidro Sales Office | Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija | Owned | Good | | | |
| | Caloocan Sales Office | A. Cruz St., Brgy. 96, Caloocan City | Owned | Good | | | |
| | Tondo Sales Office | Honorio Lopez Blvd., Guidote St., Tondo, Manila | Owned | Good | | | |
| | Cubao Sales Office | Brgy. Mangga, Cubao , Quezon City | Owned | Good | | | |
| | Portion of Tondo Sales Office | portion of Tondo S.O. - Buendia cor. Guidote St., Tondo Manila | Owned | Good | | | |
| | Novaliches Sales Office | Novaliches S.O. - Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City, Metro Manila | Owned | Good | | | |
| | Pureza Sales Office | Brgy. 425, Zone 43, Sampaloc District, Manila | Owned | Good | | | |
| | Sta. Ana Sales Office | M. Carreon St., Brgy. 864, Sta. Ana District, Manila | Owned | Good | | | |
| | Taytay Sales Office | Manila East Rd., Brgy. Dolores, Taytay, Rizal | Owned | Good | | | |
| | Sucat Sales Office | Dr. A. Santos Ave., Bgy. San Dionisio, Parañaque City | Owned | Good | | | |
| | Parañaque Sales Office | No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | Canlubang Sales Office | Silangan Exit, Canlubang, Calamba City, Laguna | Owned | Good | | | |
| | Lucena Sales Office | Maharlika Highway, Brgy. Isabang, Lucena City, Quezon | Owned | Good | | | |
| | Gumaca Sales Office | Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon | Owned | Good | | | |
| | Naga Sales Office | Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur | Owned | Good | | | |
| | Puerto Princesa Sales Office | Brgy. Mandaragat, Puerto Princesa City, Palawan | Owned | Good | | | |
| | San Jose Sales Office | Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro | Owned | Good | | | |
| | Batangas Sales Office | National Rd., Brgy. Balagtas, Batangas City, Batangas | Owned | Good | | | |
| | South Luzon Area | Ayala Highway, Brgy. Balintawak, Lipa City, Batangas | Owned | Good | | | |
| | Bacolod Region Office (Bacolod Sales Office) | Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental | Owned | Good | | | |
| | Iloilo Sales Office | Muelle Loney St., Brgy. Legaspi, Iloilo City | Owned | Good | | | |
| | Himamaylan Sales Office | National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental | Owned | Good | | | |
| | Negros | Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental | Owned | Good | | | |
| | Numancia Sales Office | Brgy., Camansi Norte, Numancia, Aklan | Owned | Good | | | |
| | Roxas Sales Office | Brgy. Libas, Roxas City, Capiz | Owned | Good | | | |
| | IGBR Region Office | Meliza St. Brgy. Zamora, Iloilo City | Owned | Good | | | |
| | CV North & South Region Offices | National Highway, Brgy. Tipolo, Mandaue City | Owned | Good | | | |
| | Region Office | Brgy. Darong Sta. Cruz, Davao del Sur | Owned | Good | | | |
| | Region Office (Davao SO) | National Highway, Bgy. Ulas, Talomo, Davao City | Owned | Good | | | |
| | Rented Out/Region Office | National Highway, Brgy. Magugpo, Tagum City | Owned | Good | | | |
| | Mindanao | Sergio Osmeña, Brgy. Poblacion, Koronadal City | Owned | Good | | | |
| | Rented Out/Region Office | National Highway, Brgy. Lagao, Gen. Santos City | Owned | Good | | | |
| | Opol Sales Office | National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental | Owned | Good | | | |
| | Zamboanga Sales Office | R.T. Lim Blvd., Baliwasan, Zamboanga City | Owned | Good | | | |
| | Mindanao | Brgy. Bongtod, Tandag City, Surigao del Sur | Owned | Good | | | |
| | Mindanao | J.P. Rizal Ave., Poblacion, Digos City | Owned | Good | | | |
| | Butuan Sales Office | R. Calo St., Fort Poyohan, Butuan City | Owned | Good | | | |
| | Cabanatuan Sales Office | Cabanatuan S.O. - No. 140 Duran Compound, Maharlika Highway, Brgy. Bitas, Cabanatuan City | Land & Building-Rented | Good | 91,957.13 | January 31, 2025 | Renewable upon mutual agreement of both parties. |
| | Region Office | Region Office - #578 P. Burgos St. Cabanatuan City, Nueva Ecija | Land & Building-Rented | Good | 43,515.12 | May 31, 2024 | Renewable upon mutual agreement of both parties |
| | Warehouse | Barangay Sta. Rita, Guiguinto, Bulacan | Warehouse Parking space - rented | Good | 349,025.00 | May 31, 2024 | Renewable upon mutual agreement of both parties |
| | Valenzuela Sales Office | Valenzuela S.O. - Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila | Land, Warehouse and Open Space-Rented | Good | 343,513.45 | April 30, 2022 | Renewable upon mutual agreement of both parties |
| | Valenzuela Sales Office | Valenzuela S.O. - Bldg. 25 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila | Land, Warehouse and Open Space-Rented | Good | 82,605.00 | March 31, 2022 | Renewable upon mutual agreement of both parties |
| | Warehouse (Balintawak Sales Office) | Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City | Land, Warehouse and Open Space-Rented | Good | 780,995.00 | August 31, 2022 | Renewable upon mutual agreement of both parties |
| | Warehouse | Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City | Warehouse-Rented | Good | 252,510.00 | November 30, 2023 | Renewable upon mutual agreement of both parties |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Warehouse | 685 Tandang Sora Ave., Quezon City | Warehouse-Rented | Good | 148,214.29 | May 30, 2022 | The Contract is subject to renewal or extension under such terms and conditions as may mutually agreed upon between the parties in writing. |
| Pasig Sales Office | Pasig S.O. - Mercedes Ave., Pasig City, Metro Manila | Land & Warehouse-Rented | Good | 1,328,284.54 | December 31, 2024 | Renewable upon mutual agreement of both parties |
| Masbate Sales Office | Bgy. Pinamarbuhan, Mobo, Masbate | Land, Warehouse and Open Space-Rented | Good | 174,234.38 | March 31, 2026 | Renewable upon mutual agreement of both parties |
| Legazpi Sales Office | Legazpi S.O. - Tahao Street, Bgy. Gogon, Legaspi City, Bicol | Warehouse, Office & Open Space-Rented | Good | 314,067.60 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| Dasmariñas Sales Office | Dasmarinas S.O. - Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite | Warehouse-Rented | Good | 501,187.50 | January 31, 2024 | Renewable upon mutual agreement of both parties |
| Bacoor Sales Office | Bacoor S.O. - Tirona Highway, Habay 1, Bacoor, Cavite | Warehouse-Rented | Good | 511,875.00 | March 31, 2023 | Renewable upon mutual agreement of both parties |
| Bulan Sales Office | Bulan S.O. - T. de Castro St., Zone 8, Bulan, Sorsogon | Warehouse-Rented | Good | 140,910.00 | October 31, 2023 | Renewable upon mutual agreement of both parties |
| Pila Sales Office | Pila S.O. - Brgy. Bulilan Norte, National Highway, Pila, Laguna | Warehouse-Rented | Good | 267,857.14 | September 30, 2023 | Renewable upon mutual agreement of both parties |
| Dumaguete Region Office | Dumaguete Region Office - Brgy. Pulang Tubig, Dumaguete City | Land & Land Improvement-Rented | Good | 74,529.00 | December 31, 2024 | Renewable at the option of the lessee |
| Dumaguete Sales Office | Dumaguete S.O. - Brgy. Pulang Tubig, Dumaguete City | Warehouse-Rented | Good | 110,250.00 | September 30, 2023 | Renewable upon mutual agreement of both parties |
| Iloilo Sales Office | Brgy. Pagduque, Dumanas, Iloilo | Warehouse-Rented | Good | 325,968.00 | June 15, 2024 | Renewable upon mutual agreement of both parties |
| Catbalogan Sales Office | Samar Region Office - San Bartolome St., Catbalogan, Samar | Warehouse & Open Space-Rented | Good | 92,000.00 | November 30, 2031 | Renewable upon mutual agreement of both parties |
| Catbalogan Sales Office | Samar Region Office - San Bartolome St., Catbalogan, Samar | Warehouse, Office Space & Open Space-Rented | Good | 187,000.00 | November 30, 2031 | Renewable upon mutual agreement of both parties |
| Tagbilaran Sales Office | Tagbilaran S.O. - Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol | Warehouse-Rented | Good | 160,714.29 | October 31, 2022 | Renewable upon mutual agreement of both parties |
| Tacloban Sales Office/Region Office | Fatima Village, Tacloban City, Leyte | Portion of Land-Rented/Portion of Land-Owned | Good | 143,571.43 | May 31, 2024 | Renewable upon mutual agreement of both parties |
| Caraga Region Office | 715 Molave St., Guingona Subd. Butuan City, Agusan del Norte | Land & Land Improvement-Rented | Good | 115,473.09 | August 31, 2025 | Renewable upon mutual agreement of both parties |
| Butuan Sales Office | Along Montilla Boulevard, Villa Kananga, Butuan City | Warehouse Facilities and Office-Rented | On-going construction of facility | 468,750.00 | September 30, 2026 | Renewable upon mutual agreement of both parties |
| Region Office | Brgy. Aguada, Ozamiz City | Building-Rented | Good | 109,808.00 | July 31, 2022 | Renewable upon mutual agreement of both parties |
| Iligan Sales Office | Iligan S.O. - Pandan, Sta. Filomena, Iligan City | Warehouse-Rented | Good | 62,500.00 | September 30, 2022 | Renewable upon mutual agreement of both parties |
| Liloy Sales Office | Liloy S.O. - Baybay, Liloy, Zamboanga del Norte | Warehouse-Rented | Good | 75,892.86 | September 30, 2022 | Renewable upon mutual agreement of both parties |
| Dipolog Sales Office | Dipolog S.O. - Sta. Filomena, Dipolog City | Warehouse-Rented | Good | 50,892.86 | September 30, 2022 | Renewable upon mutual agreement of both parties |
| **Terminal** | | | | | | |
| Bataan Malt Terminal (land, building, machineries & equipment, furnitures & fixtures) | Mariveles, Bataan | Building & Facilities-Owned; Land-Rented | Good | 661,029.65 | April 30, 2025 | Renewable upon mutual agreement of both parties |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| **Investment Properties** | Brgy. Estefania, Bacolod City (9 lots) | Owned | Good | | | |
| | No. 31 Rosario St., Brgy. Granada, Bacolod City | Owned | Good | | | |
| | Brgy. Penabatan, Pulilan, Bulacan | Owned | Good | | | |
| | L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna | Owned | Good | | | |
| | Jaro, Iloilo (2 lots) | Owned | Good | | | |
| | Barrio of Tinajeros, Malabon City (2 lots) | Owned | Good | | | |
| | Bo. of San Jose and Poblacion Cabanatuan City (3 lots) | Owned | Good | | | |
| | Barrio of Mallorca,San Leonardo.Nueva Ecija (2 lots) | Owned | Good | | | |
| | Poblacion,San Leonardo,Nueva Ecija | Owned | Good | | | |
| | Lot 5009 Imus Estate,Imus Cavite | Owned | Good | | | |
| | Imus Friar,Imus, Prov. of Cavite (2 lots) | Owned | Good | | | |
| | Lot 5159 Poblacion, Imus Prov. Of Cavite | Owned | Good | | | |
| | Barrio of San Rafael & San Roque (2 lots) | Owned | Good | | | |
| | Bo. Of Pob. 2nd Municipality of Tarlac (2 lots) | Owned | Good | | | |
| | 71-B-3-B-4 Barrio Suizo Municipality of Tarlac | Owned | Good | | | |
| | Bgy. Paringao, Municipality of Bauang, La Union | Owned | Good | | | |
| | Bo. Mabilao, San Fabian, Pangasinan (5 lots) | Owned | Good | | | |
| | Brgy. Gabut Norte, Badoc, Ilocos Norte | Owned | Good | | | |
| **B. INTERNATIONAL** | | | | | | |
| **Breweries** | | | | | | |
| San Miguel Beer (Thailand) Ltd. | 89 Moo2, Tiwanon Rd., Baan Mai, Muang , Pathumtani 12000, Thailand | Owned | Good | | | |
| PT Delta Djakarta Tbk | Jalan Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi Timur 17510, Indonesia | Building Owned. Land under Land Use Rights | Good | | | |
| San Miguel (Guangdong) Brewery Co.,Ltd | San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China | Owned | Good | | | |
| San Miguel (Baoding) Brewery Co. Ltd. | Shengli street, Tianwei West Road, Baoding City, Hebei Province, China | Owned | Good | | | |
| San Miguel Brewery Vietnam Ltd. | Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa | Owned | Good | | | |
| San Miguel Brewery Hong Kong Limited | 22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong | Building-Owned; Land-Rented | Good | HKD 207,333.00 | 2047 | No renewal options |
| **Sales/Area Offices and Warehouses** | | | | | | |
| Guangzhou San Miguel Brewery Co. Ltd. | | | | | | |
| Shantou Sales Office | Room 803 and Room 804, Underground Parking, Huamei Garden, Shantou City | Owned | Good | | | |
| San Miguel (China) Investment Co. Ltd. | 1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China | Owned | Good | | | |
| San Miguel Baoding Brewery Company Limited | | | | | | |
| San Miguel Baoding Brewery Company Limited | 4-3-102, 4-3-202, 4-3-302 JiXing Yuan, Baoding City | Owned | Good | | | |
| San Miguel Brewery Hong Kong Limited | 9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong | Land-Rented | Good | HKD 33,573.00 | 2047 | No renewal options |
| San Miguel Brewery Hong Kong Limited | San Miguel Industrial Building, No. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hongkong | Land-Rented | Good | HKD 16,932.00 | 2047 | No renewal options |

| Company Name / Subsidiary | | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | San Miguel (Guangdong) Brewery Co.,Ltd | | | | | | |
| | San Miguel (Guangdong) Brewery Co.,Ltd | San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China | Land-Rented | Good | Entire rent paid at the start of lease term | May 01, 2053 | Renewal 1 month before expiration date. |
| | Guangzhou Admin Office | Room 702, No. 98, South East Road, Yuexiu District, Guangzhou, Unit A and unit B | Office Space-Rented | Good | 2021/6/16-2022/6/15 RMB11,020.00 2022/6/16-2023/6/15 RMB11,571.00 | June 25, 2023 | At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties . |
| | Shenzhen Sales Office | Kaijiada building, no. 1 industrial park road, dalang street office, longhua district, shenzhen city | Office Space-Rented | Good | RMB 4,876.00 | November 11, 2022 | At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties . |
| | Zhongshan Sales Office | Qijiang Road,Shaxi District, Zhongshan City, China | Leased | Good | RMB 1,500.00 | November 29, 2022 | At the end of contract ,in the same condition, We have the priority right of renewal, lease and rent will be discussed by both parties. |
| | Guangzhou Clifford | Room 2206, No.2, Cliffordhuaxia, Mingyue No.1 Road, Yuexiu District, Guangzhou, | Leased | Good | RMB 13,400.00 | February 28, 2022 | At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties . |
| | San Remo Taiwan (SRT) | | | | | | |
| | San Miguel Company Ltd. Taiwan Branch-Taipei | 3F-3, No.167, Fusing N. Rd., Taipei, Taiwan (ROC) | Office Space-Rented | Good | NT$140,000.00 | April 15, 2022 | For renewal at the end of contract. |
| | San Miguel Company Ltd. Taiwan Branch-Kaohsiung | No.305-6, Renlin Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.) | Office Space-Rented | Good | NT$70,000.00 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| | San Miguel Company Ltd. Taiwan Branch-Taichung | No.159, Shuwang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.) | Office Space-Rented | Good | NT$39,000.00 | December 30, 2022 | Renewable upon mutual agreement of both parties |
| | San Miguel Company Ltd. Taiwan Branch-North Region Warehouse | No. 34-88, Dahu Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.) | Office Space-Rented | Good | NT$187,880.00 | Continuing unless terminated and agreed by both parties | Extend agreement 1 year automatically if no expression of intent from both parties |
| | San Miguel China Investment Company Limited | Room 701, Tower 1, Xiaoyun Center, Xiaguangli, No. 15 Chaoyang District, Beijing China 100026 | Office Space-Rented | Good | RMB 23,000.00 | September 23, 2022 | Renewable upon mutual agreement of both parties |
| | San Miguel Baoding Brewery Company Limited | | | | | | |
| | San Miguel Baoding Brewery Company Limited | Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China | Land-Rented | Good | Entire rent paid at the start of lease term | June 01, 2046 | Renewable upon mutual agreement of both parties |
| | San Miguel Baoding Brewery Company Limited | 1-1-2601, Zhengyulvgu, Chaoyang North Street, Baoding City , Hebei Province, China | Office Space-Rented | Good | CNY 3,616.17 | March 06, 2022 | Renewable upon mutual agreement of both parties |
| | San Miguel Marketing Thailand Limited | | | | | | |
| | North sales office | North Office 403/5 Lumpoon Road, Wadked , Amphor Muang , Lumpoon | Office Space-Rented | Good | THB 13,684.21 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| | South sales office (Phuket) | 14/4 Moo 4 , Tambon Wichit Amphor Muang, Phuket | Office Space-Rented | Good | THB 23,157.90 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| | South sales office (Samui) | 44/38 Moo 1 Tambon Maenam,Amphur Koh Samui Suratthani | Office Space-Rented | Good | THB 21,052.63 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| | Northeast sales office | 44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean | Office Space-Rented | Good | THB 11,578.95 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| | Pattaya sales office | 263/91 Moo 12 Tambon Nongprue Banglamung Chonburi | Office Space-Rented | Good | THB 25,263.16 | December 31, 2022 | Renewable upon mutual agreement of both parties |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | San Miguel Brewery Vietnam Limited | | | | | | |
| | San Miguel Brewery Vietnam Ltd. | Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa | Land-Rented | Good | VND 44,185,733 | November 12, 2024 | Renewable upon mutual agreement of both parties |
| | Ho Chi Minh Sales Office | 180 Nguyen Van Troi Street , Ward 8, Phu Nhuan District, Ho Chi Minh City | Office Space-Rented | Good | USD 7,251.82 | April 01, 2023 | Renewable upon mutual agreement of both parties |
| | Da Nang Sales Office | 180 2/9 Street, Da Nang City, Vietnam | Office Space-Rented | Good | VND 28,000,000 | October 05, 2023 | Renewable upon mutual agreement of both parties |
| | Nha Trang Sales Office | 60 D Tran Nhat Duat Phuoc Hoa Nha Trang | Office Space-Rented | Good | VND 25,000,000 | March 31, 2023 | Renewable upon mutual agreement of both parties |
| | Ho Chi Minh Warehouse | A75 Bach Dang Ward 2 Tan Binh Dist | Warehouse-Rented | Good | VND 54,340,000 | March 31, 2022 | Renewable upon mutual agreement of both parties |
| | Vung Tau Sales Office | 80 Huyen Trang Cong Chua Ward 8, Vung Tau | Rented | Good | VND 7,000,000 | June 30, 2023 | Renewable upon mutual agreement of both parties |
| **2** | **GINEBRA SAN MIGUEL, INC.** | | | | | | |
| | **A. HEAD OFFICE** | | | | | | |
| | GSMI Office Space | 3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City | Owned | Good | | | |
| | GSMI Office Space | 5th Floor SMPC Bldg., St Francis Ave., Ortigas Center, Mandaluyong City | Rented | Good | P1,009,518.72 (September 01, 2021 to August 31, 2022) P1,080,185.03 (September 01, 2022 to August 31, 2023) | August 31, 2023 | Renewable upon mutual agreement of both parties |
| | **B. NORTH LUZON** | | | | | | |
| | **Plants** | | | | | | |
| | GSMI Sta. Barbara Plant (Land and Facilities) | Tebag West, Sta. Barbara, Pangasinan | Owned | Good | | | |
| | EPSBPI Cauayan Plant (Land and Facilities) | San Fermin, Cauayan, Isabela | Owned | Good | | | |
| | **Warehouse/Sales Office** | | | | | | |
| | GSMI Cauayan Sales Office | 327 Prenza Highway, San Fermin, Cauayan Isabela | Owned | Good | | | |
| | GSMI Pua Warehouse 1 and 3 | Don Jose Canciller St., Cauayan City, Isabela | Rented | Good | 398,088.00 | March 31, 2022 | Renewable upon mutual agreement of both parties |
| | GSMI La Union Sales Office | Lee Building, Natl. Hiway, Brgy. Carlatan, San Fernando City, La Union | Rented | Good | 17,368.42 | December 31, 2022 | Renewable upon mutual agreement of both parties (Ongoing renewal) |
| | GSMI Lunec Warehouse | Brgy. Lunec, Malasiqui, Pangasinan | Rented | Good | 776,700.00 | March 31, 2022 | Renewable upon mutual agreement of both parties |
| | GSMI San Fernando Sales Office | #162 Baliti 2000 City of San Fernando Pampanga | Rented | Good | 475,000.00 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| | Calamba Warehouse | Calamba, Laguna | Rented | Good | 585,200.00 | February 15, 2022 | Short Term Lease Only |
| | Cabuyao Warehouse 1 | Cabuyao, Laguna | Rented | Good | 818,158.00 | March 15, 2022 | Short Term Lease Only |
| | Cabuyao Warehouse 2 | Cabuyao, Laguna | Rented | Good | 216,000.00 | March 15, 2022 | Short Term Lease Only |
| | Binmaley \Warehouse | Binmaley, Pangasinan | Rented | Good | 577,800.00 | March 15, 2022 | Short Term Lease Only |
| | Cauayan Warehouse 1 | Cauayan, Isabela | Rented | Good | 387,040.00 | February 28, 2022 | Short Term Lease Only |
| | Cauayan Warehouse 2 | Cauayan, Isabela | Rented | Good | 207,360.00 | March 31, 2022 | Short Term Lease Only |
| | Mangaldan Warehouse 1 | Mangaldan, Pangasinan | Rented | Good | 150,000.00 | February 28, 2022 | Short Term Lease Only |
| | Mangaldan Warehouse 2 | Mangaldan, Pangasinan | Rented | Good | 322,500.00 | February 28, 2022 | Short Term Lease Only |
| | Malasiqui Warehouse | Malasiqui, Pangasinan | Rented | Good | 240,000.00 | February 28, 2022 | Short Term Lease Only |
| | Urdaneta Warehouse | Urdaneta, Pangasinan | Rented | Good | 439,600.00 | March 31, 2022 | Short Term Lease Only |
| | San Fermin Warehouse | San Fermin, Isabela | Rented | Good | 142,080.00 | January 31, 2022 | Short Term Lease Only |
| | Baliti Warehouse | Baliti, San Fernando, Pampanga | Rented | Good | 203,000.00 | March 31, 2022 | Short Term Lease Only |
| | Calasiao Warehouse | Calasiao Pangasinan | Rented | Good | 287,500.00 | March 31, 2022 | Short Term Lease Only |

| Company Name / Subsidiary | | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | **Depot** | | | | | | |
| | GSMI Alcohol Depots #1 and #2 | Brgy. Namonitan, Sto. Tomas (Damortis), La Union | Owned | Good | | | |
| | **Land** | | | | | | |
| | GSMI Lingayen Property | Libsong East, Lingayen, Pangasinan | Owned | Good | | | |
| | GSMI Olongapo Property | Sta. Rita, Olongapo City, Zambales | Owned | Good | | | |
| | GSMI Cauayan Property | San Fermin, Cauayan, Isabela | Owned | Good | | | |
| | **C. GMA** | | | | | | |
| | **Warehouse/Sales Office** | | | | | | |
| | GSMI Pasig (C5) Sales Office (Warehouse Space, Parking Space and Parking Space with Bathroom) | Maja Compound, Canley Road Corner E. Rodgriguez (C5), Bagong Ilog, Pasig City | Rented | Good | 926,044.35 | June 15, 2022 | Renewable upon mutual agreement of both parties |
| | GSMI Sucat Parañaque Sales Office | #8380 Dr. A. Santos Avenue, BF Homes, Parañaque City | Owned | Good | | | |
| | **D. SOUTH LUZON** | | | | | | |
| | **Plants** | | | | | | |
| | GSMI Lucena Plant (Land and Facilities) | Bgy. Gulang-gulang, Lucena City, Quezon | Owned | Good | | | |
| | EPSBPI Ligao Plant (Land and Facilities) | Km 503, Hacienda Mitra, Paulog, Ligao City, Albay | Owned | Good | | | |
| | GSMI Cabuyao Plant (Land and Facilities) | Silangan Industrial Estate, Brgy. Pittland, Terelay Phase, Cabuyao, Laguna | Owned | Good | | | |
| | **Warehouse/Sales Office** | | | | | | |
| | GSMI Ligao Sales Office | Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504 | Owned | Good | | | |
| | EPSBPI Warehouse Extension | Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504 | Owned | Good | | | |
| | Calamba Sales Office and Warehouse 7 | National Road, Brgy, Paciano Rizal, Calamba Laguna | Rented | Good | 155,400.00 | February 15, 2022 | Renewable upon mutual agreement of both parties |
| | Calamba Sales Office and Warehouse 8 | National Road, Brgy, Paciano Rizal, Calamba Laguna | Rented | Good | 155,400.00 | June 15, 2022 | Renewable upon mutual agreement of both parties |
| | GSMI Sales Admin Office | 1080 Dona Aurora Boulevard, Gulang-gulang, Lucena City | Rented | Good | 23,325.00 | November 30, 2022 | Renewable upon mutual agreement of both parties |
| | GSMI Legazpi Warehouse 1 | Barangay 42, Rawiz Legazpi City | Rented | Good | 121,500.00 | June 30, 2022 | Renewable upon mutual agreement of both parties |
| | GSMI Legazpi Warehouse 2 | Barangay 42, Rawiz Legazpi City | Rented | Good | 101,250.00 | April 30, 2022 | Renewable upon mutual agreement of both parties |
| | GSMI Pagsanjan Sales Office | Sitio Ilaya Sabang 4008 Pagsanjan Laguna | Rented | Good | 36,000.00 | November 19, 2022 | Renewable upon mutual agreement of both parties |
| | Calamba Warehouse | Calamba, Laguna | Rented | Good | 585,200.00 | February 15, 2022 | Short Term Lease Only |
| | Cabuyao Warehouse 1 | Cabuyao, Laguna | Rented | Good | 818,158.00 | March 15, 2022 | Short Term Lease Only |
| | Cabuyao Warehouse 2 | Cabuyao, Laguna | Rented | Good | 216,000.00 | March 15, 2022 | Short Term Lease Only |
| | Pili Warehouse | Pili, Camarines Sur | Rented | Good | 103,680.00 | March 15, 2022 | Short Term Lease Only |
| | Naga Warehouse | Naga, Camarines Sur | Rented | Good | 240,000.00 | February 28, 2022 | Short Term Lease Only |
| | Tabaco Warehouse 1 | Tabaco, Laguna | Rented | Good | 96,426.00 | February 28, 2022 | Short Term Lease Only |
| | Tabaco Warehouse 2 | Tabaco, Laguna | Rented | Good | 192,852.00 | February 28, 2022 | Short Term Lease Only |

| Company Name / Subsidiary | | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | **Depot** | | | | | | |
| | GSMI Cotta Depot | Francisco Ferdinand St., Teacher's Village, Bgy. Cotta, Lucena City | Owned | Good | | | |
| | GSMI Tabangao Depot | Bgy. Tabangao, Aplaya, Batangas City | Owned | Good | | | |
| | GSMI Alcohol Depot (Tanks 1, 2, 3) | BBTI, Bauan, Batangas | Rented | Good | 528,000.00 | December 31, 2022 | Renewable at the option of the lessee |
| | GSMI Alcohol Depot (Tanks 4 & 6) | BBTI, Bauan, Batangas | Rented | Good | 720,000.00 | December 31, 2022 | Renewable at the option of the lessee |
| | GSMI Alcohol Depot (Tanks 5 & 7) | BBTI, Bauan, Batangas | Rented | Good | 720,000.00 | December 31, 2022 | Renewable at the option of the lessee |
| | GSMI Alcohol Depot (Tanks 8 & 9) | BBTI, Bauan, Batangas | Rented | Good | 384,000.00 | December 31, 2022 | Renewable at the option of the lessee |
| | **Land** | | | | | | |
| | EPSBPI Ligao Plant (Land) | KM 503, Hacienda Mitra, Paulog, Ligao City, Albay | Owned | Good | | | |
| | **E. VISAYAS** | | | | | | |
| | **Plants** | | | | | | |
| | GSMI Mandaue Plant (Land and Facilities) | Subangdaku, Mandaue City, Cebu | Owned | Good | | | |
| | GSMI Bago Plant (Land and Facilities) | Brgy. Calumangan, Bago City, Negros Occidental | Owned | Good | | | |
| | DBI Alcohol Distillery (Land and Facilities) | Km 13.5, Brgy. Taloc, Bago City, Negros Occidental | Owned | Good | | | |
| | DBI Deepwell Sites (Land and Facilities) | Brgy. Taloc, Bago City, Negros Occidental | Owned | Good | | | |
| | **Warehouse/Sales Office** | | | | | | |
| | GSMI Warehouse - K | Mandaue Port, J. Cenniza St., Looc, Mandaue City | Owned | Good | | | |
| | GSMI Warehouse - I | Mandaue Port, J. Cenniza St., Looc Mandaue City | Owned | Good | | | |
| | GSMI Warehouse - C | Mandaue Port, J. Cenniza St., Looc Mandaue City | Owned | Good | | | |
| | GSMI Warehouse - T | Mandaue Port, J. Cenniza St., Looc Mandaue City | Owned | Good | | | |
| | GSMI Bago City Sales Office | Km 13.5, Brgy. Taloc, Bago City, Negros Occidental | Owned | Good | | | |
| | Distileria Bago, Inc. (Aged Alcohol Warehousing and Management) | Brgy. Taloc, Bago City, Negros Occidental | Owned | Good | | | |
| | GSMI Tacloban Sales Office | Picas Sagkahan, Diversion Road, Brgy. 59, Tacloban City | Rented | Good | 15,000.00 | October 31, 2022 | Renewable upon mutual agreement of both parties |
| | **Depot** | | | | | | |
| | GSMI Ouano Alcohol Depot | Brgy. Looc, City of Mandaue, Island of Cebu | Owned | Good | | | |
| | **Land** | | | | | | |
| | DBI Relocation Site | Brgy. Calumangan, Bago City, Negros Occidental | Owned | Good | | | |
| | DBI (160sq.m new acquisition) | Brgy. Taloc, Bago City, Negros Occidental | Owned | Good | | | |
| | GSMI Looc Land (Depot) | Mandaue Port, J. Cenniza St., Looc Mandaue City | Owned | Good | | | |
| | **F. MINDANAO** | | | | | | |
| | **Warehouse/Sales Office** | | | | | | |
| | GSMI Davao Warehouse and Sales Office | Brgy. Talomo, Ulas, Davao City | Owned | Good | | | |
| | GSMI Pagadian Sales Office | 2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City | Rented | Good | 17,894.74 | May 31, 2023 | Renewable upon mutual agreement of both parties |
| | GSMI Cagayan de Oro Sales Office | Limac Warehouse Diversion Road Bulua Zone 8 9000 Cagayan De Oro City | Rented | Good | 109,920.00 | April 30, 2024 | Renewable upon mutual agreement of both parties |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 3 | **FOOD GROUP** | | | | | | |
| | **Admin Office/Sales Office** | | | | | | |
| | Pasig Office - San Miguel Food and Beverage, Inc. (SMFB) | 17F, 18F, 21F, 22F, 23F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City | Owned | Good | | | |
| | Iloilo Office - Agro Industrial Cluster | Melliza St., Iloilo City | Owned | Good | | | |
| | Isabela Sales Office - Poultry | Soyung, Echague, Isabela | Owned | Good | | | |
| | General Santos Office - Agro Industrial Cluster | Bo. Makar, Calumpang, Gen. Santos City | Owned | Good | | | |
| | **Admin Office and Feedmill/Processing Plant/Product Development Laboratory/Warehouse** | | | | | | |
| | Cavite Admin Office and Magnolia Plant - Magnolia, Inc. | Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite | Owned | Good | | | |
| | Depok Office and Poultry Processing Plant - PT San Miguel Purefoods Indonesia | Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia | Owned | Good | | | |
| | Tarlac Office, Feedmill and Warehouse - Feeds | Luisita Industrial Park, San Miguel,Tarlac City | Owned | Good | | | |
| | Bataan Feedmills and Warehouse - Feeds | Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan City | Owned | Good | | | |
| | Pasig Office and Product Development Laboratory - SMFI-Corporate | SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City | Owned | Good | | | |
| | Bacolod Warehouse - San Miguel Mills Inc. | Reclamation Area, Barangay Poblacion, Bacolod City | Owned | Good | | | |
| | Isabela Feedmill and Warehouse - Feeds | Bo. Soyung, Echague, Isabela City | Owned | Good | | | |
| | Bulacan Feedmill and Warehouse (San Ildefonso) - Feeds | Brgy. Malipampang San Ildefonso, Bulacan | Owned | Good | | | |
| | Pangasinan Feedmill - Feeds | Brgy. Bued, Binalonan, Pangasinan City | Owned | Good | | | |
| | **Farm/Hatchery** | | | | | | |
| | Isabela Cattle Farm - Meats | 3305 San Luis, Cauayan, Isabela City | Owned | Good | | | |
| | Calamba Hatchery - Poultry | Brgy Licheria, Calamba City | Owned | Good | | | |
| | Bataan Farm - Poultry | Brgy. General Lim, Orion, Bataan City | Owned | Good | | | |
| | Bukidnon Hatchery - Poultry | Kapitan Bayong, Impasug-ong, Bukidnon City | Owned | Good | | | |
| | Bukidnon Hog Farm - Meats | San Vicente, Sumilao, Bukidnon City | Owned | Good | | | |
| | Laguna Cattle Farm - Meats | Brgy. Mabacan, Calauan, Laguna | Owned | Good | | | |
| | **Flourmill/Feedmill** | | | | | | |
| | Iloilo Feedmill - Feeds | Brgy. Gua-an, Leganes, Iloilo | Owned | Good | | | |
| | Mabini Flourmill - San Miguel Mills, Inc. | Brgy. Bulacan, Mabini, Batangas City | Owned | Good | | | |
| | Tabangao Flourmill - San Miguel Mills, Inc. | Brgy. Tabangao, Batangas City | Owned | Good | | | |
| | Bukidnon Feedmill - Feeds | Impalutao,Impasug-ong,Bukidnon City | Owned | Good | | | |
| | Davao Feedmill - Feeds | Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur | Owned | Good | | | |
| | Pavia Iloilo Feedmill - SMFI - Feeds | Brgy. Mali-ao Pavia, Iloilo | Owned | Good | | | |
| | Ormoc Feedmill - SMFI - Feeds | Brgy, Macabug, Ormoc City | Owned | Good | | | |
| | Misamis Oriental Feedmill - SMFI - Feeds | Brgy Gracia, Sitio Kivulda, Phividec, Tagoloan, Misamis Oriental | Owned | Good | | | |
| | Mandaue Feedmill - SMFI - Feeds | JL Ceniza St., Brgy Looc, Mandaue City | Owned | Good | | | |
| | **Grain Terminal** | | | | | | |
| | Mabini Bulk Grain Handling Terminal - San Miguel Mills, Inc. (GBGTC) | Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas City | Owned | Good | | | |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| **Land** | | | | | | |
| Mabini Land - SMFB | Brgy. Bulacan, Mabini, Batangas City | Owned | Good | | | |
| Pasig Land - San Miguel Mills, Inc. (GAC) | San Miguel Ave., Corner Tektite Road, Pasig City | Owned | Good | | | |
| Bulacan Land - SMFI Feeds | Malipampang, San Ildefonso, Bulacan | Owned | Good | | | |
| General Santos Warehouse - Feeds | Bo. Makar, Calumpang, Gen. Santos City | Owned | Good | | | |
| Bacolod Land - SMMI | Reclamation Area, Barangay Poblacion, Bacolod City | Owned | Good | | | |
| Isabela Land - Feeds | Bo. Soyung, Echague, Isabela City | Owned | Good | | | |
| Iloilo Land - Feeds | Brgy. Gua-an. Leganes, Iloilo | Owned | Good | | | |
| Davao Land - SMFI - Feeds | Darong, Sta. Cruz, Davao | Owned | Good | | | |
| **Processing Plant** | | | | | | |
| Binh Duong Processing Plant - San Miguel Purefoods (VN) Co., Ltd. | An Tay, Ben Cat, Binh Duong, Vietnam | Owned | Good | | | |
| Cavite Meat Plant - Purefoods Hormel Company, Inc. | Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite | Owned | Good | | | |
| Davao Poultry Processing Plant - Poultry | Brgy. Sirawan, Toril Davao City | Owned | Good | | | |
| Cavite Fresh Meat Processing Plant - Meats | Governor's Drive Bo. Langkaan 1, Dasmarinas Cavite City | Owned | Good | | | |
| Laguna Ice Cream Plant - Golden Food Management Inc. (GFMI) | Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna | Owned | Good | | | |
| San Fernando Processing Plant | SMC Complex, Quebiawan, San Fernando, Pampanga | Owned | Good | | | |
| **Processing Plant and Cold Storage** | | | | | | |
| Mandaue Poultry Processing Plant and Cold Storage - Poultry | Riverside, Canduman, Mandaue City | Owned | Good | | | |
| **Warehouse** | | | | | | |
| Quezon City Warehouse - Purefoods Hormel Company, Inc. | Regalado Ave., Fairview, Quezon City | Owned | Good | | | |
| **Admin Office** | | | | | | |
| Mandaluyong Office - San Miguel Food and Beverage, Inc. | 40 San Miguel Ave., Mandaluyong City | Owned | Good | | | |
| Laguna Office - Poultry | 2nd & 3rd Floor, Andenson Building III, National Hi-way, Brgy. Parian, Calamba City, Laguna | Rented | Good | 971,389.11 | July 31, 2022 | Renewable every 5 years |
| Davao Office - Poultry | 3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao | Rented | Good | 321,599.60 | August 31, 2025 | Renewable every 5 years |
| Ho Chi Minh Office - SMPFVN | 6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City, Vietnam | Rented | Good | VND 38,646,597.17 | July 31, 2025 | Renewable every 5 years |
| Cebu Office - Poultry | 5th and 6th Flr., Clotilde Bldg., Casuntingan, Mandaue City, Cebu | Rented | Good | 178,200.00 | June 30, 2023 | Renewable every 3 years |
| Cebu Office - Great Food Solutions, Poultry and SMIS | 7th Floor Clotilde Bldg., Casuntingan, Mandaue City, Cebu | Rented | Good | 29,700.00 (GFS)<br>59,400.00 (Poultry)<br>59,400 (SMIS) | June 30, 2023 | Renewable upon mutual agreement of both parties |
| Zamboanga Office - Poultry | Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City | Rented | Good | 31,907.00 | Continuing unless terminated and agreed by both parties | Continuing unless terminated and agreed by both parties |
| Bukidnon Office - Agro Industrial Cluster and Poultry | Propia St. , Malaybalay, Bukidnon | Rented | Good | 133,928.57 | January 31, 2023 | Renewable every 2 years |
| Cagayan de Oro Office - Agro Industrial Cluster and Poultry | Masterson Avenue Zone 13, Carmen, Cagayan de Oro | Rented | Good | 370,729.43 | June 30, 2022 | Renewable every year |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Dumaguete Office - Poultry | Unit 1-C, JC Building, Ipil Road, Brgy. Daro, Dumaguete City | Rented | Good | 34,728.75 | October 30, 2024 | Lease may be renewed upon mutual consent of both parties, after written notice to renew is given by the Lessee to the Lessor 60 days before expiry date. |
| Bacolod Office - Poultry | NFCC Cybercentre Complex, Lacson Cr. Hernaez St., Bacolod City | Rented | Good | 250,101.00 | June 30, 2023 | Renewable every 5 years |
| C5 Pasig Office - SMFB, SMFI, PHC, Magnolia, Coffee, SMMI | 100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City | Owned | Good | | | |
| Tacloban Office - SMFI - AIC | Unit 12, 2nd Floor Bldg. B, Metrobank Center, Juan Luna St., Brgy. Poblacion, Palo, Leyte | Rented | Good | 53,773.20 | October 21, 2023 | Renewable every 5 years |
| Ormoc Office - SMFI - AIC | AW Square 3rd/F R#3F Cor. Real & San Vidal St., Ormoc City | Rented | Good | 30,800.00 | November 30, 2024 | Renewable every 5 years |
| **Admin Office and Cold Storage/Processing Plant/Warehouse** | | | | | | |
| Butuan Office and Cold Storage - Agro Industrial Cluster and Poultry | Km 9 Tag-ibo Butu-an | Rented | Good | 9,031.79 (Office)<br>483,600.00 (Cold Storage) | March 31, 2023 (Office - AIC)<br>31-December 31, 2022 (Cold Storage - Poultry) | Renewable every 5 years (Office & Cold Storage) |
| Misamis Occidental Office and Cold Storage - Agro Industrial Cluster and Poultry | Mailen, Clarin, Misamis Occidental | Rented | Good | 12,000.00 (Office)<br>278,423.00 (Cold Storage) | December 31, 2022 | Renewable every year (Office)<br>Renewable every 5 years (Cold Storage) |
| Camarines Sur Office - SMFI - AIC;<br>Office, Quality Assurance Office, Cold Storage and Holding Room - SMFI - Poultry;<br>and Cold Storage - SMFI - Meats | Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur | Rented | Good | 57,500 (Office AIC)<br>548,500.00 (Office - Poultry)<br>267,857.14 (QA Office - Poultry)<br>1,640,821.00 (Cold Storage - Poultry)<br>553,797.00 (Holding Room - Poultry)<br>383,699.68 (Cold Storage - Meats) | Continuing unless terminated and agreed by both parties (AIC Office, Poultry Admin and QA Office)<br>December 31, 2022 (Poultry Cold Storage & Holding Room)<br>March 31, 2022( Meats Cold Storage) | Renewable upon mutual agreement of both parties (AIC Office & Poultry Admin & QA Office)<br>Renewable every 3 years (Poultry Cold Storage and Holding Room, and Meats Cold Storage) |
| Cebu Office, Labatory & Cold Storage - Poultry | Brgy. Pangdan, Naga City, Cebu | Rented | Good | 60,000.00 ( Office and Labatory)<br>1,305,759.45 (Cold Storage) | June 30, 2022 | Renewable every 6 months |
| Cavite Cold Storage - Magnolia, Inc., Meats and Poultry | Anabu Hills Industrial Estate, Anabu 1-c, Imus Cavite | Rented | Good | Cold Storage:<br>632,597.07 (Magnolia)<br>1,718,392.70 (Meats)<br>457,120.00 (Poultry)<br>Warehouse:<br>738,464.08 (Meats) | Continuing unless terminated and agreed by both parties | Continuing unless terminated and agreed by both parties |
| Mandaue Warehouse and Cold Storage - Poultry | Lot 2459-B1&B2 Batiller Street, Barangay Umapad, Mandaue City | Rented | Good | 650,660.74 (Dry Warehouse)<br>865,614.62(Cold Storage) | Continuing unless terminated and agreed by both parties | Renewable upon mutual agreement of the parties |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | **Cold Storage** | | | | | | |
| | Navotas Cold Storage - Poultry and Purefoods Hormel Company, Inc. | Lapu-Lapu Ave. and C3 Road cor. Northbay Blvd., Navotas | Rented | Good | 2,877,676.55 | Continuing unless terminated and agreed by both parties | Continuing unless terminated and agreed by both parties |
| | Misamis Oriental Cold Storage - Poultry | Mohon Tagoloan Misamis Oriental | Rented | Good | 379,238.00 | December 31, 2024 | The Lessee maybe pre-terminate the Contract without cause by giving 60 days prior written notice to the Lessor |
| | Palawan Cold Storage - Poultry | Puerto Princesa, Palawan | Rented | Good | 346,500.00 | December 31, 2024 | Renewable every 2 years |
| | Davao Cold Storage - Poultry and Meats | Purok 15, Panungtungan, Tibungco, Davao | Rented | Good | 559,305.51 (Poultry)<br>9,190.00 (Meats) | Continuing unless terminated and agreed by both parties | Continuing unless terminated and agreed by both parties |
| | Pangasinan Cold Storage - Poultry | Brgy. Mabilao, San Fabian, Pangasinan 2433 | Rented | Good | 204,984.00 | September 30, 2023 | Renewable every 3 years |
| | Misamis Oriental Cold Storage - Meats | Sta. Ana, Tagoloan, Misamis Oriental | Rented | Good | 118,552.00 | Continuing unless terminated and agreed by both parties | Renewed upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing |
| | Isabela Cold Storage - Meats | San Luis, Cauayan, Isabela | Rented | Good | 258,812.00 | Continuing unless terminated and agreed by both parties | Renewable upon mutual agreement of both parties |
| | Palawan Cold Storage - Poultry | Abara Road, Brgy. San Pedro, Puerto Princesa City, Palawan | Rented | Good | 346,500.00 | December 31, 2024 | Renewable every 2 years |
| | Negros Oriental - Cold Storage - Poultry | Sra Ascion, San Jose, Negros Oriental | Rented | Good | 2,365,200.00 | October 28, 2024 | Renewable every 3 years |
| | Indonesia Cold Storage - PTSMFI | Jl.Raya Narogong Km.12,5 Pangkalan 5 No.7, Cikiwul Rt.002 Rw.006, Cikiwul, Bekasi | Rented | Good | IDR 21258245.84 | February 28, 2022 | Renewable upon consent of both parties |
| | **Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse/Processing Plant/Mixes Storage/Office** | | | | | | |
| | Bulacan Holding Room - Poultry | #95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan | Rented | Good | 178,685.00 | June 01, 2022 | Renewable every 3 years |
| | Bulacan Cold Storage and Holding Room - Poultry | 111 Pulong Gubat, Balagtas Bulacan | Rented | Good | 2,391,480 (Cold Storage)<br>811, 795.00 (Holding Room) | December 31, 2022 | Renewable every 2 years |
| | Pampanga  Cold Storage & Selling Station- SMFI - Meats & Mixes Storage - Poultry | 888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga | Rented | Good | 1,927,550.00 (Cold Storage)<br>58,000.00 (Selling Station)<br>60,286.00 (Mixes Storage) | December 31, 2023 | Renewable upon mutual agreement of both parties |
| | Leyte Cold Storage and Office and Labatory - Poultry | Brgy. Antipolo, Albuera, Leyte | Rented | Good | 1,637,614.00 (Cold Storage)<br>35,000.00 (Office and Labatory) | August 31, 2023 | Renewable every 3 years |
| | Bulacan Cold Storage, Holding Room and Laboratory - Poultry | Brgy. Caysio, Sta. Maria, Bulacan | Rented | Good | 2,749,935.57 (Cold Storage)<br>997,108.00 (Holding Room)<br>28,265.57 (Laboratory) | February 28, 2022 (Cold Storage, Holding Room, Laboratory) | Renewable every 3 years (Cold Storage, Holding Room, Laboratory) |
| | La Union Cold Storage, Holding Room and Laboratory - Poultry | Brgy. Rabon, Rosario, La Union 2506 | Rented | Good | 1,794,978.13 (Cold Storage & Holding Room)<br>72,081.00 (Laboratory) | September 30, 2023 | Renewable every 3 years |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Pampanga Cold Storage, Holding Room and Labatory - Poultry | Brgy. San Isidro, San Simon, Pampanga | Rented | Good | 906,252.00 (Cold Storage) 317,853.00 (Holding Room) 49,090.00 (Labatory) | July 07, 2022 | Renewable every 5 years |
| Tarlac Cold Storage, Holding Room and Laboratory - Poultry | Brgy. San Nicolas Balas, Concepcion, Tarlac 2316 | Rented | Good | 1,810,069.00 (Cold Storage) 1,211,826.00 (Holding Room) 37,882.07 (Laboratory) | December 31, 2024 | Renewable every 3 years (Cold storage) |
| Bataan Cold Storage and Holding Room - Poultry | Brgy. Tumalo, Hermosa, Bataan | Rented | Good | 2,363,154.00 (Cold Storage) 1,088,895.00 (Holding Room) 28,764.14 (Labatory) | December 31, 2024 | Renewable every 3 years |
| Nueva Ecija Cold Storage, Holding Room and Labatory- Poultry | Km104, Brgy Tabuating, San Leonardo, Nueva Ecija | Rented | Good | 650,183.63 (Cold Storage) 891,681.00 (Holding Room) 218,560.00 (Labatory) | March 9, 2024 | Renewable every 3 years |
| Iloilo Cold Storage and Processing Plant - Poultry | Barangay Tungay, Sta. Barbara, Iloilo | Rented | Good | 902,691.69 (Cold storage) 474,483.96 (Processing plant) | December 31, 2023 | Renewable every 3 years |
| Negros Oriental Cold Storage and Processing Plant - Poultry | Bolocboloc Sibulan Negros Oriental | Rented | Good | 11,552.02 (Processing Plant) 1,818,600.00 (Cold Storage) | October 31, 2024 | Renewable every 3 years |
| Negros Occidental Processing Plant and Cold Storage & Laboratory - Poultry | Hda Binunga. Brgy Guinhalaran, Silay City, Negros Occidental | Rented | Good | 395,541.76 (Processing Plant) 672,383.29 (Cold Storage) | January 31, 2024 | Renewable every 3 years |
| **Foreshore** | | | | | | |
| Mabini Bulk Grain Handling Terminal Foreshore - GBGTC | Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas | Rented | Good | 373,949.14 | December 31, 2025 | Lease may be renewed for another 25 years at the option of the DENR |
| Mabini Foreshore - San Miguel Mills, Inc. | Brgy. Bulacan, Mabini, Batangas | Rented | Good | 49,089.06 | Continuing unless terminated and agreed by both parties | Lease may be renewed for another 25 years at the option of the DENR |
| Tabangao Foreshore - San Miguel Mills, Inc. | Brgy. Tabangao, Batangas | Rented | Good | 9,648.63 | August 22, 2024 | Lease may be renewed for another 25 years at the option of the DENR |
| **Land** | | | | | | |
| Mabini Bulk Grain Handling Terminal (Land only) - GBGTC | Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas | Owned | Good | | | |
| Pangasinan Feedmill (Land only) - Feeds | Brgy. Bued, Binalonan, Pangasinan | Owned | Good | | | |
| Mabini Flourmill (Land Only) - San Miguel Mills, Inc. | Brgy. Bulacan, Mabini, Batangas | Owned | Good | | | |
| Bataan Farm (Land only) - Poultry | Brgy. General Lim, Orion, Bataan | Owned | Good | | | |
| Bataan Feedmill (Land only) - Feeds | Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan | Rented | Good | 1,260,960.00 (Plant 1) 716,214.10 (Plant 2) | December 31, 2054 (Plant 1) March 31, 2041 (Plant 2) | Renewable upon mutual agreement of both parties |
| Cebu Land - San Miguel Mills, Inc. | P. Rodriguez Street & Dad Cleland Road, Poblacion, Lapu-Lapu, Cebu | Rented | Good | Jan-June : 3,666,648 July -Dec : 3,849,979 | May 31, 2031 | Renewable upon mutual written agreement of the parties |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Pasig Office (Land Only) - San Miguel Foods, Inc. - Corporate | SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig | Owned | Good | | | |
| Pampanga Processing Plant (Land Only) - Poultry | SMPFC Region Office, SMC Complex, Quebiawan, San Fernando, Pampanga | Owned | Good | | | |
| Laguna Ice Cream Plant (Land Only) - Magnolia (GFDCC) | Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna | Owned | Good | | | |
| Ready-to-Eat Plant (Land Only) - Great Food Solutions | Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna | Owned | Good | | | |
| Bulacan Feedmill(Land Only) - SMFI - Feeds | Brgy. Malipampang San Ildefonso, Bulacan | Owned | Good | | | |
| **Processing Plant** | | | | | | |
| Lipa Dressing Plant - Poultry | Brgy Kayumanggi, Lipa | Rented | Good | 1,037,190.00 | March 01, 2023 | Renewable every 3 years |
| Puerto Princesa Dressing Plant - Poultry | Brgy Tagburos, Puerto Princesa | Rented | Good | 20,000.00 | December 31, 2023 | Renewable upon mutual agreement of both parties |
| Albay Processing Plant - Poultry | Brgy. Anislag, Daraga, Albay | Rented | Good | 158,578.00 | July 31, 2022 | Renewable every 3 years |
| Lucena Processing Plant - Poultry | Brgy. Bocohan, Lucena | Rented | Good | 1,534,600.00 | June 30, 2024 | Renewable every 3 years |
| Isabela Processing Plant - Poultry | Garit Sur, Echague Isabela | Rented | Good | 3,628,230.00 | March 15, 2024 | Renewable every 3 years |
| South Cotabato Processing Plant - Poultry | Polomolok, South Cotabato | Rented | Good | 169,150.08 | September 30, 2022 | Renewable upon mutual agreement of both parties |
| Davao City Processing Plant -Poultry | R.Castillo, Davao City | Rented | Good | 397,423.89 | Continuing unless terminated and agreed by both parties | Continuing unless terminated and agreed by both parties |
| Rizal Processing Plant - Poultry | #1 Sitio Kapatagan, Brgy. Pinugay, Baras, Rizal | Rented | Good | 327,431.86 | February 28, 2023 | Renewable every year |
| Batangas Processing Plant - Poultry | Brgy Aya, San Jose, Batangas | Rented | Good | 2,874,728.46 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| South Cotabato Processing Plant - Meats | Purok 3, Brgy. Glamang, Polomolok, South Cotabato | Rented | Good | 208,272.87 | Continuing unless terminated and agreed by both parties | Renewable upon mutual agreement of both parties |
| **Sales Office** | | | | | | |
| Iloilo Office - San Miguel Integrated Sales | Orbe St., Brgy. Baybay Norte, Miag-ao, Iloilo | Rented | Good | 8,928.57 | June 30, 2028 | Renewable upon mutual agreement of both parties |
| **Sales Office and Cold Storage/Laboratory/Warehouse** | | | | | | |
| Pangasinan Office, Cold Storage, Processing Plang, Laboratory and Warehouse - Poultry | GTL Compound, San Vicente, San Jacinto, Pangasinan, 2431 | Rented | Good | 25,000.00 (Office)<br>1,304,469.50 (Processing Plant, Cold Storage & Holding Area)<br>30,745.45 (Laboratory)<br>40,000.00 (Warehouse) | December 31, 2022 (Office, Warehouse)<br>December 31, 2023 (Processing Plant, Cold Storage, Laboratory) | Renewable every 3 years |
| **Warehouse** | | | | | | |
| LSL Multi-Serve-Managed Warehouses - Feeds | Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City; Km. 11, Sasa, Davao | Rented | Good | 645,120.00 | December 31, 2022 | Renewal every one year |
| Pangasinan Warehouse - Feeds | Carmen East, Rosales, Pangasinan | Rented | Good | 1,329,838.37 | December 31, 2022 | Renewable every year |
| MMIJOE-Managed Warehouses - Feeds | Diversion Rd., Buhangin, Davao City; Km 10, Sasa, Davao City | Rented | Good | 1,028,618.30 | December 31, 2022 | Renewable every year |
| SMCSL-Managed Warehouses - Feeds | Manila; Bataan; Batangas; Camarines Sur; Cebu; Iloilo; Bacolod; Cagayan de Oro; Ozamiz; Bukidnon; General Santos; Zamboanga; Davao | Rented | Good | 40,809,620.08 | December 31, 2022<br>December 31, 2023 | Renewable upon mutual agreement of both parties |
| D Meter-Managed Warehouses - Feeds | Cristo Rey Capas, Tarlac 2315; Claro Castaneda St, Brgy. Namayan, Mandaluyong City | Rented | Good | 2,567,766.71 | December 31, 2022 | Renewable every three years |
| Tarlac Warehouse - Feeds | Mabini, Moncada, Tarlac | Rented | Good | 298,675.00 | December 31, 2023 | Renewable every two years |
| Camarines Sur Warehouse - Feeds | Santiago, Pili, Camarines Sur | Rented | Good | 273,240.00 | December 31, 2022 | Renewable every year |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | Pangasinan Warehouse - Feeds | Urdaneta, Pangasinan | Rented | Good | 1,273,852.96 | December 31, 2022 | Renewable upon mutual written agreement of the parties |
| | Mandaluyong Warehouse - Feeds | 979 C. Castaneda Street, Mandaluyong City Metro Manila | Rented | Good | 198,000.00 | June 30, 2022 | Renewable every year |
| | Camarines Sur Warehouse - Feeds | Brgy. San Jose, Pili, Camarines Sur | Rented | Good | 972,787.20 | December 31, 2022 | Renewable every year |
| | Parañaque Warehouse - AIC, SMIS and Great Food Solutions | Pacific Coast Plaza Building, 1St Villamor Street, Parañaque | Rented | Good | 59,423.29 (AIC)<br>182,790.42 (SMIS)<br>28,179.87 (GFS) | December 31, 2024 | Mutually be agreed upon between the parties. |
| | Tarlac Warehouse - Feeds | Brgy. Estrada Capas, Tarlac | Rented | Good | 944,864.29 | December 31, 2023 | Renewable every 2 years |
| | Mandaue Warehouse - AIC | M.L. Quezon St., Casuntingan, Mandaue City | Rented | Good | 37,315.04 | October 31, 2022 | Renewable every 3 years |
| | Laguna Warehouse - Poultry | Denson Whse, Brgy Parian, Calamba, Laguna | Rented | Good | 141,490.00 | July 31, 2024 | Renewable every 5 years |
| | Cebu Warehouse - SMFI - Feeds | Sitio Tawagan Brgy. Tayud, Consolacion, Cebu | Rented | Good | 800,976.00 | December 31, 2023 | Renewable every 2 years |
| | Ormoc Warehouse - SMFI - Feeds | Cogon, Ormoc City,Leyte | Rented | Good | 247,500.00 | December 31, 2023 | Renewable every 2 years |
| | Bohol Warehouse - SMFI - Feeds | Poblacion, Albuquerque, Bohol | Rented | Good | 16,750.00 | December 31, 2023 | Renewable every 2 years |
| | Calamba Warehouse - Poultry | Prinza, Calamba, Laguna | Rented | Good | 640,738.45 | Continuing unless terminated and agreed by both parties | Continuing unless terminated and agreed by both parties |
| | Calamba Warehouse - Poultry | MITIMCO Cmpd.,Baloy,Cagayan De Oro City | Rented | Good | 1,964,709.20 | December 31, 2022 | Renewable every year |
| **PACKAGING BUSINESS** | | | | | | | |
| | **A. DOMESTIC** | | | | | | |
| **1** | **SAN MIGUEL YAMAMURA PACKAGING CORPORATION** | | | | | | |
| | SMYPC Main Office, SMYPC Trading and SMYPC Contract Packaging | | | | | | |
| | Building / Office Space | San Miguel Properties Centre, Saint Francis St., Mandaluyong City | Owned | Good | | | |
| | SMYPC Rightpak Plant, SMYPC Canlubang PET & Caps Plant, SMYPC MCLP Canlubang Plant and SMYPC Leasing Operations | | | | | | |
| | Land | Canlubang Industrial Estate, Canlubang, Laguna | Owned | Good | | | |
| | SMYPC Cebu Beverage Packaging Plant, SMYPC Cebu Glass Plant and SMYPC MCLP Mandaue Plant | | | | | | |
| | Land | SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu | Owned | Good | | | |
| | SMYPC Cebu Beverage Packaging Plant & SMYPC Cebu Glass Plant | | | | | | |
| | Warehouse | SMC Wharf, Tipolo, Mandaue City, Cebu | Owned | Good | | | |
| | SMYPC Cebu Glass Plant | | | | | | |
| | Warehouse | Quano Wharf, Mandaue City | Owned | Good | | | |
| | Warehouse | GSK, Jagobiao, Mandaue City | Rented | Good | 1,028,280.00 | December 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Paknaan, Mandaue City | Rented | Good | 1,133,800.00 | April 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Tayud, Consolacion | Rented | Good | 680,240.00 | June 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | CLD Ouano Wharf, Mandaue City, Cebu | Rented | Good | 378,000.00 | January 06, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | CBPP, SMC Complex, Mandaue City | Owned | Good | | | |
| | SMYPC San Fernando Bev. Packaging Plant | | | | | | |
| | Land and Warehouse | Brgy. Maimpis, City of San Fernando, Pampanga (Gate 2, SMC PET Plant) | Owned | Good | | | |
| | SMYPC Pet Recycling Plant and SMYPC MCLP San Fernando Plant | | | | | | |
| | Land | SMC San Fernando Complex, Quebiauan, San Fernando City | Owned | Good | | | |

| Company Name / Subsidiary | | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | SMYPC Manila Glass Plant | | | | | | |
| | Land | Muelle dela Industria St., Binondo, Manila City | Owned | Good | | | |
| | Warehouse | San Fernando Brewery, San Fernando, Pampanga | Owned | Good | | | |
| | Warehouses 1, 2 & 3 | No. 35 Calle Malusak, San Pablo, Malolos City, Bulacan | Rented | Good | 839,690.78 | June 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouses 4 | No. 35 Calle Malusak, San Pablo, Malolos City, Bulacan | Rented | Good | 715,000.00 | May 14, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouses | No.10 T. Santiago St., Plastic City Compound, Canumay, Valenzuela City | Rented | Good | 212,625.00 | December 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse Extension 2 | Sitio Torres, Sta. Cuz, Porac, Pampanga | Rented | Good | 507,500.00 | April 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse Extension 3 | Sitio Torres, Sta. Cuz, Porac, Pampanga | Rented | Good | 261,000.00 | August 18, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | 162 Balite, San Fernando, Pampanga | Rented | Good | 595,000.00 | April 01, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Alliance Textiles Mills Barangay Banay Banay, Cabuyao, Laguna | Rented | Good | 526,150.00 | May 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | LIIP-PEZA, Mamplasan, Biñan, Laguna | Rented | Good | 831,390.00 | September 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties. |
| | SMYPC Glass Business Office | | | | | | |
| | Land | Barrio Halayhay, Tanza, Cavite | Owned | Good | | | |
| | SMYPC Manila Plastics Plant | | | | | | |
| | GTU Warehouse | 2068 B Candido St. Mapulang Lupa, Valenzuela City | Rented | Good | 1,066,682.10 | March 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Bocaue Warehouse (Ecostorage) | #276 Boontown Industrial Park Brgy. Tambobong, Bocaue , Bulacan | Rented | Good | 512,727.24 | September 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | MCLP Warehouse | MCLP warehouse ,Canlubang Laguna | Owned | Good | | | |
| | SMYPC MPP Cebu Operations | | | | | | |
| | Warehouse | Mandaue Cebu | Owned | Good | | | |
| | Warehouse | Sitio Bangkerohan, Tayud, Consolacion | Rented | Good | 800,000.00 | August 01, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | SMYPC SMY Glass Plant | | | | | | |
| | Land | Km 27, Aguinaldo Highway, Imus, Cavite | Owned | Good | | | |
| | Land & Warehouse | Canlubang Industrial Estate, Canlubang, Laguna | Owned | Good | | | |
| | Warehouse | Quezon Road, San Simon, Pampanga | Rented | Good | 2,125,700.00 | October 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Welbourne Warehouse | Blk02 Lot31, Welborn Industrial Park, BRGY Bancal, Carmona Cavite | Owned | Good | | | |
| | Warehouse | Tagoloan, Misamis Oriental | Owned | Good | | | |
| | MCLP | SMYPC, Silangan Industrial Estate, Canlubang, Calamba City, Laguna | Owned | | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | Springfield Warehouses | Sitio Pantay, Brgy. Maguyam, Silang Cavite | Rented | Good | 2,226,056.00 | June 04, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | FCIE 1 | JY & Sons Compound FCIE Warehouse Governors Drive, Dasmarinas, Cavite | Rented | Good | 2,594,240.00 | July 22, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | FCIE 2 | JY & Sons Compound FCIE Warehouse Governors Drive, Dasmarinas, Cavite | Rented | Good | 1,646,568.00 | August 15, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | FCIE 3 | JY & Sons Compound FCIE Warehouse Governors Drive, Dasmarinas, Cavite | Rented | Good | 1,308,252.00 | September 14, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Banay-Banay | Alliance Textile Mills, National Road. Bo. Banay Banay Cabuyao, Laguna | Rented | Good | 3,887,400.00 | May 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | SMYPC Logistics Services | | | | | | |
| | Warehouse | Alliance Textiles Mills Barangay Banay Banay, Cabuyao, Laguna | Rented | Good | 2,002,600.00 | May 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| **2** | **SMC YAMAMURA FUSO MOLDS CORPORATION** | Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite | Owned | Good | | | |
| **3** | **MINDANAO CORRUGATED FIBREBOARD, INC.** | | | | | | |
| | Land | Km 12 Sasa, Davao City | Owned | Good | | | |
| | Warehouses | Sitio Ilang, Brgy. Tibungco, Davao City | Rented | Good | 851,330.20 | September 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouses | National Highway Casinglot, Tagoloan, Misamis Oriental | Rented | Good | 225,000.00 | December 31, 2021 | No contract. PO based only |
| **4** | **CAN ASIA, INC.** | | | | | | |
| | Land | Bgy. San Francisco de Malabon, Gen. Trias, Cavite | Owned | Good | | | |
| | **B. INTERNATIONAL** | | | | | | |
| **5** | **SAN MIGUEL YAMAMURA PACKAGING INTERNATIONAL LTD. AND SAN MIGUEL YAMAMURA GLASS (VIETNAM) LTD.** | 9/F Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, N.T. Hongkong, PRC | Owned by San Miguel Brewery Hong Kong Ltd (SMBHK) (Owner is SMBHK, Lesee is Neptunia Corporation Limited (NCL) and rent payable by NCL) | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 6 | **ZHAOQING SAN MIGUEL YAMAMURA GLASS COMPANY LTD.** | | | | | | |
| | Plant | 12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC | Land Use Rights | Good | | | |
| | Warehouse | South side of Cordon Bleu Brewery, Zhaoqing City | Rented | Good | 224,884 | June 20, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Duanzhou District Dading Road south side, Zhaoqing City | Rented | Good | 186,426 | June 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Duanzhou District Dading Road south side, Zhaoqing City | Rented | Good | 167,532 | March 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Taihe Road West Junfu Industrial Park Building 2-4,Zhaoqing City | Rented | Good | 1,116,195 | June 30, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Mugang District, Zhaoqing City | Rented | Good | 66,170 | March 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| | Warehouse | Duanzhou Science and Technology Industrial Area, Zhaoqing City | Rented | Good | 600,131.92 | October 31, 2022 | Renewable for a period in accordance with the mutual written agreement of both parties |
| 7 | **FOSHAN SAN MIGUEL YAMAMURA PACKAGING COMPANY LTD.** | 3 Dongdi Road, Junan Township, Guangdong Province, PRC | Land Use Rights | Good | | | |
| 8 | **SAN MIGUEL YAMAMURA HAIPHONG GLASS COMPANY LTD.** | 17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam | Land Use Rights | Good | | | |
| 9 | **SAN MIGUEL YAMAMURA PHU THO PACKAGING COMPANY LTD.** | 1 Le Van Khuong Street, Hiep Thanh Ward, District 12, Ho Chi Minh City, Vietnam | Land Use Rights | Good | | | |
| 10 | **SAN MIGUEL YAMAMURA PLASTICS FILMS SDN. BHD.** | No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia | Owned | Good | | | |
| 11 | **SAN MIGUEL YAMAMURA PACKAGING AND PRINTING SDN. BHD. AND PACKAGING RESEARCH CENTRE SDN. BHD.** | Lot 5078 and 5079, Jalan Jenjarum 28/39, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia | Owned | Good | | | |
| 12 | **SAN MIGUEL YAMAMURA WOVEN PRODUCTS SDN. BHD.** | | | | | | |
| | Office Space | Lot 9 and 10, Jalan Usuha 4, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia<br>Lot 4305, Jalan Usaha 8, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia | Owned | Good | | | |
| | Plant | Lot 75, Jalan Usaha 5, Ayer Keroh Industrial Estate, 75450 Melaka | Rented | Good | RM20,748.00 | December 31, 2021 | Renewable upon mutual agreement of both parties |
| | Warehouse | Lot 4320, Jalan Usaha 6, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia | Rented | Good | RM6,800.00 | March 31, 2022 | Renewable upon mutual agreement of both parties |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 13 | **INSA ALLIANCE SDN. BHD.** | | | | | | |
| | Office Space | Plo 64 & Plo 65, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor. | Owned | Good | | | |
| | Plant | Plo 64 & Plo 65, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor. | Owned | Good | | | |
| | Warehouse | Plo 136, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor. | Owned | Good | | | |
| | Warehouse | Plo 97, Jln Kejuteraan 4, Kaw. Perindustrian, Jln Genuang, 85000 Segamat, Johor. | Rented | Good | RM2,300.00 | August 31, 2022 | Renewable upon mutual agreement of both parties |
| 14 | **SAN MIGUEL YAMAMURA AUSTRALASIA** | | | | | | |
| | Office | 1 Culverston Road, Minto NSW, Australia | Rented | Good | AUD 118,506.49 | July 31, 2027 | Renewable upon mutual agreement of both parties |
| | Production | 21 Huntsmore Road, Minto NSW, Australia (Unit 1) | Rented | Good | AUD 23,248.43 | July 31, 2027 - Unit 1 | Renewable upon mutual agreement of both parties |
| | SMYC PTY LTD | | | | | | |
| | Warehouse | 117-121 Lewis Rd, Knoxfield, Victora | Rented | Good | AUD 85,449.17 | August 01, 2031 | Renewable upon mutual agreement of both parties |
| | Warehouse | Warehouse 5, Acacia Link Industrial Estate, 25 Industrial Crescent, Willawong, Queensland | Rented | Good | AUD 30,709.86 | October 01, 2023 | Renewable upon mutual agreement of both parties |
| | Warehouse | 30-32 Rosberg Rd, Wingfield, South Australia | Rented | Good | AUD 45,229.63 | June 18, 2022 | Renewable upon mutual agreement of both parties |
| | Warehouse | 52 McDowell Street Welshpool, Western Australia | Rented | Good | AUD 37,609.27 | September 30, 2024 | Renewable upon mutual agreement of both parties |
| | Warehouse | 22 Kinta Drive, Beresfield, Newcastle | Rented | Good | AUD 7,476.23 | November 30, 2022 | Renewable upon mutual agreement of both parties |
| | Warehouse | 10-12 Linear Court, Derwent Park, Tasmania | Rented | Good | AUD 14,985.16 | November 16, 2022 | Renewable upon mutual agreement of both parties |
| | SMYP PTY LTD | | | | | | |
| | Plant | 21 Huntsmore Road, Minto NSW, Australia (Unit 2) | Rented | Good | AUD 20,065.90 | July 31, 2027 | Renewable upon mutual agreement of both parties |
| | Warehouse | 21 Huntsmore Road, Minto NSW, Australia (Unit 3) | Rented | Good | AUD 29,107.40 | July 31, 2030 | Renewable upon mutual agreement of both parties |
| | Plant | 114-118 Talinga Road, Cheltenham, Victora | Rented | Good | AUD 72,182.02 | January 01, 2028 | Renewable upon mutual agreement of both parties |
| | Plant | 13-15 Wangara Road, Sandringham, Victoria | Rented | Good | AUD 46,171.20 | November 06, 2022 | Renewable upon mutual agreement of both parties |
| | Plant | 160 May Terrace Ottoway, South Australia | Rented | Good | AUD 52,234.53 | October 17, 2026 | Renewable upon mutual agreement of both parties |
| | Plant | 160 May Terrace Ottoway, South Australia | Rented | Good | AUD 26,777.00 | November 01, 2026 | Renewable upon mutual agreement of both parties |
| | Plant | Lionels Vineyard, Payne Road Jindong, Western Australia (Margaret River) | Rented | Good | AUD 31,104.00 | July 01, 2029 | Renewable upon mutual agreement of both parties |
| | SMYV PTY LTD | | | | | | |
| | Plant/Office | 34-38 Aldershot Road, Lonsdale South Australia | Owned | Good | | | |
| | SMYBB Pty Ltd | | | | | | |
| | Plant/Office | 463-469 & 487-501 Cowra Avenue, Mildura, Victora | Owned | Good | | | |
| | Plant/Office | Lot 147, Sturt Highway, Nuriootpa, South Australia | Rented | Good | AUD 39,743.32 | February 01, 2031 | Renewable upon mutual agreement of both parties |
| | Plant/Office | 503-513 Cowra Avenue, Mildura, Victora | Rented | Good | AUD 26,739.16 | May 16, 2025 | Renewable upon mutual agreement of both parties |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | SMYJ Pty Ltd | | | | | | |
| | Plant/Office | 50 Bond Street Mordialloc Victora | Rented | Good | AUD 25,351.32 | July 10, 2023 | Renewable upon mutual agreement of both parties |
| | Plant/Office | 48 Bond Street Mordialloc Victora | Rented | Good | AUD 20,509.88 | July 29, 2025 | Renewable upon mutual agreement of both parties |
| **15** | **COSPAK LIMITED** | 27 Ross Reid Place, East Tamaki, Auckland, New Zealand | Rented | Good | NZD 130,368.28 | July 31, 2026 | Renewable upon mutual agreement of both parties |
| **16** | **FOSHAN NANHAI COSPAK PACKAGING COMPANY LIMITED** | Beijia Team of Niande Village Committee, Nanfeng Road, Leping Town, Sanshui District, Foshan City, Guangdong Province, PRC | Rented | Good | ¥ 60,262 | October 31, 2023 | Renewable upon mutual agreement of both parties |
| **FUEL AND OIL BUSINESS** | | | | | | | |
| **1** | **PETRON CORPORATION** | | | | | | |
| | **Refinery and Powerplant** | | | | | | |
| | Petron Bataan Refinery | Petron Bataan Refinery, Limay, Bataan | Owned | Good | | | |
| | Power Plant (Units 1, 2, 3 and 4) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | **Metro Manila and Manufacturing** | | | | | | |
| | Terminal (Navotas) | PFDA CMPD., Navotas, M.M. | Rented Except Building & Facilities | Good | 3,173,404.69 | Aug 26, 2039 | Renewable upon mutual agreement of both parties |
| | Terminal (Rosario) | Gen. Trias, Rosario, Cavite | Rented Except Building & Facilities | Good | 257,606.37 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Terminal (Pandacan) | Jesus St., Pandacan, Manila | Rented Except Building & Facilities | Good | 2,484,715.38 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Lube Oil Manufacturing Plant | Block 12 and Pipeline Row, Harbour Centre, North Harbor, Tondo, Manila. | Owned | Good | | | |
| | Lube Oil Manufacturing Plant | Block 13, Harbour Centre, North Harbor, Tondo, Manila | Owned | Good | | | |
| | Airport Installations | Laoag Airport Installation, Laoag Airport, Brgy. Araniw, Laoag City | Rented Except Building & Facilities | Good | 3,180.00 | October 31, 2029 | Renewable upon mutual agreement of both parties |
| | Airport Installations | NAIA Airport Installation (Petron) & JOCASP, JOCASP Compound, NAIA Complex, Pasay City | Rented Except Building & Facilities | Good | 804,833.47 | December 31, 2035 | Renewable at the option of the lessee |
| | **Luzon Operations** | | | | | | |
| | Terminal (Palawan) | Brgy. Masipag, Puerto Princesa City | Rented Except Building & Facilities | Good | 150,000.00 | November 30,2023 | Renewable at the option of the lessee |
| | Terminal (Palawan) | Parola, Brgy. Maunlad, Puerto Princesa City, Palawan | Rented Except Building & Facilities | Good | 4,222.12 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Sales Office (Pasacao) | Sitio Camangui, Brgy. Santa Rosa del Sur, Pasacao, Camarines Sur | Rented Except Building & Facilities | Good | Jan - 489,675.38<br>Jun - 514,159.14 | May 31, 2027 | Renewable upon mutual agreement of both parties |
| | Terminal (Poro) | Poro Pt.,San Fernado, La Union | Rented Except Building & Facilities | Good | 314,841.71 | February 28, 2023 | Renewable upon mutual agreement of both parties |
| | Terminal (Poro) | Poro Pt.,San Fernado, La Union | Rented Except Building & Facilities | Good | 22,279.97 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Sales Office (Calapan) | Sixteen Enterprises Compound, Brgy. Masipit, Calapan City, Oriental Mindoro | Rented | Good | Jan - 26,741.14<br>Jul - 28,078.19 | June 30, 2022 | Renewable upon mutual agreement of both parties |
| | Sales Office (San Jose) | Purok Tagumpay 2, Brgy. Caminawit, San Jose, Occidental Mindoro | Rented | Good | 17,000.00 | April 30, 2026 | Renewable upon mutual agreement of both parties |

| Company Name / Subsidiary | | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | Sales Office (Masbate) | Masbate | Rented except Building & Facilities | Good | 4,759.53 | December 31, 2026 | Renewable upon mutual agreement of both parties |
| | Terminal (Batangas) | Bo. Mainaga, Mabini, Batangas | Rented Except Building & Facilities | Good | 41,987.17 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Terminal (Bataan) | Limay, Bataan | Rented Except Building & Facilities | Good | 1,611.84 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) |
| | Sales Office (Odiongan) | Brgy Poctoy, Odiongan, Romblon | Rented | Good | 67,175.33 | December 31, 2051 | Renewable at the option of the lessee |
| | **Visayas Operations** | | | | | | |
| | Depot (Amlan) | Tandayag, Amlan, Negros Oriental | Rented Except Building & Facilities | Good | 57,594.16 | November 30, 2033 | Renewable at the option of the lessee |
| | Terminal (Bacolod) | Bo. San Patricio, Bacolod City, Negros Occidental | Rented Except Building & Facilities | Good | 86,265.59 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Terminal (Bacolod) | Bo. San Patricio, Bacolod City, Negros Occidental | Owned | Good | | | |
| | Depot (Siquijor Mini BP) | Candanay Sur, Siquijor | Rented Except Building & Facilities | Good | 172,298.01 | March 31, 2035 | with 5% escalation per year |
| | Terminal (Iloilo) | Lapuz, Iloilo City | Rented Except Building & Facilities | Good | 1,384,091.10 | August 31, 2023 | Renewable upon mutual agreement of both parties |
| | Depot (Isabel) | LIDE, Isabel, Leyte | Rented Except Building & Facilities | Good | 256,915.58 | Continuing unless terminated and agreed by both parties | Renewable upon mutual agreement of both parties |
| | Terminal (Mactan) | MEPZ, Lapu- lapu City | Rented Except Building & Facilities | Good | 780,000 - MCIAA<br>11,854.60 - PEZA | December 2045 - MCIAA<br>Continuing unless terminated by both parties - PEZA | Continuing unless terminated by both parties |
| | Terminal (Ormoc) | Bo. Linao, Ormoc City, Leyte | Rented Except Building & Facilities | Good | 25,789.50 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Terminal (Ormoc) | Bo. Linao, Ormoc City, Leyte | Rented Except Building & Facilities | Good | 5,000.00 | May 31, 2025 | Renewable upon mutual agreement of both parties |
| | Terminal (Roxas) | Sitio Pook, Brgy. Culasi, Roxas, City | Owned | Good | | | |
| | Terminal (Tacloban) | Anibong, Tacloban City | Rented Except Building & Facilities | Good | PNOC - 14,641.70<br>Domingo Lot - 393,750.00 | August 31, 2018<br>January 2, 2039 | Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case, Ongoing lease renewal) |
| | Depot (Tagbilaran) | Graham Ave., Tagbiliran, Bohol | Rented Except Building & Facilities | Good | 4,489.96 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) |
| | Terminal (Mandaue) | Looc, Mandaue City, Cebu | Rented Except Building & Facilities | Good | 361,459.13 | August 31, 2018<br>March 31, 2028<br>January 1, 2038 | Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case, Ongoing renewal) |
| | Airport Installations | Iloilo Airport, Cabatuan, Iloilo City | Rented Except Building & Facilities | Good | 60,200.00 | Continuing unless terminated and agreed by both parties | Terminal has an ongoing application with CAAP Iloilo for a long term contract in Iloilo (20-25 yrs) |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | **Mindanao Operations** | | | | | | |
| | Terminal (Davao) | Km. 9, Bo. Pampanga, Davao City | Rented Except Building & Facilities | Good | 158,031.23 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Terminal (Bawing) | Purok Cabu, Bawing, General Santos City | Owned | Good | | | |
| | Terminal (Iligan) | Bo. Tomas Cabili, Iligan City, Lanao del Norte | Rented Except Building & Facilities | Good | 9,903.68 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Terminal (Jimenez) | Jimenez, Misamis Occidental | Rented Except Building & Facilities | Good | 200,000.00 | December 16, 2024 and March 2, 2035 | Renewable upon mutual agreement of both parties |
| | Terminal (Nasipit) | Talisay, Nasipit, Agusan del Norte | Owned | Good | | | |
| | Terminal (Nasipit) | Talisay, Nasipit, Agusan del Norte | Rented Except Building & Facilities | Good | 20,823.00 | July 30, 2029 | Renewable upon mutual agreement of both parties |
| | Terminal (Nasipit) | Talisay, Nasipit, Agusan del Norte | Rented Except Building & Facilities | Good | 7,310.00 | December 31, 2022 | Renewable upon mutual agreement of both parties |
| | Terminal (SL Phividec) | SL Phividec, Mindanao | Owned | Good | | | |
| | Terminal (Tagoloan) | Tagoloan, Misamis Oriental PNOC- 13,836 sq m | Rented Except Building & Facilities | Good | 13,653.54 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | | Tagoloan, Misamis Oriental - 13,499 sq m. | Rented Except Building & Facilities | Good | 11,083.22 | December 31, 2020 | Renewable at the option of the lessee (Ongoing lease renewal) |
| | | Tagoloan, Misamis Oriental PHIVIDEC/NVRC (FLA)- 19,965 sq m. | Rented Except Building & Facilities | Good | 11,733.13 | February 9, 2034 | Renewable at the option of the lessee |
| | Terminal (Zamboanga) | Bgy. Campo Islam, Lower Calarian, Zamboanga City | Rented Except Building & Facilities | Good | 31,269.35 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Airport Installations | Laguindingan, Misamis Oriental CAAP- 4000 sq m. | Rented Except Building & Facilities | Good | 201,187.50 | March 31, 2040 | Renewable upon mutual agreement of both parties |
| | Airport Installations | Davao Airport | Rented Except Building & Facilities | Good | 31,500.00 | December 31, 2024 | Renewable upon mutual agreement of both parties |
| | Airport Installations | Zamboanga International Airport | Rented Except Building & Facilities | Good | 7,045.00 | November 30, 2029 | Renewable at the option of the lessee |
| | **Gasul Operations** | | | | | | |
| | Depot (LPG Operation) | Lakandula Drive, brgy. Bonot, Legaspi City | Rented Except Building & Facilities | Good | 43,169.61 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Depot (Gasul - San Fernando) | Brgy Dela Paz Norte, San Fernando, Pampanga | Rented Except Building & Facilities | Good | 9,691.29 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |
| | Refilling Plant (San Pablo) | San Pablo | Owned | Good | | | |
| | Terminal (Gasul – Pasig) | Bo. Ugong, C5,Pasig, M.M | Rented Except Building & Facilities | Good | 955,475.80 | August 31, 2018 | Renewable upon mutual agreement of both parties (With pending court case) (Ongoing lease renewal) |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 2 | **PETRON MALAYSIA REFINING & MARKETING BHD** | | | | | | |
| | **Refinery** | | | | | | |
| | Port Dickson Refinery | Lot 2645 - Lot 2648, 1222, 1593-1595, 1757, 1803, 1805, 1836, 1838, 1926-1930 & 2278, Port Dickson, Negeri Sembilan | Owned | Good | | | |
| | Lumut LPP plant | Lot 15636, Lumut Port Industrial Park, Mukim Lumut, Jalan Kampung Acheh, Sitiawan, Perak. | Owned | Good | | | |
| | **Terminals and Depots** | | | | | | |
| | Port Dickson Terminal | Batu 1.5, Jalan Pantai, 71009 Port Dickson, Negeri Sembilan | Owned | Good | | | |
| | Bagan Luar Terminal | Lot 95-125, Lot 2327-2338 Section 4 Butterworth, Seberang Perai Utara, Penang | Owned | Good | | | |
| | KLIA Aviation Depot | Forward Fuel Base, Jalan FFB Kuala Lumpur International Airport (KLIA) 64000 Sepang Selangor Darul Ehsan, Malaysia | Rented | Good | MYR 8,976.00 | Continuing unless terminated and agreed by both parties | Contract automatically renewed on yearly basis unless terminated in accordance with the termination provision in the agreement |
| | KVDT- MPP (Tie-in facilities for MPP/KVDT) | GM 1397 Lot 194 Mukim and Daerah Port Dickson Negeri Sembilan | Rented Except Building & Facilities | Good | MYR 6,300 | June 30, 2023 | Renewable upon mutual agreement of both parties |
| 3 | **PETRON FUEL INTERNATIONAL SDN BHD** | | | | | | |
| | Kuantan Terminal | Lot 1863, Mukim Sungai Karang, Tanjung Gelang, Kuantan Port, 26100 Kuantan. PAHANG | Rented | Good | Terminal 1<br>MYR 18,983.98<br><br>Terminal 2<br>MYR 17,898.05 | Terminal 1<br>Dec 2027<br><br>Terminal 2<br>Dec 2027 | Current rate is RM12.06 per square meter per year from 1st January 2016 until 31st Dec 2018 and shall be increased by 10% on 1st January 2019 and after every three (3) years thereafter<br><br>Current rate is RM12.06 per square meter per year from 1st January 2018 until 31st Dec 2018 and shall be increased by 10% on 1st January 2019 and after every three (3) years thereafter |
| | Pasir Gudang Terminal | Jalan Cecair Satu, Kawasan Perdagangan Bebas, Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor. | Rented | Good | MYR 9,788 | June 2051 | An option for renewal for a period of thirty (30) years.<br><br>Note: Revision of assessment fee effective 2017 by Johor Port after approval by MPPG. |
| | Westport JV | Terminal Bersama Sdn Bhd, Jeti Petrokimia, Pelabuhan Barat, 49290 Pulau Indah, Selangor | Rented | Good | MYR 54,994.50 | Aug 2024 | Renewable upon expiry of lease term |
| 4 | **PETRON OIL (M) SDN BHD** | | | | | | |
| | Tawau Terminal | Jalan Tg Batu Laut, 91000 Tawau, Sabah | Rented Except Building & Facilities | Good | MYR .125 (Yearly Rental - MYR 1.50) | October 2902 | No option stated in the agreement |
| | Sandakan Terminal | Jalan Kampung Karamunting, Sandakan, Sabah | Rented Except Building & Facilities | Good | MYR 587.7 | May 2022 | No option stated in the agreement |
| | Sepangar Bay Terminal | P.O. Box 10558, Kota Kinabalu 88806, Sabah | Rented Except Building & Facilities | Good | MYR 25,333.33 (Yearly Rental - MYR 304,000.00) | July 2031 | An option for renewal for a period of fifteen (15) years. |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| **ENERGY BUSINESS** | | | | | | | |
| **1** | **SAN MIGUEL ENERGY CORPORATION** | | | | | | |
| | 1000 MW Sual Coal-Fired Thermal Power Plant | Brgy. Pangascasan, Sual, Pangasinan | IPPA with PSALM | Good | | | |
| **2** | **SOUTH PREMIERE POWER CORP.** | | | | | | |
| | 1200 MW Ilijan Natural Gas Combined Cycle Power Plant | Brgy. Ilijan, Batangas City, Batangas | IPPA with PSALM | Good | | | |
| **3** | **STRATEGIC POWER DEVT. CORP.** | | | | | | |
| | 345 MW San Roque Multi-Purpose Hydroelectric Power Plant | Brgy. San Roque, San Manuel, Pangasinan | IPPA with PSALM | Good | | | |
| **4** | **SMC CONSOLIDATED POWER CORPORATION (SCPC)** [a] | | | | | | |
| | Phase I - 2 X 150 MW Coal-Fired Power Plant (Units 1 and 2) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | Phase II - 2 X 150 MW Coal-Fired Power Plant (Units 3 and 4) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | Land - Site 1 (where a portion of the Phase I power plant and related facilities are situated) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | Land - Site 2 (where a portion of the Phase II power plant and related facilities are situated) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | Land (Ash Dump Facility) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | Offshore/Foreshore land | Brgy. Lamao, Limay, Bataan | Rented | Good | 2,034,084.17 | December 2042 | Renewable for another 25 years at the option of the Lessor |
| | Land - Site 3 (where a portion of the Phase II power plant and related facilities are situated) | Brgy. Lamao, Limay, Bataan | Rented | Good | 482,843.28 | March 2042 | Renewable for another 25 years to be agreed by both parties |
| **5** | **SAN MIGUEL CONSOLIDATED POWER CORPORATION (SMCPC)** [b] | | | | | | |
| | 2 X 150 MW Coal-Fired Power Plant (Units 1 and 2) | Brgy. Culaman, Malita, Davao Occidental | Owned | Good | | | |
| | 5 X 1.6 MW Diesel Generator Set | Brgy. Baliwasan, San Jose Road, Zamboanga City, Zamboanga Del Sur | Owned | Good | | | |
| | Land (where Units 1 and 2 power plant and related facilities are situated) | Brgy. Culaman, Malita, Davao del Sur | Owned | Good | | | |
| | Offshore/Foreshore land | Brgy. Culaman, Malita, Davao Occidental | Rented | Good | 55,300.51 | February 2043 | Renewable for another 25 years at the option of the Lessor |
| | Offshore/Foreshore land | Brgy. Culaman, Malita, Davao Occidental | Rented | Good | 558,354.47 | February 2043 | Renewable for another 25 years at the option of the Lessor |
| **6** | **GRAND PLANTER INTERNATIONAL INC.** | | | | | | |
| | Land - Site 1 (where a portion of the SCPC Phase I and II power plants and related facilities are situated) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | Land - Site 1 (where the 20 MW battery enegry storage project of UPSI is situated) | Brgy. Lamao, Limay, Bataan | Owned | Good | | | |
| | Land - Site 2 | Brgy. Alangan, Limay, Bataan | Owned | Good | | | |
| | Land - Project Expansion | San Vicente, Punao, San Carlos City, Negros Occidental | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 7 | **ONDARRE HOLDING CORPORATION** | | | | | | |
| | Land | Brgy. Wack-Wack, Greenhills, Mandaluyong City | Owned | Good | | | |
| 8 | **DAGUMA AGRO-MINERALS, INC.** | | | | | | |
| | Land | Tambler, General Santos City | Owned | Good | | | |
| 9 | **ALPHA WATER REALTY SERVICES CORPORATION [(c)]** | | | | | | |
| | Land (where Units 1-3 of MPPCL power plant and related facilities and the 10 MW battery energy storage project are situated) | Brgy. Bani, Masinloc, Zambales | Owned | Good | | | |
| 10 | **MASINLOC POWER PARTNERS CO. LTD. (MPPCL) [(c)]** | | | | | | |
| | 330 MW coal-fired power plant (Unit 1) | Brgy. Bani, Masinloc, Zambales | Owned | Good | | | |
| | 344 MW coal-fired power plant (Unit 2) | Brgy. Bani, Masinloc, Zambales | Owned | Good | | | |
| | 335 MW coal-fired power plant (Unit 3) | Brgy. Bani, Masinloc, Zambales | Owned | Good | | | |
| | 10 MW battery energy storage project | Brgy. Bani, Masinloc, Zambales | Owned | Good | | | |
| | Land (where a portion of Unit 3 power plant and related facilities are situated)) | Brgy. Bani, Masinloc, Zambales | Rented | Good | Lease with PSALM - US$3,966.43 | April 2028 | With assignable option to purchase |
| 11 | **SMCGP PHILIPPINES ENERGY STORAGE CO. LTD.** | | | | | | |
| | Land (where the 2 X 20 MW battery energy storage system is situated) | Brgy. Binicuil, Kabankalan, Negros Occidental | Owned | Good | | | |
| | 2 X 20 MW battery energy storage system | Brgy. Binicuil, Kabankalan, Negros Occidental | Owned | Ongoing construction | | | |
| 12 | **ALBAY POWER AND ENERGY CORPORATION** | | | | | | |
| | Land used for operating and maintaining the 40-MVA Substation. | Legazpi City, Albay | Rented | Good | 29,900.77 | December 2021 | Renewable upon mutual agreement by both parties. |
| | Land used for operating and maintaining the 20-MVA Substation. | Centro Occidental, Polangui, Albay | Rented | Good | 28,947.37 | Febraury 2024 | Renewable upon mutual agreement by both parties. |
| 13 | **MARIVELES POWER GENERATION CORPORATION** | | | | | | |
| | Land (where the 4 X 150MW coal-fired power plant is situated) | Sitio Lusong, Brgy. Biaan, Mariveles, Bataan | Owned | Good | | | |
| | Land (where the transmission network project is situated) | Sitio Lusong, Brgy. Biaan, Mariveles, Bataan | Owned | Good | | | |
| | Land (for transmission line) | Brgy. Malaya and Maligaya, Mariveles Bataan | Rented | Good | 111,760.00 | October 30, 2046 | Renewable upon mutual agreement by both parties. |
| | Land (for transmission line) | Brgy. Biaan, Mariveles, Bataan | Owned | Good | | | |
| 14 | **STRATEGIC ENERGY DEVELOPMENT INC.** | | | | | | |
| | 15 MW Diesel-Fired Power Plant | Brgy. Magdum Tagum City, Davao del Norte | Owned | Good | | | |
| | Land (where 15 MW Diesel-Fired Power Plant is situated) | Brgy. Magdum Tagum City, Davao del Norte | Owned | Good | | | |
| 15 | **TOPGEN ENERGY DEVELOPMENT INC.** | | | | | | |
| | Land | Barrio of Centro Occidental, Municipality of Polangui, Province of Albay | Owned | Good | | | |
| | Land | Barrio Centro Occidental, Polangui, Albay | Owned | Good | | | |
| | Land | Brgy. Penafrancia, Daraga, Albay | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 16 | **UNIVERSAL POWER SOLUTIONS, INC.** | | | | | | |
| | Land (where the 20 MW Malita battery energy storage project is situated) | Brgy. Culaman, Malita, Davao Occidental | Owned | Good | | | |
| | Land (where the 40 MW Batangas Combined Cycle Power Plant [BCCPP] battery energy storage project is situated) | Brgy. Lamao, Limay, Bataan | Rented | Good | 195,741.00 | April 15, 2045 | Renewable upon mutual agreement by both parties. |
| | Land (where the 20 MW Jasaan battery energy storage project is situated) | Jasaan, Misamis Oriental | Rented | Good | 2,160,000.00 | April 15, 2045 | Renewable upon mutual agreement by both parties. |
| | Land (where the 20 MW Toledo battery energy storage project is situated) | Calong-calong and Talevera, Toledo City, Cebu | Rented | Good | 900,000.00 | April 15, 2045 | Renewable upon mutual agreement by both parties. |
| | Land (where the 20 MW Villanueva battery energy storage project is situated) | Brgy. Sta. Ana, Tagaloan and San Maritin , Villanueva, Phividec Industrial Estate of Misamis Oriental - Special Economic Zone (PIEMO-SEZ) | Rented | Good | 295,740.00 | June 04, 2045 | Renewable upon mutual agreement by both parties. |
| | Land (where the 40 MW Navotas battery energy storage project is situated) | North Bay Boulevard, Navotas, Metro Manila | Rented | Good | 802,864.44 | April 30, 2036 | Renewable upon mutual agreement by both parties. |
| | Land (where the 20 MW Tabango battery energy storage project is situated) | Bryg .Tugas, Tabango, Leyte | Rented | Good | 4,326.85 | March 01, 2036 | Renewable upon mutual agreement by both parties. |
| | Land (where the 20 MW Mexico-2 battery energy storage project is situated) | Brgy. San Jose Matulid, Mexico, Pampanga | Rented | Good | 372,023.81 | June 03, 2036 | Renewable upon mutual agreement by both parties. |
| | Land (where the 20 MW Maco battery energy storage project is situated) | Brgys. Dumlan and Concepcion, Maco, Compostela Valley, Davao del Norte | Rented | Good | 665,531.08 | April 15, 2035 | Renewable upon mutual agreement by both parties. |
| | Land (where the 40 MW Gamu battery energy storage project is situated) | Brgy. Lenzon, Gamu, Isabela | Rented | Good | 49,282.37 | June 30, 2035 | Renewable upon mutual agreement by both parties. |
| | Land (where the 40 MW Magapit battery energy storage project is situated) | Brgy. Magapit, Lal-lo, Cagayan | Rented | Good | 283,348.02 | May 30, 2022 | Renewable upon mutual agreement by both parties. |
| | Land (where the 20 MW Ubay battery energy storage project is situated) | Brgy. Imelda, Ubay, Bohol | Rented | Good | 54,871.57 | April 15, 2035 | Renewable upon mutual agreement by both parties. |
| | Land (where the 50 MW San Manuel battery energy storage project is situated) | Brgy. Sto. Domingo, San Manuel, Pangasinan | Rented | Good | 62,702.81 | April 01, 2022 | Renewable upon mutual agreement by both parties. |
| | Land (where the 50 MW San Manuel battery energy storage project is situated) | Brgy. Sto. Domingo, San Manuel, Pangasinan | Rented | Good | 152,597.23 | April 01, 2035 | Renewable upon mutual agreement by both parties. |
| | Land (where the Mexico battery energy storage project is situated) | Brgy. San Jose Matulid, Mexico, Pampanga | Rented | Good | 246,233.32 | June 30, 2035 | Renewable upon mutual agreement by both parties. |
| | Land (where the 50 MW Concepcion battery energy storage project is situated) | Brgy. Sta. Rosa, Concepcion, Tarlac | Rented | Good | 303,408.95 | March 01, 2036 | Renewable upon mutual agreement by both parties. |
| 17 | **DEWSWEEPER INDUSTRIAL PARK, INC.** | | | | | | |
| | Land | Brgy. Lipata, Padre Burgos, Quezon | Owned | Good | | | |
| | Land | Brgy. Ibabang Polo, Pagbilao, Quezon | Owned | Good | | | |
| | Land | Brgy. Ilayang Polo, Pagbilao, Quezon | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 18 | **SORACIL PRIME INC.** | | | | | | |
| | Land | Brgy. Wack-Wack, Mandaluyong City | Owned | Good | | | |
| 19 | **EXCELLENT ENERGY RESOURCES INC.** | | | | | | |
| | Land (where the BCCPP Project is situated) | Barangay Ilijan and Dela Paz, Batangas | Rented | Good | 519,802.57 | January 5, 2045 | Renewable upon mutual agreement by both parties. |
| 20 | **SMC GLOBAL POWER HOLDINGS CORP.** | | | | | | |
| | C5 Office Space | 100 E. Rodriguez Jr. Avenue (C-5 Road) Brgy. Ugong, Pasig City, Metro Manila | Owned | Good | | | |
| **INFRASTRUCTURE BUSINESS** | | | | | | | |
| 1 | **SAN MIGUEL HOLDINGS CORP.** | | | | | | |
| | Office Space | Wing A and B - 11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| | Office Space | 20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| | Office Space - 83 sq meters | No. 40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |
| | Office Space | 4th Floor San Miguel Properties Center St. Francis Street Mandaluyong City | Owned | Good | | | |
| | Office Space - 635.75 sq meters | Unit C and D - 23rd Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City | Owned | Good | | | |
| | Office Space | 19th floor San Miguel Properties Centre St. Francis St. Ortigas Center Mandaluyong City | Owned | Good | | | |
| | Office Space | Unit A - 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center Pasig City | Owned | Good | | | |
| 2 | **SMC NAIAX Corporation (Formerly: VERTEX TOLLWAYS DEVT. INC.)** | | | | | | |
| | Office Space | No. 40 San Miguel Ave., Mandaluyong City | Owned | Good | | | |
| | Office Space | Unit C 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center | Owned | Good | | | |
| 3 | **TERRAMINO HOLDINGS, INC AND ASSETVALUES HOLDING COMPANY, INC.** | | | | | | |
| | Office Space | 11F and 20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| 4 | **UNIVERSAL LRT CORPORATION (BVI) LIMITED** | | | | | | |
| | Office Space | 11/F San Miguel Properties Centre, St. Francis Street, Mandaluyong City | Owned | Good | | | |
| 5 | **TRANS AIRE DEVELOPMENT HOLDINGS, CORP.** | | | | | | |
| | Residential Building | Caticlan, Malay, Aklan | Rented | Good | 300,000.00 | February 07, 2022 | Subject to renewal or extension as mutually agreed between the parties |
| | Office Space | Wing B 2/F San Miguel Building, 40 San Miguel Ave. Mandaluyong City | Owned | Good | | | |
| 6 | **SMC TPLEX HOLDINGS COMPANY, INC.** | | | | | | |
| | Land | Emilio Vergara Highway Corner Mabini Street Extension, Sta. Arcadia, Cabanatuan, Nueva Ecija | Owned | Good | | | |
| | Land | Maharlika Highway, Malipampang, San Ildefonso, Bulacan | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 7 | **SMC TPLEX CORPORATION (Formerly: Private Infra Dev Corporation)** | | | | | | |
| | Head Office (Old) | Unit 06 UG Pioneer Highlands Condo Tower 2, Pioneer corner Madison Streets, Mandaluyong City | Owned | Good | | | |
| | Head Office | The JMT Bldg, ADB Ave. Ortigas Center, Pasig City | Owned | Good | | | |
| | Parking | The JMT Bldg, ADB Ave. Ortigas Center, Pasig City | Owned | Good | | | |
| | DPWH Lodging | Brgy. Asan Norte, Municipality of Sison, Pangasinan | Rented | Good | P10,000 | December 31, 2022 | Subject to renewal or extension as mutually agreed between the parties. |
| | Construction Office & Lodging/DPWH & IC Office | Sitio Anoyao, Barangay Linmansangan, Binalonan Pangasinan | Rented | Good | 133,928.57 | June 30, 2022 | Subject to renewal or extension as mutually agreed between the parties. |
| | DPWH Lodging | Binalonan Pangasinan | Rented | Good | 7,589.29 | December 31, 2022 | Subject to renewal or extension as mutually agreed between the parties. |
| | ROWA SMPI Office | Pozorrubio Pangasinan | Rented | Good | 50,000.00 | December 31, 2022 | Subject to renewal or extension as mutually agreed between the parties. |
| | File storage of IC | Binalonan Pangasinan | Rented | Good | 3,000.00 | May 31, 2022 | Subject to renewal or extension as mutually agreed between the parties. |
| 8 | **OPTIMAL INFRASTRUCTURE DEVELOPMENT, INC.** | | | | | | |
| | Land | Manila Harbour Centre, Brgy. 128 Zone 10 (Isla de Balut/Vitas), Tondo, Manila City | Owned | Good | | | |
| 9 | **SLEEP INTERNATIONAL (NETHERLANDS) COOPERATIEF U.A.** | | | | | | |
| | Office Space | Prins Bernhardplein 200, 1097 JB Amsterdam | Owned by the Service Provider | Good | | | |
| 10 | **WISELINK INVESTMENT HOLDINGS, INC.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 11 | **ATLANTIC AURUM INVESTMENTS B.V.** | | | | | | |
| | Office Space | Museumlaan 2, 3581 HK, Utrecht, The Netherlands | Owned by the Service Provider | Good | | | |
| 12 | **STAGE 3 CONNECTOR TOLLWAYS HOLDINGS CORPORATION** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |
| 13 | **SMC SKYWAY STAGE 3 CORPORATION (Formerly: CITRA CENTRAL EXPRESSWAY CORP)** | | | | | | |
| | Office Space | Unit D - 18th Floor of the JMT Corporate Condominium ADB Avenue, Ortigas Center Pasig City | Owned | Good | | | |
| | Office Space | 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City | Owned | Good | | | |
| 14 | **SMC SKYWAY CORPORATION (Formerly: CITRA METRO MANILA TOLLWAYS CORPORATION)** | | | | | | |
| | Office Space | 21st to 24th Floors One Magnificent Mile-CITRA Building, San Miguel Avenue, Ortigas Center 1605 Pasig City | Owned | Good | | | |
| | Office Space | 3/F Toll Operations Building, Doña Soledad Avenue, Brgy. Don Bosco, Parañaque City | Owned | Good | | | |
| | Office Space | 11/F San Miguel Properties Centre, #7 St. Francis Street, Ortigas Center, Mandaluyong City | Owned | Good | | | |
| 15 | **SKYWAY O&M CORPORATION** | | | | | | |
| | Office Space | 1st and 2nd Floors TOB Doña Soledad Avenue, Bicutan, Paranaque City | Owned | Good | | | |
| 16 | **ALLOY MANILA TOLL EXPRESSWAYS INC.** | | | | | | |
| | Office Space | GF Operations and Control Center, Km.44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong, Calamba City, Laguna | Owned by ROP (South Luzon Tollway Corporation Concession Rights) | Good | | | |
| | Land | Km.44 Sitio Latian, Brgy. Mapagong, Calamba City, Laguna | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 17 | **JETHANDLER ASIA SERVICES, INC.** | | | | | | |
| | Office Space | Caticlan, Malay, Aklan | Rented | Good | 55,191.41 | August 31, 2024 | Renewable upon mutual agreement in writing by the parties through their duly authorized representatives |
| | Lot Rental | Caticlan, Malay, Aklan | Rented | Good | 41,214.96 | July 12, 2023 | No renewal options |
| | Lot Rental | Caticlan, Malay, Aklan | Rented | Good | 88,421.05 | July 12, 2022 | Renewable for another period of two (2) years upon mutual agreement of the parties |
| | PNP and OTS Office | Caticlan, Malay, Aklan | Rented | Good | 18,947.37 | December 31, 2022 | Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties.<br>(Ongoing renewal) |
| | PNP-SOU Staffhouse | Caticlan, Malay, Aklan | Rented | Good | 8,421.05 | December 31, 2022 | Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties |
| | PNP-AVSEC Barracks | Caticlan, Malay, Aklan | Rented | Good | 10,526.32 | December 31, 2022 | Subject to renewal or extension upon expiration at the option of the LESSEE and on such terms and conditions as may mutually be agreed upon between the parties |
| 18 | **MANILA TOLL EXPRESSWAY SYSTEMS, INC.** | | | | | | |
| | Office Space | GF Operations and Control Center, Km.44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong, Calamba City, Laguna | Owned by ROP (South Luzon Tollway Corporation Concession Rights) | Good | | | |
| 19 | **SMC INFRAVENTURES INC.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |
| 20 | **SMC SLEX INC. (Formerly: SOUTH LUZON TOLLWAYS CORPORATION)** | | | | | | |
| | LAND | Lot 3122-C, Sitio Latian, Brgy. Mapagong, Calamba, Laguna | Owned | Good | | | |
| 21 | **SMC SKYWAY STAGE 4 CORPORATION (Formerly: CITRA INTERCITY TOLLWAYS, INC.)** | | | | | | |
| | Office Space | 4F Toll Operations Complex, Dona Soledad Ave., Better Living Subd., Paranaque City | Owned by ROP (Citra Metro Manila Tollways Corporation Concession Rights) | Good | | | |
| | Office Space | Unit B 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City | Owned | Good | | | |
| | Office Space | 11/F San Miguel Properties Centre, 7 St. Francis Street, Mandaluyong City | Owned | Good | | | |
| 22 | **CYPRESS TREE CAPITAL INVESTMENTS, INC.** | | | | | | |
| | Office Space | 7th Floor, Electra House Building, 115-117 Esteban St., Legazpi Village, Makati City | Owned | Good | | | |
| 23 | **STAR INFRASTRUCTURE DEVELOPMENT CORPORATION** | | | | | | |
| | Land | Brgy. Lapu Lapu, Ibaan, Batangas | Owned | Good | | | |
| | Office Space | 23F JMT Corporate Condominium, ADB Ave., Ortigas Center, Pasig City | Owned | Good | | | |
| | SIDC OFFICE | 7th Floor Electra House Condominium, 115- 117 Esteban St., Legaspi Village, Makati City | Rented | Good | 48,050.86 | January 31, 2022 | Subject to renewal or extension as mutually agreed between the parties |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| **24** | **STAR TOLLWAY CORPORATION** | | | | | | |
| | Office Space | Brgy. Tambo, Lipa City, Batangas | Owned by ROP (Star Infrastructure Development Corporation Concession Rights) | Good | | | |
| **25** | **ULCOM COMPANY, INC.** | | | | | | |
| | Office Space | 11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| **26** | **SMC MASS RAIL TRANSIT 7, INC.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |
| | Office Space | GF 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City | Owned | Good | | | |
| | Office Space | 4F 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City | Owned | Good | | | |
| | Office Space | 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City (Meeting Rooms G & H) | Owned | Good | | | |
| | Office Space | 808 Bldg, Meralco Avenue Cor Gen Lim Street, Brgy. San Antonio, Pasig City (Meeting Rooms I & J) | Owned | Good | | | |
| | Storage Space | E. Rodriguez Avenue Cor Sta. Rosa De Lima St., Bagong Ilog, Pasig City (Secure Storage Services Corp. Unit S7) | Rented | Good | 15,520.00 | June 30, 2022 | Renewal and extension upon expiration of contract may be mutually agreed upon between parties. |
| | Storage Space | E. Rodriguez Avenue Cor Sta. Rosa De Lima St., Bagong Ilog, Pasig City (Secure Storage Services Corp. Unit S9) | Rented | Good | 7,760.00 | May 30, 2022 | Renewal and extension upon expiration of contract may be mutually agreed upon between parties. |
| | Office Space | 4th Floor Kayumanggi Center, Commonwealth cor. Luzon Avenue, Quezon City | Rented | Good | 216,150.00 | November 30, 2023 | Renewal and extension upon expiration of contract may be mutually agreed upon between parties. |
| **27** | **AEROFUEL STORAGE MANAGEMENT INC.** | | | | | | |
| | Office Space | 11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| **28** | **ARGONBAY CONSTRUCTION COMPANY, INC.** | | | | | | |
| | Office Space | 11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| **29** | **INTELLIGENT E- PROCESSES TECHNOLOGIES CORP.** | | | | | | |
| | Office Space | KM 44 South Luzon, Brgy. Mapagong, Sitio Latian, Calamba, Laguna | Owned | Good | | | |
| | Office Space | KM 44 South Luzon, Brgy. Mapagong, Sitio Latian, Calamba, Laguna | Owned | Good | | | |
| | Office Space | 16th Floor Unit A, 45 San Miguel Building, 45 San Miguel Avenue, Ortigas Center, Pasig City | Rented | Good | 250,655.00 | December 31, 2021 | The lease will terminate on December 31, 2021 and will not be renewed. |
| | Office Space | 16th Floor Unit A, 45 San Miguel Building, 45 San Miguel Avenue, Ortigas Center, Pasig City (Mercure A) | Rented | Good | 247,786.83 | December 31, 2021 | The lease will terminate on December 31, 2021 and will not be renewed. |
| **30** | **LUZON CLEAN WATER DEVELOPMENT CORPORATION** | | | | | | |
| | Office Space | BBW Administration Bldg. Don Manuel F. Reyes Ave. PH 1, Gate 1, Pleasant Hills Subd., Brgy. San Manuel City of SJDM, Bulacan 3023 | Owned | Good | | | |
| **31** | **PASIG RIVER EXPRESSWAY CORPORATION** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 32 | **TPLEX OPERATIONS AND MAINTENANCE CORP** | | | | | | |
| | Office Space | Brgy. San Pascual Tarlac City | Owned | Good | | | |
| | Office Space | Brgy Baculong, Victoria, Tarlac | Owned | Good | | | |
| | Office Space | Brgy Palakipak, Rosales, Pangasinan | Owned | Good | | | |
| | Office Space | Gerona, Tarlac | Owned | Good | | | |
| | Office Space | Urdaneta, Pangasinan | Owned | Good | | | |
| | Office Space | Rosario, La Union | Owned | Good | | | |
| 33 | **SINCERE LUMBER CO., INC.** | | | | | | |
| | Office Space | 11/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| | Land | 1500 Quirino Ave., Paco, Manila City, Metro Manila | Owned | Good | | | |
| 34 | **SAN MIGUEL AEROCITY INC** | | | | | | |
| | Office Space | Lower Penthouse, 808 Building, Meralco Avenue, Brgy Antonio Pasig City | Owned | Good | | | |
| | Office Space | 5th Floor, 808 Building, Meralco Avenue, Brgy Antonio Pasig City | Owned | Good | | | |
| | Parking Space | Gen. Capinpin St./Parking Space Brgy San Antonio, Pasig City | Owned | Good | | | |
| 35 | **SMC Central Access Link Expressway Corp.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 36 | **SMC Marilao Access Link Expressway Corp.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 37 | **SMC Northern Access Link Expressway Corp.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 38 | **SMC Southern Access Link Expressway Corp.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 39 | **SOUTH LUZON TOLL ROAD-5 EXPRESSWAY INC** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 39 | **SMC TOLLWAYS CORPORATION (Formerly: ATLANTIC AURUM INVESTMENTS PHILIPPINES CORPORATION)** | | | | | | |
| | Office Space | 11F San Miguel Properties Centre, 7 St. Francis St., Ortigas Center, Mandaluyong City | Owned | Good | | | |
| 40 | **MTD Manila Expressways, Inc.** | | | | | | |
| | Office Space | 11F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| 41 | **ASSETVALUES HOLDING COMPANY INC** | | | | | | |
| | Office Space | 11F and 20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City | Owned | Good | | | |
| 42 | **SMC AEROTROPOLIS INC** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 43 | **PHILIPPINE INTERNATIONAL AIRPORT INC.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 44 | **SMC AVIATION CITY INC.** | | | | | | |
| | Office Space | 40 San Miguel Avenue, Bgry. Wack-Wack Mandaluyong City | Owned | Good | | | |
| 45 | **TOLL ROAD OPERATION AND MAINTENANCE VENTURE CORPORATION** | | | | | | |
| | Office Space | 11/F San Miguel Properties Centre, #7 St. Francis Street, Ortigas Center, Mandaluyong City | Owned | Good | | | |

| Company Name / Subsidiary | | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| **OTHERS** | | | | | | | |
| **1** | **SAN MIGUEL CORPORATION** | | | | | | |
| | Iligan Coconut Oil Mill | Sta.Filomena, Iligan City | Owned | Good | | | |
| | Land and Warehouse | A. Del Rosario Ave., Brgy. Tipolo, Mandaue City | Owned | Good | | | |
| | Land | Banilad, Mandaue - Petron Station | Owned | Good | | | |
| | Land | Alfonso, Cavite - Management Training Center | Owned | Good | | | |
| | Office Space | Meralco Ave., Pasig City - 808 Building | Owned | Good | | | |
| | Warehouse Only | Northbay Blvd., Navotas, Metro Manila | Owned | Good | | | |
| | Land | San Fernando, Pampanga - SMFI Poultry | Owned | Good | | | |
| | Office Space | 40 San Miguel Ave., Mandaluyong City - SMC Corporate Office | Owned | Good | | | |
| | Land | San Rafael, Tarlac - Petron Station | Owned | Good | | | |
| | Land | Tagaytay - Petron Station | Owned | Good | | | |
| | Land | Tunasan - Petron Station | Owned | Good | | | |
| | Land | Looc Ouano, Mandaue City | Owned | Good | | | |
| | Warehouse Only | SMC Complex, Quebiawan, San Fernando, Pampanga | Owned | Good | | | |
| **2** | **REAL ESTATE BUSINESS** | | | | | | |
| | San Miguel Properties, Inc. | | | | | | |
| | Bel Aldea Subdivision | Brgy. San Francisco, Gen. Trias, Cavite | Owned | Good | | | |
| | Maravilla Subdivision | Brgy. San Francisco, Gen. Trias, Cavite | Owned | Good | | | |
| | Asian Leaf Subdivision | Brgy. San Francisco, Gen. Trias, Cavite | Owned | Good | | | |
| | Office Spaces | San Miguel Properties Centre, Mandaluyong City | Owned | Good | | | |
| | Office Building | 155 Edsa (SMITS), Ortigas Center, Mandaluyong City | Owned | Good | | | |
| | Land | 620 Lee St., Mandaluyong City | Owned | Good | | | |
| | Land | San Isidro Road corner Unnamed Road Lot, Brgy. Tatalon, Cabuyao, Laguna | Owned | Good | | | |
| | Land and Building | 808 Bldg. Meralco Avenue corner General Lim St., Brgy. San Antonio, Pasig City | Owned | Good | | | |
| | Land | Along Commerce Avenue Corner Asean Drive and Jakarta Lane, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City | Owned | Good | | | |
| | Land | Brgy. Canlubang and Majada, Calamba City, Laguna | Owned | Good | | | |
| | Land | Barrio de Fuego, Gen. Trias, Cavite | Owned | Good | | | |
| | Land | Barrio Sinaliw Munti, Alfonso, Cavite | Owned | Good | | | |
| | Land | Brgys. of Mabatac, Sinaliw and Kaytitinga, Sitios of Amuyong and Haulian, Alfonso, Cavite | Owned | Good | | | |
| | Land | Brgys. Lourdes and Santiago, Lubao, Pampanga | Owned | Good | | | |
| | Land | Cagay Road, Brgy. Asid, Masbate City | Owned | Good | | | |
| | Land | Brgy. Tagabuli, Sta. Cruz, Davao del Sur | Owned | Good | | | |
| | Land | Sitio Landing, Brgy. Darong, Sta. Cruz, Davao del Sur | Owned | Good | | | |
| | Land | Brgy. Darong, Sta. Cruz, Davao del Sur | Owned | Good | | | |
| | Land | Brgy. Bato, Sta. Cruz, Davao del Sur | Owned | Good | | | |
| | Land | Brgy. Yapak, Boracay Island, Malay, Aklan | Owned | Good | | | |
| | Land | 327 Brgy. Prenza-San Fermin, Cauayan City, Isabela | Owned | Good | | | |
| | Land | 471 F. Ortigas St., Brgy. Hagdang Bato Libis, Mandaluyong City | Owned | Good | | | |
| | Land/Building/Improvements | San Miguel Corporation - Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |
| | Land | Dr. A Santos Ave. (Sucat Road), Parañaque City | Owned | Good | | | |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Land | Brgy. Boot, Tanuan, Batangas | Owned | Good | | | |
| Land | Brgy. Glamang (Silway), Polomolok, South Cotabato | Owned | Good | | | |
| Land | Maragondon / Mabacao - Magallanes Road, Brgy. Mabato, Maragondon, Cavite | Owned | Good | | | |
| Land | Acacia St., Brgy. Hagdang Bato, Mandaluyong City | Owned | Good | | | |
| Land | Sixto Avenue, Maybunga, Pasig City | Owned | Good | | | |
| Land | National Road, Brgy. Bunawan, Davao City | Owned | Good | | | |
| Land | Crestview Heights Subd., San Roque, Antipolo, Rizal | Owned | Good | | | |
| Land and Building | Crestview Circle, Crestview Heights Subdivision, San Roque, Antipolo City | Owned | Good | | | |
| Land | 618 Lee St. Brgy. Addition Hills, Mandaluyong City | Owned | Good | | | |
| Land | Brgy. Bucal Calamba, Laguna | Owned | Good | | | |
| Land | Brgy. Tawala, Panglao, Bohol | Owned | Good | | | |
| Land | Bunawan Davao Del Sur, Davao City part of 146-7637 | Owned | Good | | | |
| Land and Building | 635 Lee St. Addition Hills Mandaluyong City | Owned | Good | | | |
| Land and Building | Brgy. Sasa, Davao City | Owned | Good | | | |
| Land | Brgy. De Fuego, Brgy. San Francisco General Trias, | Owned | Good | | | |
| Land and Building | Lot1-D Brgy. Parian, Calamba City, Laguna | Owned | Good | | | |
| Land | SJCB Sta. Maria Bulacan- Lots 2&4 | Owned | Good | | | |
| Bel-Aldea Realty, Inc. | | | | | | |
| Land and Building | No. 77 IPO St., Brgy. Paang Bundok, La Loma, Quezon City | Owned | Good | | | |
| Bright Ventures Realty, Inc. | | | | | | |
| Land | A. Marcos cor M.H. del Pilar and A. Mabini Sts., Addition Hills, San Juan City | Owned | Good | | | |
| Land / Dover Hill | No. 168 Pilar Corner P. Zamora Sts., Brgy. Addition Hills, San Juan City | Owned | Good | | | |
| Brillar Realty and Development Corp. | | | | | | |
| Land | Limbones Island, Brgy. Papaya, Nasugbu, Batangas | Owned | Good | | | |
| Dimanyan Wakes Holdings, Inc. | | | | | | |
| Land | Bo. Bulalacao, Bulalacao Island, Coron, Palawan | Owned | Good | | | |
| Busuanga Bay Holdings Inc. | | | | | | |
| Land | Bo. Bulalacao, Bulalacao Island, Coron, Palawan | Owned | Good | | | |
| Bulalacao Property Holdings, Inc. | | | | | | |
| Land | Bo. Bulalacao, Bulalacao Island, Coron, Palawan | Owned | Good | | | |
| Calamian Prime Holdings, Inc. | | | | | | |
| Land | Bo. Bulalacao, Bulalacao Island, Coron, Palawan | Owned | Good | | | |
| Palawan White Sands Holdings Corp. | | | | | | |
| Land | Bo. Bulalacao, Bulalacao Island, Coron, Palawan | Owned | Good | | | |
| Coron Islands Holdings, Inc. | | | | | | |
| Land | Bo. Bulalacao, Bulalacao Island, Coron, Palawan | Owned | Good | | | |
| Rapidshare Realty and Development Corporation | | | | | | |
| Land | 341 Northwestern St., Brgy. Wack-Wack, Greenhills, Mandaluyong City | Owned | Good | | | |
| SMC Originals, Inc. | | | | | | |
| Land | Antonio Arnaiz Avenue corner Estacion St., Brgy. Pio del Pilar, Makati City | Owned | Good | | | |
| Silang Resources, Inc. | | | | | | |
| Land | Brgys. San Vicente, San Miguel, Biluso And Lucsuhin, Silang, Cavite | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | Tanauan Resources, Inc. | | | | | | |
| | Land | No. 34 McKinley Road, Brgy. Forbes Park (North Side), Makati City | Owned | Good | | | |
| | SMPI Makati Flagship Realty Corp. | | | | | | |
| | Land and Building | 117 Legaspi and Gallardo Sts., Legaspi Village, Makati City | Owned | Good | | | |
| | Carnell Realty, Inc. | | | | | | |
| | Land | 621 Lee St., Mandaluyong City | Owned | Good | | | |
| | Grandioso Realty Corporation | | | | | | |
| | Land | National Road, Brgy. Tambler, General Santos City | Owned | Good | | | |
| | Sta. Cruz Resource Management, Inc. | | | | | | |
| | Land and Building | 54 and 50 Hydra St., Bel Air 3, Makati City | Owned | Good | | | |
| | Maison 17 Properties, Inc. | | | | | | |
| | Land | 116 Legaspi and Gallardo Sts., Legaspi Village, Makati City | Owned | Good | | | |
| | Integrated Geosolutions, Inc. | | | | | | |
| | Land | Bo.Diezmo, Cabuyao, Laguna | Owned | Good | | | |
| | Tierra Castellanas Development Inc. | | | | | | |
| | Land | Brgy. Bungoy, Dolores, Quezon | Owned | Good | | | |
| | Excel Unified Land Resources Corp. | | | | | | |
| | Wedge Woods Subdivision | Silang, Cavite | Owned | Good | | | |
| | 512 Acacia Holdings, Inc. | | | | | | |
| | Land | 512 Acacia Ave., Ayala Alabang Village Phase II-A, Brgy. Alabang, Muntinlupa City | Owned | Good | | | |
| | La Belle Plume Realty Inc | | | | | | |
| | Land | Western Visayas | Owned | Good | | | |
| | La Verduras Realty Corp. | | | | | | |
| | Land | No. 38 Gen. Delgado Street, San Antonio Village, Pasig City | Owned | Good | | | |
| | First Monte Sierra Realty Corporation | | | | | | |
| | Land | Brgy. San Antonio, Basco, Batanes | Owned | Good | | | |
| | El Vertice Realty Corp. | | | | | | |
| | Land and Building | 4912 Pasay Road, Dasmariñas Village, Makati City | Owned | Good | | | |
| | Estima Realty Corp. | | | | | | |
| | Land and Building | 4914 Pasay Road, Dasmariñas Village, Makati City | Owned | Good | | | |
| | Lanes and Bi-Ways Realty Corp. | | | | | | |
| | Land | 403 Columbia St., East Greenhills, Mandaluyong City | Owned | Good | | | |
| | Land | #2 Columbia St. N.East Greenhills, San Juan | Owned | Good | | | |
| | Premiata Realty, Inc. | | | | | | |
| | Land | 52 Mercedes cor 61 Aries, Bel Air 3, Makati City | Owned | Good | | | |
| | Picanto de Alta Realty Corp. | | | | | | |
| | Land | 1331 J.P. Laurel St. Brgy. 643 Zone 066, San Miguel District, Manila | Owned | Good | | | |
| | Kingsborough Realty, Inc. | | | | | | |
| | Land | 37 Gen. Delgado St., San Antonio Village, Pasig City | Owned | Good | | | |
| | E- Fare Investment Holdings Inc. | | | | | | |
| | Land | Mariveles, Bataan | Owned | Good | | | |

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|---|---|---|---|---|---|---|---|
| | Rapidshare Realty and Development Corporation | | | | | | |
| | Land | Northwestern Street, Barangay Wack-Wack Greenhills, Mandaluyong City | Owned | Good | | | |
| | Land and Building | Ortigas Street, Barangay Wack-Wack, Greenhills, Mandaluyong City | Owned | Good | | | |
| | Apice Solare Resources Corp. | | | | | | |
| | Land | National Road, Barangay Igmaya-an, District 1, Don Salvador Benedicto, Negros Occidental | Owned | Good | | | |
| | Roca Pesada Realty Corp. | | | | | | |
| | Land | 118 Esteban Abada St. Varsity Hills, Quezon City | Owned | Good | | | |
| | Casa Sabroso Holdings Inc. | | | | | | |
| | Land and Building | Ilongo St. La Vista, Quezon City | Owned | Good | | | |
| | Uno Clarity Investment Holdings Inc. | | | | | | |
| | Land and Building | Buruanga, Aklan | Owned | Good | | | |
| | Zee2 Resources Inc. | | | | | | |
| | Land | 82 Cambridge Circle, North Forbes Park, Makati City | Owned | Good | | | |
| | Quicksilver Development Corp. | | Owned | Good | | | |
| | Land | 50 McKinley Road North Forbes Park Makati City | Owned | Good | | | |
| | Max Harvest Holdings Inc. | | | | | | |
| | Land | Brgy. Anyatam San Ildefonso Bulacan | Owned | Good | | | |
| | One Wilson Cayenne Holdings, Inc. | | | | | | |
| | Land | 708-A J.R Yulo St. Mandaluyong City | Owned | Good | | | |
| | Land | 6-C East St. Addition Hills Mandaluyong City | Owned | Good | | | |
| | Auburnrite Holdings Inc. | | | | | | |
| | Land | Bungahan, Biñan, Laguna | Owned | Good | | | |
| | Land | Mamplasan, Biñan, Laguna | Owned | Good | | | |
| | Bricktree Properties Inc. | | | | | | |
| | Land | Bancalaan, Palawan | Owned | Good | | | |
| **3** | **PACIFIC CENTRAL PROPERTIES, INC.** | | | | | | |
| | Land | Limay, Combined Power Plant, Limay, Bataan | Owned | Good | | | |
| | Land | Dauin, Negros Oriental | Owned | Good | | | |
| | Land | Outlook Drive, Baguio City | Owned | Good | | | |
| **4** | **SMC SHIPPING AND LIGHTERAGE CORPORATION AND SUBSIDIARIES** | | | | | | |
| | SMC Shipping and Lighterage Corporation | | | | | | |
| | Land | Maribojoc-Cortes National Road Junction, Barrio Salvador, Cortes, Bohol | Owned | Good | | | |
| | Land and Building | Dr. A. Santos Avenue corner Unnamed Road, Brgy. San Antonio, Parañaque City | Owned | Good | | | |
| | Land | Mariveles Bataan Lot #1 and #2, Barrio of Lucanin, Mariveles, Bataan | Owned | Good | | | |
| | Land | Mariveles Bataan Lot #3, Barrio of Agnipa and Cabcaben, Mariveles, Bataan | Owned | Good | | | |
| | Land | National Road, Brgy. San Pedro, Bauan and Brgy. San Juan, Mabini, Batangas | Owned | Good | | | |
| | Building (Admin Buildings, Warehouses D, C, R, S, I, N, Q, L, M, Terminals, Parking Shed, Loading Bay) | Ouano Wharf, Looc, Manduae City | Owned | Good | | | |
| | Building (KCSLI) | Dad Cleland Avenue, Looc, Lapu Lapu City | Owned | Good | | | |
| | Land and Building | Brgy. Loboc, Lapaz, Ilollo | Owned | Good | | | |
| | Land | Mariveles, Bataan | Rented | Good | 2,626,815.47 | September 30, 2030 | Renewable upon mutual agreement of the parties |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Land | Yard 2, Engineering Island, Baseco Compound, Port Area, Manila City | Rented | Good | 3,220,433.27 | January 02, 2037 | Renewable upon mutual agreement of the parties |
| Land at Bataan Warehouse 1 & 2 | Freeport Area, Mariveles, Bataan | Rented | Good | 402,513.28 | May 31, 2023 | Renewable upon mutual agreement of the parties |
| Land | Block 22 Manila Harbor Center, Tondo, Manila City | Rented | Good | 1,263,237.72 | July 14, 2022 | Renewable upon mutual agreement of the parties |
| Land | San Pedro, Bauan, Batangas | Rented | Good | 459,000.00 | December 06, 2042 | SMCSL can exercise an option to purchase the reclaimed lot during the life of the lease period should the municipality decide to sell the property |
| Land | Brgy. Tubod, Municipality of Sto. Tomas, La Union | Rented | Good | 200,000.00 | August 31, 2022 | Renewable upon mutual agreement of the parties |
| Land | Puting Buhangin hi-way, Orion (TCT #s 226614, 2015000040, 2015000041) | Rented | Good | 217,800.00 | June 30, 2034 | Renewable upon mutual agreement of the parties |
| Land | Bo. of Gua-an, Municipality of Leganes, Province of Iloilo | Owned | Good | | | |
| Land | Ouano Wharf, Looc, Manduae City | Owned | Good | | | |
| Land | Road Lot 3 Brgy. 128 Zone 010, Tondo, Manila | Owned | Good | | | |
| Land | Santa Elena, Orion, Bataan | Owned | Good | | | |
| Land, Land Improvement (e.g. Pier), Building, and Machineries | Namonitan, Santo Tomas, La Union | Owned | Good | | | |
| Warehouse | Limay, Bataan | Owned | Good | | | |
| Coal Warehouse | Namonitan, Santo Tomas, La Union | Owned | Good | | | |
| Land | Baluarte,Tagoloan Misamis Oriental | Owned | Good | | | |
| Land | Lot 1118&1119Puting Buhangin Orion Bataan | Owned | Good | | | |
| Warehouse | Mactan, Cebu | Owned | Good | | | |
| Warehouse | Loboc, Iloilo | Owned | Good | | | |
| Warehouse | Tagoloan, Misamis Oriental | Owned | Good | | | |
| Pier | Iloilo | Owned | Good | | | |
| Pier | Mandaue, Cebu | Owned | Good | | | |
| Warehouse | Mabini, Bauan, Batangas | Owned | Good | | | |
| Blk 12 (Lot 1) and Blk 14 (Lot 1-15) | Harbor, Manila | Owned | Good | | | |
| Warehouses (14 warehouses) 14,700sqm in total | Zone 3, Upper Agusan, Cagayan de Oro City | Rented | Good | 1,837,500.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouses (1-10) | Brgy. Masaya, Rosario Batangas | Rented | Good | 1,424,700.00 | June 30, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (3&5) | Bicol Oil Mill Cmpd. Balogo, Pasacao, Camarines Sur | Rented | Good | 324,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse rental for Feedmill Plant | CDO | Owned | Good | | | |
| Warehouse rental for Feedmill Plant | Iloilo | Owned | Good | | | |
| Warehouse (Whses A, B, D1, D2) | Casisang, Malaybalay City, Bukidnon | Rented | Good | 390,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Foreshore Area | Looc, Lapu Lapu City | Rented | Good | 1,342.67 | October 04, 2022 | Renewable after one (1) year or upon mutual agreement of the parties |
| Foreshore Area | Looc, Lapu Lapu City | Rented | Good | 1,398.79 | October 05, 2022 | Renewable after one (1) year or upon mutual agreement of the parties |
| Foreshore Area | Looc, Lapu Lapu City | Rented | Good | 27,994.66 | January 24, 2022 | Renewable after one (1) year or upon mutual agreement of the parties |
| Foreshore Area | Looc, Lapu Lapu City | Rented | Good | 1,763.17 | October 04, 2022 | Renewable after one (1) year or upon mutual agreement of the parties |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Foreshore Area | Looc, Lapu Lapu City | Rented | Good | 5,246.54 | February 16, 2022 | Renewable after one (1) year or upon mutual agreement of the parties |
| Warehouse (NZU 1 & 2) | Campo Islam, Zamboanga City | Rented | Good | 451,143.00 | December 31, 2023 | Renewable upon mutual agreement of the parties |
| Space rental | Baseco, Manila | Rented | Good | 35,281.12 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse | Door 9 & R8, Far East Cereals Bldg, Davao | Rented | Good | 288,250.00 | April 2, 2022 & March 28, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse | 218 Don Jose Canciller Avenue, Cauayan City | Rented | Good | 89,000.00 | April 14, 2022 and July 15, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (1-3) | Davao | Rented | Good | 2,108,971.43 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (28, 29, 34, 37, & 40) | 12 Zone 3, Kauswagan, CDO | Rented | Good | 945,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse | Leganes, Iloilo (2A, 3A, 5A & 6A) | Rented | Good | 2,358,771.59 | September 2022 and December 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 1&2 | Brgy. 11-B, Poblacion District, Davao City | Rented | Good | 315,210.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (SMB 3 and Duty Free) | Trial Park Zamboanga Ecozone @ Freeport Authority, Brgy. Talisayan, Zamboanga | Rented | Good | 269,010.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse | SMMI Cagayan De Oro | Rented | Good | 171,920.00 | December 31, 2021 | The contract will terminate on December 31, 2021 |
| Warehouse 1&2 | Marasbaras, Tacloban | Rented | Good | 225,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse A | Blk 11 lots 4-7, Phase 2 FCIE, Brgy Langkaan, Dasmarinas, Cavite | Rented | Good | 1,318,900.00 | August 01, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse B & C | Blk 11 lots 4-7, Phase 2 FCIE, Brgy Langkaan, Dasmarinas, Cavite | Rented | Good | 930,600.00 | July 21, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse D1 an D3 | Lots 1&2 Blk 2, Phase 3 FCIE, Brgy Langkaan, Dasmarinas, Cavite | Rented | Good | 1,496,880.00 | August 15, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (GMC3) | Taboc, Brgy. San Jose, Pili Cam Sur | Rented | Good | 192,857.14 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (GMC1&2) | San Jose, Pili, Camarines sur | Rented | Good | 288,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (JY G4) | Espina St., Brgy Labangal, General Santos City | Rented | Good | 337,500.00 | August 18, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (1, 4, 5) | Espina St., Brgy Labangal, General Santos City | Rented | Good | 3,076,633.93 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Office space | Namayan Compound, No. 979 Castaneda St., Brgy Namayan, Mandaluyong | Rented | Good | 10,000.00 | June 30, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 1&2, office space | Pangao, Ibaan, Batangas | Rented | Good | 223,214.29 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Buildings 1-8 | Lapulapu, Ibaan, Batangas | Rented | Good | 1,169,171.43 | May 22, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 1&2 | National Highway, Santiago, Pili, Camarines Sur | Rented | Good | 221,785.72 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (A3,A7,B2,B3,B4,B6,B9) | PRK5 Bario Mahayag, Bunawan, Davao | Rented | Good | 784,530.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 21 | Sitio Pantay, Baranggay Maguyam, Silang, Cavite | Rented | Good | 149,982.00 | June 28, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 23 | Sitio Pantay, Baranggay Maguyam, Silang, Cavite | Rented | Good | 152,119.80 | July 11, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 5-7 | Sitio Pantay, Baranggay Maguyam, Silang, Cavite | Rented | Good | 508,200.00 | June 10, 2022 | Renewable upon mutual agreement of the parties |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| Warehouse 8 | Sitio Pantay, Baranggay Maguyam, Silang, Cavite | Rented | Good | 169,400.00 | June 15, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 12 | Sitio Pantay, Baranggay Maguyam, Silang, Cavite | Rented | Good | 240,240.00 | July 08, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 13-15 | Sitio Pantay, Baranggay Maguyam, Silang, Cavite | Rented | Good | 819,000.00 | June 07, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 22 | Sitio Pantay, Baranggay Maguyam, Silang, Cavite | Rented | Good | 151,078.20 | July 05, 2022 | Renewable upon mutual agreement of the parties |
| Bldg 2 Doors 5-7 | PLDC Diversion Road, Naga City, Camarines Sur | Rented | Good | 300,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 1-3 | Sitio Tawagan, Consolacion, Cebu | Rented | Good | 360,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 9 | Blk 2 Lot 11 Welborne Industrial Park, Bancal, Carmona, Cavite | Rented | Good | 1,245,150.00 | April 30, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 1&2 | Tabok, Mandaue City, Cebu | Rented | Good | 368,160.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse 3 | Sta. Elena, Orion Bataan | Rented | Good | 1,555,200.00 | December 31, 2023 | Renewable upon mutual agreement of the parties |
| Condo | 18H Pearl of the Orient Ermita, Manila | Rented | Good | 20,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Condo | 15J Pearl of the Orient Ermita, Manila | Rented | Good | 17,600.00 | May 19, 2022 | Renewable upon mutual agreement of the parties |
| Condo | 1608 Cityland Manila, Bocobo, Ermita, Manila | Rented | Good | 30,000.00 | July 14, 2022 | Renewable upon mutual agreement of the parties |
| Condo | Room 703 Fuyong Mansion, Sta. Cruz, Manila | Rented | Good | 30,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| Condo | 33J Pearl of the Orient Ermita, Manila | Rented | Good | 18,000.00 | April 07, 2022 | Renewable upon mutual agreement of the parties |
| Condo | 905 Sunview Del Pilar, Ermita, Manila | Rented | Good | 18,000.00 | May 03, 2022 | Renewable upon mutual agreement of the parties |
| Condo | 5011 Admiral Baysuites, Malate, Manila | Rented | Good | 24,000.00 | July 31, 2022 | Renewable upon mutual agreement of the parties |
| Condo | 1419 Midland Plaza Adriatico, Ermita, Manila | Rented | Good | 16,000.00 | July 15, 2022 | Renewable upon mutual agreement of the parties |
| Condo | 705 Burgundy Place Condominium, Loyola Heights, QC | Rented | Good | 22,690.93 | July 31, 2022 | Renewable upon mutual agreement of the parties |
| Warehouse (B1-B3) | Parang, Batangas | Rented | Good | 618,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| SMC Shipping and Lighterage Corporation and SL Mariveles Drydocking and Shipyard Corporation | | | | | | |
| Building (Warehouses, Admin Building, Slipway, Seawall, Guardhouse) | Luzon Avenue, Baseco Compound, Mariveles, Bataan | Owned | Good | | | |
| Land | Baseco Compound Luzon Avenue Mariveles, Bataan | Rented | Good | 713,878.97 | September 30, 2022 | Renewable upon mutual agreement of the parties |
| SMC Shipping and Lighterage Corporation and Baseco Shipyard Corporation | | | | | | |
| Building (Warehouses, Admin Building, Improvements, Container Yard, Access Roads, Guardhouse, Truckscale, Equipments) | Yard 2, Engineering Island, Baseco Compound, Port Area, Manila City | Owned | Good | | | |
| Land | Yard 2, Engineering Island, Baseco Compound, Port Area Manila | Rented | Good | 2,523,293.73 | February 28, 2022 | Renewable upon mutual agreement of the parties |

| Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|
| SL Harbour Bulk Terminal Corporation | | | | | | |
| Land | Blk14 Lots 1-4 Manila Harbour Centre, Brgy. 128, Zone 10, Tondo District, Manila City | Owned | Good | | | |
| Land | Blk15 Lots 8-9 Brgy. 128 Zone 010, Tondo, Manila | Owned | Good | | | |
| Land | Blk4 Lot 10-11 Road Lot 3, Brgy. 128 Zone 010, Tondo, Manila | Owned | Good | | | |
| Land | Manila Harbour Center Lot 3 fronting Blk 15 lot 9 (BERTHING 5) | Rented | Good | 416,453.94 | April 29, 2024 | Renewable upon mutual agreement of the parties |
| Land | Manila Harbour Center Lot 3 fronting Blk 15 lot 9 (BERTHING 4) | Rented | Good | 315,379.88 | April 29, 2024 | Renewable upon mutual agreement of the parties |
| Land | Blk17 Lot 4 Manila Harbour Centre, Vitas, Tondo, Manila City | Rented | Good | 431,323.88 | Continuing unless terminated and agreed by both parties | Renewable upon mutual agreement of the parties |
| Foreshore and Offshore Areas | Gracia, Tagoloan, Misamis Oriental (41,682 sqm) | Rented | Good | 27,145.23 | March 07, 2029 | May be renewed for 25 years upon terms and conditions mutually agreed upon by the parties |
| Foreshore and Offshore Areas | Gracia, Tagoloan, Misamis Oriental (50,152 sqm) | Rented | Good | 251,233.01 | March 07, 2029 | May be renewed for 25 years upon terms and conditions mutually agreed upon by the parties |
| Foreshore and Offshore Areas, and Port Facility | Gracia, Tagoloan, Misamis Oriental (121,396 sqm) | Rented | Good | 279,927.04 | August 03, 2022 | Renewable upon mutual agreement of the parties |
| Building (Admin Buildings, Terminals, Parking Shed, Loading Bay, Mini Laboratory, Storage Areas) | Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City | Owned | Good | | | |
| Land Improvements (Walkways, Driveway, Ground Improvements, Access Roads, Catwalks, Perimeter Fence, Etc.) | Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City | Owned | Good | | | |
| Buildings (Admin Building, Bulk Office, Mini Laboratory, etc.) | Limay, Bataan | Owned | Good | | | |
| Buildings (Admin Building, Mini Laboratory, etc.) | Tagoloan, Misamis Oriental | Owned | Good | | | |
| Land | Blk12 Rd 10 Cor Rd 21 New Harbour Center, Brgy. 128 Zone 010, Tondo, Manila | Owned | Good | | | |
| Land | Blk14 Lot 5 Rd Lot 3 Cor Rd Lot 9 New Harbour Center, Brgy. 128 Zone 010, Tondo, Manila | Owned | Good | | | |
| Land | Barrio Kitang, Limay, Bataan (228,616 sqm) | Rented | Good | 484,144.60 | December 31, 2022 | Renewable on a year to year basis for as long as the original lease agreement is in effect and under such terms and conditions based on the mutal consent and agreement of both parties |
| Land | Block 15, Lots 1-6, Manila Harbour Centre, Tondo, Manila | Rented | Good | 2,870,263.76 | January 26, 2024 | Renewable upon mutual agreement of the parties |
| Leasehold Improvements (Driveway, Pier, Perimeter Fence, etc.) | Limay, Bataan | Owned | Good | | | |
| Leasehold Improvements (Driveway, Pier, Perimeter Fence, etc.) | Tagoloan, Misamis Oriental | Owned | Good | | | |
| Machinery and Equipment (Fuel Tanks) | Bataan Combined Cycle Power Plant, Barangay Luz, Kitang 2, Limay, Bataan | Rented | Good | 4,517,480.55 | December 31, 2022 | Renewable upon mutual agreement of the parties |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc. | Manila Harbour Centre, Brgy. 128, Zone 10, Tondo, Manila City | Owned | Good | | | |
| | Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc. | Limay, Bataan | Owned | Good | | | |
| | Machinery and Equipment (Fuel Tanks, Water Tanks, Tank Truck Loading Racks, etc. | Tagoloan, Misamis Oriental | Owned | Good | | | |
| | Land | 386,755 sqm land in Manila Harbour Center | Rented | Good | 170,645.22 | April 30, 2022 | Renewable upon mutual agreement of the parties |
| | Land | The lease agreement pertains to lease of land in Manila Harbor Blk 4 lot 10 and 11. | Rented | Good | 1,072,000.00 | Continuing unless terminated and agreed by both parties | Renewable upon mutual agreement of the parties |
| | Land | Road Lot 3 fronting lot 10 and 11 of block 4, Manila Harbour Centre, Tondo, Manila City | Rented | Good | 197,442.24 | May 14, 2023 | Renewable upon mutual agreement of the parties |
| | MG8 Terminal Inc. | | | | | | |
| | Land | Road Lot 19 (New Harbor Center) Brgy. 128 Zone 010, Tondo, Manila | Owned | Good | | | |
| | Land | Lucanin, Mariveles, Bataan | Owned | Good | | | |
| | Land | Mabini, Batangas | Owned | Good | | | |
| | Land | Lot 10181, CAD-584, C-24 San Pedro, Bauan Cadastre | Owned | Good | | | |
| | Land | Lot 10184-A, of the sub. Plan, Psd-04-148187 being a portion of Lot - 10184 Cad 584, Bauan Cadastre | Owned | Good | | | |
| | Land | Lot 14038-B of the sub. Plan Psd-04-195256 being portion of Lot 14038 Cad 584, Bauan Cad., LRC Rec. No. | Owned | Good | | | |
| | Land | Lot 10156 Cad-584 San Pedro, Bauan, Batangas TCT 05-0034-00532 | Owned | Good | | | |
| | Land and pier and port facilities | Various land in Bauan, Batangas | Owned | Good | | | |
| | Warehouse 1 , 2, 3 | Mabini and Bauan, Batangas | Owned | Good | | | |
| | SMC Shipyard Cebu Land Inc. | | | | | | |
| | Land and Building | Dad Cleland Ave., Looc, Lapu Lapu City | Owned | Good | | | |
| | La Union Shipyard and Marine Service Corporation | | | | | | |
| | Buildings | Tubod Sto. Tomas La Union | Owned | Good | | | |
| | Leasehold Improvemens/Shipyard | Tubod Sto. Tomas La Union | Owned | Good | | | |
| | LS Shipping Management Corporation | | | | | | |
| | Landrights and improvements | Barangay San Miguel, Municipality of Bauan, Province of Batangas. | Owned | Good | | | |
| | Elite Marine Construction Corporation | | | | | | |
| | Land | Barangay Putting Buhangin, Orion, Bataan | Rented | Good | 30,000.00 | December 31, 2022 | Renewable upon mutual agreement of the parties |
| | Land | Lot 1071, Barangay Putting Buhangin, Orion, Bataan | Rented | Good | 44,555.00 | September 01, 2022 | Renewable upon mutual agreement of the parties |
| **5** | **SM BULK WATER CO., INC.** | | | | | | |
| | Land | Bobulusan, Guinobatan, Albay | Owned | Good | | | |
| | Land | Brgy. Batang, Ligao City | Owned | Good | | | |
| **6** | **SMC STOCK TRANSFER SERVICE CORPORATION** | | | | | | |
| | Office Space | Units 1505-1507, Robinsons Equitable Tower, ADB Avenue, corner Poveda, Pasig City | Owned | Good | | | |
| | Parking Space | Parking Slots 31-33, Robinsons Equitable Tower, ADB Avenue, corner Poveda, Pasig City | Owned | Good | | | |

| | Company Name / Subsidiary | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| 7 | **SAN MIGUEL PAPER PACKAGING CORPORATION** | Dr. A Santos Avenue, Sucat, Parañaque City | Owned | Good | | | |
| 8 | **SAN MIGUEL INTEGRATED LOGISTICS SERVICES INC. AND SUBSIDIARY** | | | | | | |
| | San Miguel Integrated Logistics Services Inc. and subsidiary | | | | | | |
| | Warehouse | 45 Muelle Dela Industria Binondo Manila | Owned | Good | | | |
| | Land and Building | Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna | Owned | Good | | | |
| | Ulas Warehouse | Brgy. Talomo, Ulas, Davao City | Owned | Good | | | |
| | Warehouse | M. Roxas St., Barrio San Roque, Marikina City | Owned | Good | | | |
| | Warehouse | 8380 Dr. A. Santos Avenue, Barangay BF Homes, Sucat, Paranaque | Owned | Good | | | |
| | Land | Purok 5, Brgy Rawis Legazpi City | Owned | Good | | | |
| | Land | A. Mabini Street San Juan City | Owned | Good | | | |
| | Land | Fe Martinez St. Brgy Anghit Daet Camarines Norte | Owned | Good | | | |
| | Petrofuel Logistics Inc | | | | | | |
| | Office | SMC Head Office Complex, #40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |
| 9 | **SAN MIGUEL INTEGRATED MERCHANDISING SERVICES INC.** | | | | | | |
| | Office | A.S. Fortuna Street, Bakilid, Mandaue City | Rented | Good | 55,440.00 | January 31, 2022 | Renewable upon mutual agreement of the parties |
| | Office | 5th Floor, Citibank Center Building, 8741 Paseo De Roxas, Makati City | Rented | Good | 416,833.95 | Continuing unless terminated and agreed by both parties | Renewable upon mutual agreement of the parties |
| | Office | Lot 1 C. Ramon Diaz St., Villa Corazon del Rosario, Naga City, Camarines Sur | Rented | Good | 10,000.00 | March 28, 2022 | New contract upon expiration of the previous |
| | Office | Kingspire Business Centre, KM. 71, Mc Arthur Hiway, Brgy. San Isidro, San Fernando City, Pampanga | Rented | Good | 28,037.38 | July 31, 2022 | New contract upon expiration of the previous |
| | Office | #430 Hayes St. CDO (in front of NAPOLCOM), Barangay 36, Cagayan De Oro City | Rented | Good | 10,000.00 | October 15, 2022 | New contract upon expiration of the previous |
| | Office | 127B, Sorongon Drive, Brgy. Danao, Iloilo City | Rented | Good | 13,250.00 | November 30, 2022 | New contract upon expiration of the previous |
| 10 | **SAN MIGUEL EQUITY INVESTMENTS INC. AND SUBSIDIARIES** | | | | | | |
| | San Miguel Equity Investments Inc. | | | | | | |
| | Office Space | No. 40 San Miguel Avenue, Mandaluyong City | Owned | Good | | | |
| | Ionic Cementworks Industries Inc. | | | | | | |
| | Land | Pagbilao, Quezon | Owned | Good | | | |
| | Arthocem Concrete Industries Inc. | | | | | | |
| | Land | Sariaya, Quezon | Owned | Good | | | |
| | Southstrong Cement Industries Corp. | | | | | | |
| | Land | Leganes, Iloilo | Owned | Good | | | |
| | Land | Tayasan, Negros Oriental | Owned | Good | | | |
| | Primero Cemento Industries Corp. | | | | | | |
| | Land | Agno, Pangasinan | Owned | Good | | | |
| | Oro Cemento Industries Corporation | | | | | | |
| | Land | Darong, Sta. Cruz, Davao del Sur | Owned | Good | | | |
| | Cement Grinding Plant | Darong, Sta. Cruz, Davao del Sur | Owned | On-Going Construction | | | |
| | E-Novate Holdings, Inc. | | | | | | |
| | Land | Cagniog and Trinidad, Surigao City | Owned | Good | | | |

| Company Name / Subsidiary | | Address | Rented / Owned | Condition | Monthly Rental (In PhP, Unless Otherwise Indicated) | Expiry of Lease Contract | Terms of Renewal / Options |
|---|---|---|---|---|---|---|---|
| | Northern Cement Corporation | | | | | | |
| | Head Office Space | 3rd Flr 155 Eda Building, 155 Edsa Brgy Wack Wack Mandaluyong | Owned | Good | | | |
| | Cement Plant | Brgy. Labayug, Sison Pangasinan | Owned | Good | | | |
| | Cement Plant | Brgy. Labayug, Sison Pangasinan | Owned | On-going Construction | | | |
| | Land | Brgy. Inoman, Pozorrubio, Pangasinan | Owned | Good | | | |
| | Land | Brgy. Labayug, Inmalog - Sison Pangasinan | Owned | Good | | | |
| | Land | Brgy. Bila And Paldit - Sison, Pangasinan | Owned | Good | | | |
| | Land | Brgy. Amagbagan, Sison, Pangasinan | Owned | Good | | | |
| | Land | Brgy. Bobonan, Inoman, Sugcong - Pozorrubio, Pangasinan | Owned | Good | | | |
| | Land | Brgy. Lunec, Malasiqui, Pangasinan | Owned | Good | | | |
| | Land | Brgy. Asin, Malasiqui, Pangasinan | Owned | Good | | | |
| | Land | Brgy. La Paz, Villasis And Mangan Dampay - Malasiqui, Pangasinan | Owned | Good | | | |
| | Land | Brgy. Mangan Dampay, Taloyan, Bacudao - Malasiqui, Pangasinan | Owned | Good | | | |
| | Land | Brgy. Ansagan, Tuba, Benguet | Owned | Good | | | |
| | Land | Brgy. Tubod And Namonitan - Sto Tomas, La Union | Owned | Good | | | |
| | Land | Brgy. Namonitan And Casantaan - Sto Tomas, La Union | Owned | Good | | | |
| | Land | Brgy. Paldit, Sison, Pangasinan | Rented | Good | 76,576.89 | December 31, 2025 | Renewable subject to conditions |
| | Land | Brgy Olympia, Makati City | Rented | Good | 34,038.42 | December 31, 2024 | Renewable subject to conditions |

Note: All owned properties are free of liens and encumbrances, except for the following:

(a) The Power Plant, including all related facilities therein, are mortgaged in favor of the lenders to secure the loan obligation of SCPC;

(b) The Power Plant, including all related facilities therein, are mortgaged in favor of the lenders to secure the loan obligation of SMCPC; and

(c) The Power Plant, including all related facilities therein, and the land are mortgaged in favor of the lenders to secure the loan obligation of MPPCL.

**THE PUREFOODS-HORMEL COMPANY, INC.**
Material Permits and Licenses

| Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|
| Environmental Compliance Certificate | DENR Environmental Compliance Certificate (ECC) | 20-Dec-17 | n/a | none |
| SGS Certifications | PHCI EMS Certificate_ED 18Apr24 | 02-Sep-21 | 3 years | 18-Apr-24 |
| | PHCI FCCS Certificate_16Apr24 | 06-Sep-21 | 3 years | 16-Apr-24 |
| | PHCI GMP Certificate_ED 19Feb24 | 07-Sep-21 | 3 years | 19-Apr-24 |
| | PHCI HACCP | 07-Sep-21 | 3 years | 19-Apr-24 |
| | PHCI QMS Certificate_ED 18Apr24 | 08-Sep-21 | 3 years | 18-Apr-24 |
| FDA License to Operate | License to Operate as Food Manufacturer_ED 28Dec24 (with addnl activity) | none | n/a | 28-Dec-24 |
| FDA QPIRA Representative | Licensing Seminar Certificate MAA | n/a | n/a | none |
| | Licensing Seminar Certificate RLP | n/a | n/a | none |
| Wastewater Discharge Permit | DENR-EMB Discharge Permit 2021 | 02-Nov-21 | 1 year | 02-Nov-22 |
| DENR-EMB Certificate of Attendance - Accredited Eight (8) Hour Training for Managing Heads (Ronald Tigas) | DENR-EMB Reg. IV | 05-Jul-18 | n/a | none |
| DENR-EMB Certificate of Attendance - Accredited Eight (8) Hour Training for Managing Heads (Ferdinand Alcos) | DENR-EMB Reg. IV | 26-Nov-14 | n/a | none |
| DENR-EMB Certificate of Attendance - Accredited Eight (8) Hour Training for Managing Heads (Ronald Lucero) | DENR-EMB Reg. IV | 12-Oc-21 | n/a | none |
| DENR-EMB Certificate of Attendance - Accredited Eight (8) Hour Training for Managing Heads (Bernard Buenavista) | DENR-EMB Reg. IV | 12-Oc-21 | n/a | none |
| DENR-EMB Certificate of Attendance - Accredited Eight (8) Hour Training for Managing Heads (Ciriaco Tamio) | DENR-EMB Reg. IV | 12-Oc-21 | n/a | none |
| Water Extraction Permits (Deep well #8226) | National Water Resources Council | 22-Apr-1981 | n/a | none |
| Water Extraction Permits (Deep well #8225) | National Water Resources Council | 22-Apr-1981 | n/a | none |
| Water Extraction Permits (Deep well #6627) | National Water Resources Council | 28-Dec-1979 | n/a | none |

| | | | | |
|---|---|---|---|---|
| Water Extraction Permits (Deep well #8224) | National Water Resources Council | 22-Apr-1981 | n/a | none |
| Water Extraction Permits (Deep well #4561) | National Water Resources Council | 12-Feb-1979 | n/a | none |
| Water Extraction Permits (Deep well #18917) | National Water Resources Council | 19-Feb-1994 | n/a | none |
| Water Extraction Permits (Deep well #13732) | National Water Resources Council | 23-Mar-1995 | n/a | none |
| License to Handle CPECS | PDEA | 20-Jun-22 | 1 year | 14-Jun-23 |
| Permit to Operate Pressure Vessel P1 & P2(Mechanical Permits) | DOLE | 10-Aug-21 | 1 year | 10-Aug-22 *On Going Renewal* |
| Permit to Operate Boiler & Gen-set P1 & P2(Mechanical Permits) | DOLE | 10-Aug-21 | 1 year | 10-Aug-22 *On Going Renewal* |
| Certificate of Electrical Inspection Report | DOLE Region IV-A | 08-Feb-22 | 1 year | 08-Feb-23 |
| Fire Safety Inspection Certificate | BFP – Gen. Trias | 28-Apr-22 | 1 year | 28-Apr-23 |
| Hazardous Waste Generator Registration I.D | DENR-EMB | 08-Oct-20 | n/a | none |
| DENR Certificate of Accreditation - Pollution Control Officer (M Ramos) | DENR-EMB Reg. IVA | 25-Nov-19 | 3 years | 24-Nov-22 |
| DOLE Certificate of Accreditation - Occupational Safety and Health Practitioner (M Ramos) | DOLE | 29-Oct-21 | 3 years | 18-Oct-24 |
| Integrated LGU Permit (Brgy. Business Clearance, Sanitary Permit and Business Permit) | Gen. Trias, Cavite LGU | 18-Feb-22 | 1 year | 18-Feb-23 |
| DENR-EMB Permit to Operate Air Pollution Source and Control Installation (Plant 1) | DENR-EMB Reg. IVA | 11-Aug-22 | 5 years | 11-Aug-27 |
| DENR-EMB Permit to Operate Air Pollution Source and Control Installation (Plant 2) | DENR-EMB Reg. IVA | 15-Apr-19 | 5 years | 09-Aug-24 |
| DENR-EMB Permit to Operate Air Pollution Source and Control Installation (Plant 3) 6 units of 670Hp Coal Fire Boiler | DENR-EMB Reg. IVA | 19 Jul 2022 | 3 mos. | 19 Oct 2022 |

| | | | | |
|---|---|---|---|---|
| Permit to Operate Pressure Vessel P3(Mechanical Permits) | DOLE | 10-Aug-21 | 1 year | 10-Aug-22 *On Going Renewal* |
| Permit to Operate Boiler & Gen-set P3(Mechanical Permits) | DOLE | 10-Aug-21 | 1 year | 10-Aug-22 *On Going Renewal* |

**MAGNOLIA INC.**
Material Permits and Licenses

| Name of Permit / License | Issuing Agency | Issued Date/ Inspection Date | Validity Period | Expiry Date |
|---|---|---|---|---|
| **Magnolia -Cavite Plant** | | | | |
| Permit to Operate Pressure Vessel No. PDVL-IVA 27-06 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Pressure Vessel No. PDVL-IVA 26-06 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for E releasing of certificate) |
| Permit to Operate Internal Combustion Engine No. ICE-EVA 68-05 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Internal Combustion Engine No. ICE-EVA 67-05 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Internal Combustion Engine No. ICE-EVA 66-05 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Steam Boiler No. DL-IVA 65-05 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Steam Boiler No. DL-IVA 64-05 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Steam Boiler No. DL-IVA 63-05 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |

| | | | | |
|---|---|---|---|---|
| Permit to Operate Pressure Vessel No. PDVL-IVA 30-06 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Pressure Vessel No. PDVL-IVA 29-06 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Pressure Vessel No. PDVL-IVA 28-06 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Pressure Vessel No. PDVL-IVA 25-06 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| Permit to Operate Pressure Vessel No. PDVL-IVA 149-2019 | DOLE | 25-Mar-22 | 1 year | 19-Apr-22 pending (Payment made waiting for releasing of certificate) |
| EMB Renewal of Wastewater Discharge Permit No. 2014- WDP-F-1124-1119 | DENR | 20-Apr-22 | 1 year | 22-May-22 pending (renewal already applied , waiting for final lifting |
| Environmental Compliance Certificate ECC-R4A-1607-0225 | DENR | 19-Oct- | n/a | none |
| APSCI Permit | DENR | 28-Feb-22 | | 28-Feb-27 |
| X ray Machine FDA PTO (FDA) | FDA | 25-Apr-22 | 3 years | 25-Apr-25 |
| | | | | |
| **Magnolia -Sta. Rosa** | | | | |
| Permit to Operate - Internal Combustion Engine I.C.E.-IVA 22-10 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 294-2019 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 295-2019 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 343-12 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 344-12 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 345-12 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 346-12 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 347-12 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |

| | | | | |
|---|---|---|---|---|
| Permit to Operate Pressure Vessel PDVL 348-12 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 580-11 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 581-11 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 582-11 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 583-11 | DOLE | For renewal | 1 year | Oct 13, 2021 |
| Permit to Operate Pressure Vessel PDVL 668-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 669-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 670-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 671-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 672-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 673-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Pressure Vessel PDVL 674-14 | DOLE | For renewal | 1 year | Oct 13, 2021 |
| Permit to Operate Pressure Vessel PDVL 675-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Environmental Compliance Certificate ECC-LLDA-2005-011-31132 | DENR | May 30, 2005 | NA | NA |
| Permit To Operate Pressure Vessel- PVDL-IVA 460-2020 | DOLE | Sep 7, 2021 | 1 year | Sep 7, 2022 |
| Permit To Operate Pressure Vessel- PVDL-IVA 461-2020 | DOLE | Sep 7, 2021 | 1 year | Sep 7, 2022 |
| Permit To Operate Pressure Vessel- PVDL-IVA 458-2020 | DOLE | Sep 7, 2021 | 1 year | Sep 7, 2022 |
| Permit To Operate Pressure Vessel- PVDL-IVA 459-2020 | DOLE | Sep 7, 2021 | 1 year | Sep 7, 2022 |
| Permit To Operate Pressure Vessel- PVDL-IVA 457-2020 | DOLE | Sep 7, 2021 | 1 year | Sep 7, 2022 |
| LLDA Clearance / Discharge Permit Exemption | LLDA | March 24, 2022 | 1 year | March 15, 2023 |
| Permit to Operate Steam Broiler DL-IVA 36-09 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |
| Certificate of Electrical Inspection EEDL-IVA 52-14 | DOLE | March 15, 2022 | 1 year | March 15, 2023 |

**SAN MIGUEL FOODS, INC. - GFS**
Material Permits and Licenses

| Name of Permit / License | Issuing Agency | Issued Date | Validity Period | Expiry Date | Remarks |
|---|---|---|---|---|---|
| Barangay Business Clearance | LGU - Sta. Rosa | 24-Jan-22 | 1 year | 31-Dec-22 | UPDATED |
| Water Potability Certificate | LGU - Sta. Rosa | 15-Jul-22 | 6 mos | 15-Jan-23 | UPDATED |
| Sanitary Permit | LGU - Sta. Rosa | 11-May-22 | 1 year | 31-Dec-22 | UPDATED |
| Fire Safety Inspection Certificate | LGU - Sta. Rosa | 29-Dec-20 | 1 year | 29-Dec-21 | Ongoing renewal |
| Community Tax Certificate | LGU - Sta. Rosa | 10-Jan-22 | 1 year | 31-Dec-22 | UPDATED |
| Business Permit | LGU - Sta. Rosa | 24-Jan-22 | 1 year | 31-Dec-22 | UPDATED |
| FDA LTO as Manufacturer | FDA | 11-Jan-21 | 5 years | 21-Jan-27 | UPDATED |
| FDA LTO as Trader | FDA | 29-Dec-19 | 6 years | 16-Mar-25 | UPDATED |
| FDA LTO as Food Importer | FDA | 06-May-21 | 5 years | 17-Mar-26 | UPDATED |
| FDA LTO as Importer/Distributor | FDA | 24-Mar-21 | 5 years | 17-May-26 | UPDATED |
| NMIS LTO and GOP Certification as Cold Storage | NMIS | 30-Mar-22 | 2 years | 1-Apr-24 | UPDATED |
| Meat Importer | NMIS | 17-Jan-22 | 3 years | 17-Jan-25 | UPDATED |
| Permit to Operate - Pressure Vessel WTP PVDL - IVA - 369 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel WTP PVDL - IVA - 370 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel WTP PVDL - IVA - 371 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel WTP PVDL - IVA - 372 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel VIE Tank PVDL - IVA - 510 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 630 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 631 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 632 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 633 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 634 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |

| | | | | | |
|---|---|---|---|---|---|
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 635 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 636 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 637 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 638 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 639 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 640 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 641 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 642 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 643 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Permit to Operate - Pressure Vessel Refrigeration PVDL - IVA - 644 - 2019 | DOLE Laguna | 04-Mar-21 | 1 year | 04-Mar-22 | Ongoing renewal |
| Power Piping Line Operation Permit – PPLDL IVA 18-2022 | DOLE Laguna | 06-Apr-22 | 1 year | 06-Apr-23 | UPDATED |
| Discharge Permit - Indirect Discharger (Wastewater) | LLDA | 26-Apr-21 | 1 year | 15-Mar-23 | UPDATED |
| Laguna Lake Development Authority Discharge Permit (Wastewater) | LLDA | 26-Dec-19 | One Time | | UPDATED |

**SAN MIGUEL MILLS, INC.**
Material Permits and Licenses

| Entity | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| SMMI - Head Office | SEC Certificate of Registration | SEC | 06-Sep-05 | 50 years | 06-Sep-55 |
| SMMI - Head Office | BIR Certificate of Registration | BIR | 27-Sep-05 | none | N/A |
| SMMI - Head Office | BIR Tax Clearance Certificate (for Bidding) | BIR | 01-Mar-21 | 1 year | 01-Mar-22 |
| SMMI - Head Office | BOI Certificate of Registration | BOI | 16-Feb-16 | none | N/A |
| SMMI - Head Office | BOI Certificate of Income Tax Holiday Entitlement | BOI | 01-Jul-19 | 5 years | **30-Jun-22** |

| | | | | | | |
|---|---|---|---|---|---|---|
| SMMI - Head Office | BOC Certificate of Registration | BOC | 20-Sep-21 | 1 year | 20-Sep-22 |
| SMMI - Head Office | Mayor's Permit for Head Office | Pasig LGU | 26-Feb-21 | 1 year | **31-Dec-22** |
| SMMI - Ugong | Mayor's Permit for Commissary | Pasig LGU | 26-Feb-21 | 1 year | **31-Dec-22** |
| SMMI - Mabini | Fire Safety Inspection Certificate | BFP | 02-Mar-21 | 1 year | **31-Dec-21** (Documentation for Automatic Fire Suppression System (AFS) in process |
| SMMI - Mabini | Certificate of Registration / Permit To Operate (COR/PTO) | PPA | June 1, 2016 | 5 years | **31-Dec-20** (Application for renewal under evaluation by PPA |
| SMMI - Mabini | License to Operate - Food Manufacturer | FDA | n/a | Every 5 years | 13-Jun-26 |
| SMMI - Mabini | License to Operate - Food Trader-Exporter | FDA | n/a | 3 years for initial license; 5 years | 15-Jun-23 |
| SMMI - Mabini | License to Operate - Food Distributor-Importer | FDA | n/a | 5 years | 07-Mar-27 |
| SMMI - Mabini | Business Permit | LGU | 20-Jan-21 | 1 year | **31-Dec-22** |
| SMMI - Mabini | Barangay Business Permit | LGU | 07-Jan-21 | 1 year | **31-Dec-22** |
| SMMI - Mabini | Sanitary Permit | LGU | 20-Jan-21 | 1 year | **31-Dec-22** |
| SMMI - Mabini | License to Handle Controlled Precurseors | PDEA | 26-Oct-21 | Annual | 07-Dec-22 |
| SMMI - Mabini | Purchaser's License - License to Possess | PNP | 16-Nov-21 | Annual | 17-Jan-23 |
| SMMI - Mabini | Certificate of Authority to Operate | PRC | 01-Jun-18 | 3 years | 01 Jun 2021 (filed and paid application with pending inspection |
| SMMI - Mabini | Certificate of Registration Rule 1020 = RO IVA-BPO 1020-522 | DOLE | 05-Sep-06 | Life Time | No Expiration |
| SMMI - Mabini | Wastewater Discharge Permit No. DP-R4A-21-05965 | DENR EMB | 16-Sep-21 | 1 year | 16-Sep-22 |
| SMMI-Old Mills | Permit To Operate--Air Pollution Source and Control Installations (PTO-APCI) | DENR-EMB | Jan. 14, 2019 | 5 years | Feb. 1, 2024 |
| SMMI-New Mills | Permit To Operate--Air Pollution Source and Control Installations | DENR-EMB | Nov. 21, 2019 | 5 year | Aug. 30, 2024 |

| | | | | | | |
|---|---|---|---|---|---|---|
| SMMI - Mabini | Certification (Permit to Operate) - Internal Combustion Engine (Serial No. 3512/Z4Z04925) | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Internal Combustion Engines (Serial No. 3512/Z4Z04922) | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Internal Combustion Engines (Serial No. 6-BTA-58/44523274) | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Internal Combustion Engines (Serial No. 3512/4x400420) | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Internal Combustion Engines (Serial No. 3412) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Electric Hoist (Serial No. CM5-27) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Electric Hoist (Serial No. EC-4) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Electric Hoist (Serial No. HM943/082010-14) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Electric Hoist (Serial No. HM943) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Electric Hoist (Serial No. KT1.5-17) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Electric Hoist (Serial No. KT2.0-17) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Certification (Permit to Operate) - Electric Hoist (Serial No. KT5.0-27) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |

| | | | | | |
|---|---|---|---|---|---|
| SMMI - Mabini | Certificate of Electrial Inspection (EEDL-IV No. 115-<br>93 & 87-95) | DOLE | 05-Mar-19 | 28-Feb-20 | **Renewal in process** |
| SMMI - Mabini | Certificate of Electrial Inspection (EEDL-IV No. 107-95) | DOLE | 05-Mar-19 | 28-Feb-20 | **Renewal in process** |
| SMMI - Mabini | Certificate of Electrial Inspection (EEDL-IV No. 95-92) | DOLE | 05-Mar-19 | 28-Feb-20 | **Renewal in process** |
| SMMI - Mabini | Certificate of Electrial Inspection (EEDL-IV No. 73-92) | DOLE | 05-Mar-19 | 28-Feb-20 | **Renewal in process** |
| SMMI - Mabini | Certificate of Electrial Inspection (EEDL-IV No. 64-80 & 72-91) | DOLE | 05-Mar-19 | 28-Feb-20 | **Renewal in process** |
| SMMI - Mabini | Certificate of Electrial Inspection (EEDL-IV No. 13-93) | DOLE | 05-Mar-19 | 28-Feb-20 | **Renewal in process** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 214- | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 226-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 225-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 224-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 223-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 222-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 221-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 220-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |

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|---|---|---|---|---|---|
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 219-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 218-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 217-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 216-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IV No. 215-16) | DOLE | 16-Aug-18 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IVA No. 808-01 | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IVA No. 27- 93 | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IVA No. 805-01 | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IVA No. 28-93 | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IVA No. 135-95 | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IVA No.806-01 | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Mabini | Permit to Operate Pressure Vessel (PDVL-IVA No. 807-01 | DOLE | 23-Jan-19 | | **Renewal in process under PRS 52596** |
| SMMI - Tabangao | Fire Safety Inspection Certificate | BFP | 21-Jan-21 | 1 year | 21-Jan-23 |

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|---|---|---|---|---|---|
| SMMI - Tabangao | City Environmental Permit to Operate | CENRO | 21-Jan-21 | 1 year | 31-Dec-22 |
| SMMI - Tabangao | Business Permit | LGU | 21-Jan-21 | 1 year | 31-Oct-22 |
| SMMI - Tabangao | Barangay Business Clearance | LGU | 21-Jan-21 | 1 year | 31-Dec-22 |
| SMMI - Tabangao | Sanitary Permit to Operate | LGU | 21-Jan-21 | 1 year | 31-Dec-22 |
| SMMI - Tabangao | Permit to Operate | DENR EMB | 09-Nov-17 | 5 years | 31-Aug-22 (On-going Application for renewal) |
| SMMI - Tabangao | Permit to Operate (2.0MW Genset) | DENR EMB | 09-Nov-17 | 5 years | 31-Aug-22 (On-going Application for renewal) |
| SMMI - Tabangao | Discharge Permit | DENR EMB | 17-Sep-21 | 1 year | 17-Sep-22 (On-going Application for renewal) |
| SMMI - Tabangao | Environmental Compliance Certificate | DENR EMB | 04-Oct-21 | NA | No expiry |
| SMMI - Tabangao | License to Operate - Food Manufacturer | FDA | N/A | Every 5 years | 02-Oct-26 |
| SMMI - Tabangao | Certificate of Authority to Operate | PRC | 01-Jun-18 | 3 years | 01 Jun 2021 (filed and paid application |

**GOLDEN BAY GRAIN TERMINAL CORP.**
Material Permits and Licenses

| Entity | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| GBGTC - Head Office | SEC Certificate of Registration | Securities & Exchange Commission | 8-Nov-11 | 50 years | 8-Nov-2061 |
| GBGTC - Head Office | BIR Certificate of Registration | Bureau of Internal Revenue | 8-Nov-11 | none | n/a |
| GBGTC - Mabini | BIR Certificate of Registration | Bureau of Internal Revenue | 16-Oct-15 | none | n/a |
| GBGTC - Head Office | BOI Certificate of Registration | Board of Investments | 19-Oct-12 | 5 years | 30-Jun-2017 |
| GBGTC - Head Office | BOC Certificate of | Bureau of Customs | 18-Aug-21 | 1 year | 18-Aug- |
| GBGTC - Head Office | Mayor's Permit for Head | Pasig LGU | 26-Feb-21 | 1 year | 31-Dec- |
| GBGTC - Mabini | Mayor's Permit for Mabini | Mabini, Batangas | 10-Mar-21 | 1 year | 31-Dec- |

| | | | | | |
|---|---|---|---|---|---|
| GBGTC - Mabini | Fire Safety Inspection Certificate | BFP | 9-Mar-21 | 1 year | 9-Mar-2021 (On-going Application for renewal) |
| GBGTC - Mabini | Sanitary Permit | LGU | 20-Jan-21 | 1 year | 31-Dec- |
| GBGTC - Mabini | Permit to Operate | DENR EMB | 2-Sep-16 | 5 years | 27-Sep-2021 (On-going Application for renewal) |
| GBGTC - Mabini | Permit to Operate | PPA | 22-Aug-19 | 5 years | 21-Aug- |
| GBGTC - Mabini | Certificate of Registration | DOLE | 02-Aug-13 | none | n/a |
| GBGTC - Mabini | Certification (Permit to Operate) Internal Combustion Engine No. S12R- | DOLE | 17-Mar-21 | none | n/a |
| GBGTC - Mabini | Certification (Permit to Operate) Internal Combustion Engine No. S16R-PTAA/19244 | DOLE | 17-Mar-21 | none | n/a |

**GOLDEN AVENUE CORP.**
Material Permits and Licenses

| Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|
| SEC Certificate of | Securities & Exchange | 12-Dec-2012 | 50 years | n/a |
| BIR Certificate of | Bureau of Internal Revenue | 12-Apr-1999 | none | n/a |
| Mayor's Permit for | Pasig LGU | 20-Jan-2021 | 1 | 31-Dec-2022 |

**SAN MIGUEL FOODS, INC.**
**Feeds, Poultry & Meats Business**
Material Permits and Licenses

*One-time registration
**Required for New Plants only
***Required for plants with deep well
****Required for boilers powered by coal

**NORTH LUZON REGION**

| Name of Facility/ Plant | Address | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| **Orion GP Farm** | General Lim, Orion, Bataan | Environmental Compliance | DENR | May 15, 2019 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation | DENR | October 01, 2020 | 5 years | October 01, 2025 |
| | | Waste Water Discharge Permit | DENR | April 24, 2019 | n/a | none |
| | | Hazardous Waste Generator | DENR | June 20, 2022 | n/a | none |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | Business Permit | LGU | January 26, | 1 year | January 26, 2023 |
| | | Sanitary Permit | LGU | January 20, | 1 year | January 20, 2023 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | May 17, 2022 | 1 year | May 17, 2023 |
| **B-MEG Pangasinan Plant** | KM 188, Bued, Binalonan, Pangasinan | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | August 17, 2004 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | February 01, 2021 | 5 years | February 01, 2026 |
| | | Waste Water Discharge Permit | DENR | August 15, 2022 | 5 years | August 15, 2027 |
| | | Hazardous Waste Generator Registration Certificate* | DENR | October 13, 2016 | n/a | none |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | January 13, 2022 | 3 years | January 13, 2025 |
| | | Training Certificate of Managing Head* | DENR | April 21, 2015 | n/a | none |
| | | Business Permit | LGU Permits | February 04, 2022 | 1 year | December 31, 2022 |
| | | Sanitary Permit | LGU Permits | February 02, 2022 | 1 year | December 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | September 1, 2021 | 1 year | Sep 01, 2022 (Waiting for installation of FDAS. For |
| | | License to Handle Controlled Precursors and Essential | PDEA | August 09, 2022 | 1 year | August 09, 2023 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | August 15, 2019 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | June 13, 2022 | 1 year | June 13, 2023 |
| | | PTO - Boiler | DOLE | June 13, 2022 | 1 year | June 13, 2023 |
| | | PTO - Elevator | DOLE | November 22, 2021 | 1 year | November 22, 2022 |
| | | PTO - Electrical | DOLE | June 13, 2022 | 1 year | June 13, 2023 |
| | | License of Safety Practitioner of | DOLE | May 15, 2019 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | January 01, 2022 | 1 year | December 31, 2022 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | Certificate of Feed Product Registration | BAI | January 01, 2022 | 1 year | December 31, 2022 |
| | | Water Extraction Permit*,*** | NWRB | January 14, 2014 | n/a | none |
| | | Occupancy Permit* | OBO | September 18, 1997 | n/a | None |
| **B-MEG Echague Plant / B-MEG Plant – Isabela 2** | Bario Soyung, Echague Isabela | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | PDEA | October 24, 2021 | 1 year | October 24, 2022 |
| | | Controlled Chemicals Purchaser's License | PNP | December 07, | 1 year | December 07, |
| | | BAI Laboratory Accreditation | BAI | November 20, 2021 | 1 year | November 20, 2022 |
| | | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | May 02, 2018 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | | 5 years | Ongoing processing |
| | | Waste Water Discharge Permit | DENR | | 1 year | Ongoing processing |
| | | Hazardous Waste Generator | DENR | | n/a | Ongoing processing |
| | | PCO Accreditation and Deputy PCO | DENR | July 21, 2022 | 2 years | June 21, 2024 |
| | | Training Certificate of Managing Head* | DENR | February 21, 2022 | n/a | None |
| | | Business Permit | LGU Permits | January 24, 2022 | 1 year | December 31, 2022 |
| | | Sanitary Permit | LGU | January 14, | 1 year | December 31, |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | January 14, 2022 | 1 year | December 31, 2022 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | September 10, 2015 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | April 2, 2022 | 1 year | April 2, 2023 |
| | | PTO – Boiler | DOLE | April 2, 2022 | 1 year | April 2, 2023 |
| | | PTO – Elevator | DOLE | | 1 year | Ongoing processing |
| | | PTO – Electrical | DOLE | | 3 years | Ongoing processing |

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|---|---|---|---|---|---|---|
| | | License of Safety Practitioner of Safety Engineer* | DOLE | May 22, 2021 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | December 14, 2021 | 1 year | December 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | December 14, 2021 | 1 year | December 31, 2022 |
| | | Water Extraction Permit*,*** | NWRB | May 24, 2022 | n/a | none |
| | | Coal End-Users Registration**** | DOE | April 29, 2022 | 10 years | April 29, 2032 |
| | | Occupancy Permit* | OBO | October 14, 2021 | n/a | none |
| **B-MEG Plant - Bulacan** | Brgy. Malipampang, San Ildefonso, Bulacan | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | October 07, 2018 | n/a | n o n e |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | November 07, 2019 | 5 years | October 30, 2024 |
| | | Waste Water Discharge Permit | DENR | April 12, 2022 | 1 year | March 12, 2023 |
| | | Hazardous Waste Generator Registration Certificate* | DENR | March 20, 2019 | n/a | none |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | June 15, 2021 | 3 years | June 15, 2024 |
| | | Training Certificate of Managing Head* | DENR | August 25, 2021 | n/a | none |
| | | Business Permit | LGU Permits | January 20, 2022 | 1 year | December 31, 2022 |
| | | Sanitary Permit | LGU Permits | February 02, 2022 | 1 year | December 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | May 31, 2022 | 1 year | June 02, 2023 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | July 03, 2019 | n/a | none |

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|---|---|---|---|---|---|---|
| | | PTO - Pressure Vessel | DOLE | March 22, 2022 | 1 year | March 23, 2023 |
| | | PTO - Boiler | DOLE | July 27, 2022 | 1 year | July 26, 2023 |
| | | PTO - Elevator | DOLE | July 27, 2022 | 1 year | July 26, 2023 |
| | | PTO - Electrical | DOLE | April 20, 2022 | 1 year | March 23, 2023 |
| | | License of Safety Practitioner of Safety Engineer* | DOLE | May 17, 2019 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | December 17, 2021 | 1 year | December 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | January 01, 2022 | 1 year | December 31, 2022 |
| | | License to Handle Controlled Precursors and Essential | PDEA | August 18, 2022 | 1 year | June 24, 2023 |
| | | Coal End-Users Registration**** | DOE | September 27, 2019 | 10 years | September 27, 2029 |
| | | Occupancy Permit* | OBO | December 17, 2019 | n/a | none |
| **B-MEG Tarlac Plant** | Luisita Industrial Park, San Miguel Tarlac City | Environmental Compliance Certificate/ Certificate of | DENR | September 13, 2021 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control | DENR | January 14, 2020 | 4 years | August 30, 2024 |
| | | Waste Water Discharge Permit | DENR | | 1 year | Ongoing processing |
| | | Hazardous Waste Generator | DENR | April 15, 2005 | n/a | none |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | July 28, 2019 | 3 years | July 28, 2022 (Resigned ECSE. Sourcing out available training for PCO) |
| | | Training Certificate of Managing | DENR | April 21, 2015 | n/a | none |
| | | Business Permit | LGU Permits | January 18, 2022 | 1 year | December 31, 2022 |
| | | Sanitary Permit | LGU Permits | May 05, 2022 | 1 year | December 31, 2022 |

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|---|---|---|---|---|---|---|
| | | Fire Safety Inspection Certificate | LGU Permits | November 24, 2021 | 1 year | November 24, 2022 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | September 25, 2014 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | March 29, 2021 | 1 year | March 16, 2022 (Already paid, waiting for issuance of permit) |
| | | PTO – Boiler | DOLE | March 29, 2021 | 1 year | |
| | | PTO - Elevator | DOLE | March 29, 2021 | 1 year | |
| | | PTO - Electrical | DOLE | March 29, 2021 | 1 year | |
| | | License of Safety Practitioner of | DOLE | June 28, 2019 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | January 01, 2022 | 1 year | December 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | December 1, 2021 | 1 year | December 31, 2022 |
| | | Controlled Chemicals Purchaser's License | PNP | November 26, 2021 | 1 year | November 26, 2022 |
| | | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | PDEA | August 25, 2022 | 1 year | August 25, 2023 |
| | | BAI Laboratory Accreditation | BAI | October 8, 2021 | 1 year | October 8, 2022 |
| | | Occupancy Permit* | OBO | August 06, 1999 | n/a | none |
| **San Fernando** | SMC Complex, Brgy. | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | October 07, 2018 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | January 12, 2021 | 5 years | January 12, 2026 |
| | | Waste Water Discharge Permit | DENR | August 3, 2022 | 1 year | August 3, 2023 |

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|---|---|---|---|---|---|---|
| **Drying Facility** | Quebiawan, San Fernando, Pampanga | Hazardous Waste Generator Registration Certificate* | DENR | June 5, 2012 | n/a | none |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | - | 3 years | Sourcing out available training |
| | | Training Certificate of Managing Head* | DENR | April 21, 2015 | n/a | none |
| | | Business Permit | LGU Permits | January 20, 2022 | 1 year | December 31, 2022 |
| | | Sanitary Permit | LGU Permits | January 14, 2022 | 1 year | December 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | January 20, 2022 | 1 year | January 20, 2023 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | January 24, 2020 | n/a | none |
| **B-MEG Bataan Plant 1** | Mindanao Ave., Cor. 10th ave. AFAB, Mariveles, Bataan | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | June 21, 2004 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | October 08, 2020 | 5 years | August 07, 2025 |
| | | Hazardous Waste Generator Registration Certificate* | DOLE | November 08, 2021 | n/a | none |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | January 14, 2021 | 3 years | January 14, 2024 |
| | | Training Certificate of Managing | DENR | April 21, 2015 | n/a | none |
| | | Business Permit | LGU | January 31, | 1 year | December 31, |
| | | Sanitary Permit | LGU | January 25, | 1 year | December 31, |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | February 02, 2021 | 1 year | November 06, 2022 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | February 18, 2019 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | March 30, 2022 | 1 year | March 29, 2023 |
| | | PTO - Boiler | DOLE | March 30, 2022 | 1 year | March 29, 2023 |
| | | PTO - Elevator | DOLE | March 30, 2022 | 1 year | March 29, 2023 |
| | | PTO - Electrical | DOLE | March 30, 2022 | 1 year | March 29, 2023 |

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|---|---|---|---|---|---|---|
| | | License of Safety Practitioner of | DOLE | February 25, 2017 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | January 01, 2022 | 1 year | December 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | January 09, 2022 | 1 year | December 31, 2022 |
| | | Controlled Chemicals Purchaser's License | PNP | December 27, 2021 | 1 year | December 27, 2022 |
| | | BAI Laboratory Accreditation | BAI | October 27, 2021 | 1 year | October 27, 2022 |
| | | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | PDEA | February 19, 2022 | 1 year | February 19, 2023 |
| | | Occupancy Permit* | OBO | April 26, 2004 | n/a | none |
| **B-MEG Bataan Plant 2** | Mindanao Ave., Cor. 10th Ave. AFAB, Mariveles, Bataan | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | June 13, 2017 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | April 04, 2022 | 1 year | April 4, 2027 |
| | | Hazardous Waste Generator | DOLE | April 04, 2022 | n/a | none |
| | | PCO Accreditation and Deputy PCO | DENR | May 23, 2022 | 3 years | May 23, 2025 |
| | | Training Certificate of Managing | DENR | April 21, 2015 | n/a | none |
| | | Business Permit | LGU | May 30, 2022 | 1 year | May 31, 2023 |
| | | Sanitary Permit | LGU Permits | June 01, 2022 | 1 year | December 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | October 08, 2021 | 1 year | December 31, 2022 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | February 18, 2019 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | March 31, 2022 | 1 year | March 31, 2023 |
| | | PTO - Boiler | DOLE | March 31, 2022 | 1 year | March 31, 2023 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | PTO - Elevator | DOLE | March 31, 2022 | 1 year | March 31, 2023 |
| | | PTO - Electrical | DOLE | June 22, 2021 | 1 year | June 23, 2022 (Waiting for order payment |
| | | License of Safety Practitioner of Safety Engineer* | DOLE | November 08, 2014 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | January 01, 2022 | 2 years | December 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | January 01, 2022 | 1 year | December 31, 2022 |
| | | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | PDEA | May 6, 2022 | 1 year | February 19, 2023 |
| | | Coal End-Users | DOE | September 27, | 10 years | September 27, |
| | | Occupancy Permit* | OBO | March 04, 2019 | n/a | none |

SOUTH LUZON REGION

| Name of Facility/ Plant | Address | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| **Sta. Rosa Hub** | LNPI Compound, Barangay Pulong Santa Cruz, Santa Rosa City | Environmental Compliance | DENR | June 14, 2019 | n/a | none |
| | | Permit to Operate Air Pollution | DENR | October 01, 2020 | 5 years | October 01, 2025 |
| | | Training Certificate of Managing Head* | DENR/ GABY TRAINING | August 31, 2021 | N/A | None |
| | | Business Permit | LGU Permits | January 26, 2022 | 1 year | December 31, 2022 |
| | | Sanitary Permit | LGU Permits | March 11, 2022 | 1 year | December 31, 2022 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | December 10, 2021 | N/A | None |
| | | Laguna Lake Development Authority | LLDA | August 15, 2019 | N/A | None |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | License To Operate (NMIS-CSW-0527-AA | NMIS | March 30, 2022 | 1 year | October 14, 2023 |
| **Magnolia Poultry Hatchery – Calamba, Laguna** | Chipeco Ave. Brgy. Lecheria, Calamba, Laguna | Business Permit | LGU | February 24, | 1 year | December 31, |
| | | Sanitary Permit | LGU | February 24, | 1 year | December 31, |
| | | Barangay Business Permit | LGU | February 24, | 1 year | December 31, |
| | | Fire Safety Inspection Certificate (BFP) | LGU | February 10, 2022 | 1 year | February 10, 2023 |
| | | Permit to Operate Air Pollution Sources and Control Installation | DENR | November 1, 2019 | 5 years | October 31, 2024 |
| | | Certificate of Non-Coverage* | DENR | February 14, 1997 | N/A | None |
| | | Water Permit*** | NWRB | February 8, 1999 | N/A | None |
| | | Discharge Permit | LLDA | May 18, 2022 | 1 year | May 18, 2023 |
| **MCMP Dasmariñas** | Governor's Drive, Brgy. Langkaan, Dasmariñas Cavite | Business Permit | City of Dasmariñas | January 20, 2021 | 1 year | December 31, 2021 |
| | | Permit to Operate | DENR | September 29, 2017 | 5 years | August 31, 2022 |
| | | License to Operate (Meat Cutting/Fabrication for Domestic Trade) | NMIS | November 6, 2018 | 3 years | October 10, 2021 |
| | | License to Operate | NMIS | April 13, 2018 | 3 years | April 05, 2021 |
| | | License to Operate (Food Manufacturer) | FDA | N/A | | August 24, 2024 |
| **R&D Office Calauan** | SMC Compound Don Andres Soriano Ave. Bo. Balayhangin | Ongoing arrangement of permits and licenses | | | | |
| **MPPP Camarines Sur** | Sta. Rita Agro-Industrial Park, San Jose, Pili, Camarines Sur | Environmental Compliance Certificate | DENR | September 29, 2021 | N/A | None |
| | | Permit to Operate Air Pollution Sources and | DENR | January 16, 2022 | 1 year | January 16, 2023 |
| | | Wastewater Discharge Permit | DENR | July 16, 2021 | 1 year | Ongoing renewal |
| | | PCO Accreditation | DENR | July 19, 2022 | 3 years | July 19, 2025 |
| | | Training Certificate of Managing Head* | DENR | June 28, 2022 | N/A | December 31, 2029 |
| | | Business Permit | LGU Permits | January 20, 2022 | 1 year | December 31, 2022 |
| | | Sanitary Permit | LGU Permits | January 18, 2022 | 1 year | December 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | March 17, 2022 | 1 year | March 2023 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | June 2022 | N/A | None |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | PTO - Pressure Vessel | DOLE | September 14, 2021 | 1 year | For inspection |
| | | PTO - Boiler | DOLE | September 14, 2021 | 1 year | For inspection |
| | | PTO - Electrical | DOLE | September 14, 2021 | 1 year | For inspection |
| | | License of Safety Practitioner of Safety Engineer* | DOLE | April 29, 2022 | N/A | None |
| **Camarines Sur Feed Laboratory** | B-Meg Bicol SLFI Plant, Diversion Road, Brgy. Anayan, Pili, Camarines Sur | PDEA P6 License | PDEA | September 8, 2022 | 1 year | September 2, 2023 |
| | | Controlled Chemicals Purchaser's License | PDEA | December 7, 2021 | 1 year | December 7, 2022 |
| | | Certificate of Authority to Operate | PRC Board of | Awaiting release of | 3 years | N/A |
| **Padre Garcia 1 Feed Laboratory** | c/o Armor Milling Corporation, San Felipe, Padre Garcia, Batangas 4224 | PDEA P6 License | PDEA | December 14, 2021 | 1 year | December 14, 2022 |
| | | Certificate of Authority to Operate | PRC Board of Chemistry | Awaiting inspection | 3 years | July 2, 2022 |
| **Padre Garcia 2 Feed Laboratory** | Brgy. San Felipe, Padre Garcia, Batangas | Certificate of Authority to Operate | PRC Board of | Awaiting inspection | 3 years | July 15, 2022 |
| | | PDEA P6 License | PDEA | June 9, 2022 | 1 year | May 20, 2023 |
| | | Controlled Chemicals Purchaser's License | PNP | December 28, 2021 | 1 year | December 28, 2022 |
| **Lipa 1 Feed Laboratory** | B-Meg Lipa 1 Plant c/o Gro Power Agro Industrial | Certificate of Authority to Operate | PRC Board of Chemistry | Awaiting inspection | 3 years | June 8, 2022 |
| **Bauan Feed Laboratory** | Brgy. As-is, Bauan, Batangas | Certificate of Authority to Operate | PRC Board of Chemistry | Awaiting inspection | 3 years | July 2, 2022 |
| | | PDEA P6 License | PDEA | March 17, 2022 | 1 year | December 14, 2022 |
| **Sto. Tomas Welgro Feed Laboratory** | B-Meg Sto. Tomas (Welgro Plant), 1075 Sampalocan Road, Brgy. San Roque | Certificate of Authority to Operate | PRC Board of Chemistry | Awaiting inspection | 3 years | June 7, 2022 |

## VISAYAS REGION

| Name of Facility/ Plant | Address | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| **B-MEG Mandaue Plant** | Brgy. Looc, Ouano, Mandaue City, Cebu | Environmental Compliance Certificate/ Certificate of Non-Coverage* | DENR | Feb 03, 2015 | n/a | None |
| | | Permit to Operate Air Pollution | DENR | Feb 11, 2021 | 5 years | Feb 11, 2026 |
| | | Hazardous Waste Generator | DENR | Oct 20, 2020 | n/a | None |
| | | PCO Accreditation and Deputy PCO | DENR | May 6, 2022 | 3 years | May 6, 2025 |
| | | Training Certificate of Managing | DENR | March 1, 2022 | n / | None |
| | | Business Permit | LGU Permits | Jan 31, 2022 | 1 year | Dec 31, 2022 |
| | | Sanitary Permit | LGU Permits | Aug 09, 2021 | 1 year | Aug 09, 2022 |
| | | Fire Safety Inspection Certificate | LGU Permits | June 28, 2022 | 1 year | June 28, 2023 |
| | | DOLE Rule 1020 - New Establishment | DOLE | Oct 23, 2020 | n/a | None |
| | | PTO - Boiler | DOLE | Feb 16, 2021 | 1 year | Dec 31, 2021 |
| | | License of Safety Practitioner of Safety Engineer* | DOLE | Nov 28, 2019 | n/a | None |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | January 1, 2022 | 1 year | December 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | Jan 01, 2022 | 1 year | Dec 31, 2022 |
| | | PDEA P4 and P6 License | PDEA | Nov 24, 2021 | 1 year | November 9, 2022 |
| | | Purchaser's License of Controlled Chemicals | PNP | May 30, 2022 | 1 year | May 30, 2023 |
| | | BOI Certificate of Project Registration*,** | DTI | May 11, 2015 | n/a | None |
| | | Coal End-Users Registration**** | DOE | Oct 05, 2020 | 10 years | October 05, 2030 |

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|---|---|---|---|---|---|---|
| **Cebu Marvick Laboratory** | Sitio Tawagan, Brgy. Tayud, Consolacion, Cebu | PDEA P4 and P6 License | PDEA | August 27, 2021 | 1 year | July 23, 2022 (on-going renewal, lacking documents) |
| | | Certificate of Authority to Operate | PRC Board of Chemistry | Sep 26, 2018 | 3 years | September 26, 2021 (renewed last year, awaiting certificate) |
| **B-MEG Ormoc Plant** | Sitio Kahayag, Brgy. Macabug, Ormoc City | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | Aug 16, 2021 | n/a | None |
| | | Permit to Operate Air Pollution | DENR | Jan 24, 2021 | 5 years | Jan 01, 2025 |
| | | Waste Water Discharge Permit | DENR | Jul 08, 2022 | 1 year | Jul 08, 2023 |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | Jul 17, 2022 | 3 years | Jul 17, 2025 |
| | | Training Certificate of Managing Head* | DENR | Jul 17, 2022 | n/a | Jul 17, 2025 |
| | | Business Permit | LGU Permits | Jan 14, 2022 | 1 year | Jan 1, 2023 |
| | | Sanitary Permit | LGU Permits | Mar 15, 2022 | 1 year | Dec 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | Jul 06, 2022 | 1 year | Jul 06, 2023 |
| | | Dole Rule 1020 – New Establishment Registration* | DOLE | Sep 19, 2019 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | Not | 5 years | Not applicable |
| | | PTO - Boiler | DOLE | May 18, 2022 | 1 year | May 18, 2023 |
| | | PTO - Electrical | DOLE | May 18, 2022 | 1 year | May 18, 2023 |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | Feb 02, 2022 | 1 year | Dec 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | Jan 01, 2022 | 1 year | Dec 31, 2022 |
| | | Water Extraction Permit*,*** | NWRB | processing | 1 year | processing |

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|---|---|---|---|---|---|---|
| | | License to Handle Controlled Precursors and Essential Chemicals | PDEA | processing | 1 year | processing |
| | | Occupancy Permit* | OBO | Jun 14, 2018 | n/a | none |
| **B-Meg Ormoc Plant** | Sitio Kahayag, Brgy. Macabug, Ormoc City, Leyte | PDEA P6 License | PDEA | Renewal processed, waiting for the updated license certificate | 1 year | |
| | | Certificate of Authority to Operate | PRC Board of Chemistry | Renewal processed, waiting for inspection | 3 years | |
| **BMP ILOILO 2 (B-MEG Pavia Plant)** | Hi-Way, Brgy. Mali-ao, Pavia, Iloilo | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | Dec 14, 2010 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | Mar 23, 2016 | 1 year | Mar 15, 2017 |
| | | Waste Water Discharge Permit | DENR | Nov 26, 2021 | 1 year | Jan 26, 2023 |
| | | Hazardous Waste Generator Registration Certificate* | DENR | Jan 02, 2021 | n/a | none |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | Apr 23, 2021 | 3 years | Apr 23, 2024 |
| | | Training Certificate of Managing Head* | DENR | Mar 29, 2019 | n/a | none |
| | | Business Permit | LGU Permits | Jan 20, 2022 | 1 year | Dec 31, 2022 |
| | | Sanitary Permit | LGU Permits | Jan 20, 2022 | 1 year | Dec 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | Jan 20, 2022 | 1 year | Dec 31, 2022 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | Sep 18, 2019 | n/a | none |

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|---|---|---|---|---|---|---|
| | | PTO - Pressure Vessel | DOLE | June 08, 2022 | 1 year | June 08, 2023 |
| | | PTO - Boiler | DOLE | June 08, 2022 | 1 year | June 08, 2023 |
| | | PTO - Elevator | DOLE | June 08, 2022 | 1 year | June 08, 2023 |
| | | PTO - Electrical | DOLE | May 24, 2022 | 1 year | May 24, 2023 |
| | | License of Safety Practitioner of | DOLE | Jul 31, 2020 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | Jan 11, 2022 | 1 year | Dec 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | Jan 01, 2022 | 1 year | Dec 31, 2022 |
| | | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | PDEA | May 06, 2022 | 1 year | April 19, 2023 |
| | | Occupancy Permit* | OBO | Jan 30, 2020 | n/a | none |
| **BMP ILOILO 1 / B-MEG Leganes Plant** | Brgy. Gua- an, Leganes, Iloilo | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | May 18, 2022 | n/a | none |
| | | Permit to Operate Air Pollution Sources and Control Installation) | DENR | June 04, 2019 | 4 years | Apr 15, 2023 |
| | | Waste Water Discharge Permit | DENR | Apr 13, 2021 | 1 year | Apr 13, 2022 |
| | | Hazardous Waste Generator Registration Certificate* | DENR | Jul 07, 2020 | n/a | none |
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | Jul 02, 2020 | 3 years | Jul 02, 2023 |
| | | Training Certificate of Managing Head* | DENR | Mar 29, 2019 | n/a | none |
| | | Business Permit | LGU | Feb 04, 2022 | 1 year | Dec 31, 2022 |
| | | Sanitary Permit | LGU | March 02, | 1 year | Dec 31, 2022 |
| | | Fire Safety Inspection Certificate | LGU Permits | Feb 04, 2022 | 1 year | Feb 04, 2023 |

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|---|---|---|---|---|---|---|
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | Sep 18, 2019 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | Aug 31, 2021 | 1 year | Aug 31, 2022 |
| | | PTO - Boiler | DOLE | Aug 31, 2021 | 1 year | Aug 31, 2022 |
| | | PTO - Elevator | DOLE | Aug 31, 2021 | 1 year | Aug 31, 2022 |
| | | PTO - Electrical | DOLE | Dec 03, 2022 | n/a | Dec 03,2023 |
| | | License of Safety Practitioner of Safety Engineer* (SO2) | DOLE | June | 2 years | None |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | Jan 01, 2022 | 1 year | Dec 31, 2022 |
| | | Certificate of Feed Product Registration | BAI | Jan 01, 2022 | 1 year | Dec 31, 2022 |
| | | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | PDEA | Sep 13, 2021 | 1 year | Sep 13, 2022 |
| | | Occupancy Permit* | OBO | Aug 31, 2017 | n/a | none |
| **BMP ILOILO 1 - Iloilo Leganes Feed Laboratory** | B-Meg Leganes Plant Coastal Road, Brgy. Gua- an, Leganes, Iloilo | PDEA P6 License | PDEA | March 9, 2022 | 1 year | September 13, 2022 |
| **BMP ILOILO 2 Iloilo -Pavia Feed Laboratory** | Hi-Way, Brgy. Mali-ao, Pavia, Iloilo | PDEA P6 License | PDEA | May 6, 2022 | 1 year | April 19, 2023 |

**MINDANAO REGION**

| Name of Facility/ Plant | Address | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| **Magnolia Poultry Processing Plant – DavSur 2** | Sitio Rambutan, Brgy. Darong, Sta. Cruz, Davao del Sur | Environmental Compliance | DENR | Nov 8, 2021 | n/a | n/a |
| | | NMIS LTO -Warehouse | NMIS | May 6, 2022 | 6 months | Nov 6, 2022 |
| | | Business Permit -Processing -Warehouse | LGU Permits | Sep 2, 2022 Jan 28, 2022 | 3 months | Dec 31, 2022 Dec 31, 2022 |

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|---|---|---|---|---|---|---|
| | | Sanitary Permit | LGU Permits | Jul 28, 2022 | 5 months | Dec 31, 2022 |
| | | Fire Safety Inspection Certificate (BFP) | LGU Permits | Aug 25, 2022 | 1 year | Aug 25, 2023 |
| | | PTO - Pressure Vessel | DOLE | Feb 9, 2021 | 1 year | Feb 9, 2022 |
| | | PTO – Boiler | DOLE | Sep 23, 2021 | 1 year | Sep 23, 2022 |
| | | Occupancy Permit* | OBO | Jul 18, 2022 | n/a | n/a |
| **Magnolia Poultry Processing Plant – DavSur 1** | Brgy. Sirawan, Toril District, Davao City | Relief of ECC | DENR | Jul 14, 2022 | n/a | n/a |
| | | Environmental Compliance Certificate/ Certificate of Non Coverage | DENR | Jan 11, 2020 | n/a | n/a |
| | | Water Permit | NWRB | Sep 24, 2002 | n/a | n/a |
| | | Certificate of Annual Building Inspection | OCBO | May 25, 2022 | 1 year | May 25, 2023 |
| | | Certificate of Annual Electrical Inspection | OCBO | Mar 22, 2022 | 1 year | Jun 22, 2023 |
| | | Certificate of Operation: Machinery | OCBO | Mar 24, 2022 | 1 year | Jan 27, 2023 |
| | | Certificate of Operation: Steam Boiler | OCBO | Mar 24, 2022 | 1 year | Jul 27, 2023 |
| | | Certificate of Operation: Internal Combustion Engine | OCBO | Mar 24, 2022 | 1 year | Jan 27, 2023 |
| **B-MEG Plant Misamis Oriental 2** | Gracia, Tagoloan, Misamis Oriental | Environmental Compliance Certificate/ Certificate of Non Coverage* | DENR | Nov 19, 2021 | n/a | None (Amended by project group) |
| | | Permit to Operate Air Pollution Sources and Control Installation | DENR | | 1-5 years | Expired (Application on hold waiting for the Emission Testing will be conducted 3rd September 2022 based on accredited service provider. |
| | | Hazardous Waste Generator Registration Certificate* | DENR | April 29, 2021 | n/a | none |

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|---|---|---|---|---|---|---|
| | | PCO Accreditation and Deputy PCO Accreditation | DENR | | 3 years | Expired (Already submitted application last August 09, 2022. For follow up status of application. |
| | | Training Certificate of Managing Head* | DENR | Nov 15, 2019 | n/a | none |
| | | Business Permit | LGU Permits | Jan 20, 2021 | 1 year | Dec 31, 2022 |
| | | Sanitary Permit | LGU Permits | Jan 20, 2021 | 1 year | Dec 31, 2022 |
| | | Fire Safety Inspection Certificate | LGU Permits | Oct 20, 1021 | 1 year | Oct 20, 2022 |
| | | Dole Rule 1020 - New Establishment Registration* | DOLE | Jun 26, 2019 | n/a | none |
| | | PTO - Pressure Vessel | DOLE | Feb 02, | 1 year | Feb 02, 2023 |
| | | PTO - Boiler | DOLE | Feb 02, | 1 year | Feb 02, 2023 |
| | | PTO - Elevator | DOLE | | 1 year | To update application (Wrong application by project (Previous application was for hoist not elevator) Waiting for the updated Technical drawing and specification. |
| | | PTO - Electrical | DOLE | Feb 02, 2022 | 1 year | Feb 02, 2023 |
| | | License of Safety Practitioner of Safety Engineer* | DOLE | May 22, 2021 | n/a | none |
| | | Certificate of Feed Establishment Certificate/ License to Operate | BAI | Jan 01, 2022 | 2 years | Dec 31, 2022 |
| | | Certificate of Feed Product | BAI | May 19, 2022 | 1 year | Dec 31, 2022 |
| | | BOI Certificate of Project Registration*,** | DTI | May 27, 2020 | 10 years | May 27, 2030 |

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|---|---|---|---|---|---|---|
| | | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | PDEA | Nov 24, 2021 | 1 year | Sep 18, 2022 |
| | | Coal End-Users Registration**** | DOE | Oct 01, 2019 | 10 years | Oct 01, 2029 |
| | | Occupancy Permit* | OBO | Aug 05, 2019 | n/a | none |

# BEER BUSINESS

**SAN MIGUEL BREWERY INC.**

**LIST OF LICENSES TO OPERATE AND CERTIFICATES OF PRODUCT REGISTRATION**

| **LICENSE TO OPERATE** | | | | |
|---|---|---|---|---|
| **Name of Permit/License** | **Issuing Agency** | **Issue Date** | **Validity Period** | **Expiry Date** |
| San Miguel Brewery Inc.- Mandaue Brewery (as Food Manufacturer) | FDA | N/A | --- | January 4, 2027 |
| San Miguel Brewery Inc. (as Food Distributor - Importer/ Exporter) | FDA | N/A | --- | April 28, 2027 |
| San Miguel Brewery Inc.- Bacolod Brewery (as Food Manufacturer/ Exporter) | FDA | N/A | --- | March 29, 2025 |
| San Miguel Brewery Inc.- Sta. Rosa Brewery (as Food Manufacturer/ Exporter) | FDA | N/A | --- | July 20, 2026 |
| San Miguel Brewery Inc. (as Food Trader) | FDA | N/A | --- | February 4, 2023 |
| San Miguel Brewery Inc.- Davao Brewery (as Food Manufacturer) | FDA | N/A | --- | March 7, 2026 |
| San Miguel Brewery Inc.- Polo Brewery (as Food Manufacturer) | FDA | N/A | --- | March 7, 2027 |
| San Miguel Brewery Inc.- San Fernando Brewery (as Food Manufacturer) | FDA | N/A | --- | May 11, 2025 |
| San Miguel Brewery Inc.- Tagoloan Brewery (as Food Manufacturer) | FDA | N/A | --- | January 30, 2027 |

| **CERTIFICATE OF PRODUCT REGISTRATION** | | | | |
|---|---|---|---|---|
| **Name of Permit/License** | **Issuing Agency** | **Issue Date** | **Validity Period** | **Expiry Date** |
| Red Horse Beer Extra Strong (low-risk food product) (Aluminum can with #1 Beer logo) | FDA | July 22, 2021 | 3 years, 10 months | June 11, 2025 |
| Red Horse Beer Extra Strong | FDA | June 8, 2020 | 5 years, 5 months | December 7, 2025 |
| Red Horse Beer Extra Strong | FDA | June 16, 2020 | 5 years | June 16, 2025 |
| Red Horse Beer Extra Strong | FDA | June 9, 2020 | 5 years | June 9, 2025 |
| Red Horse Beer Extra Strong | FDA | June 16, 2020 | 5 years | June 16, 2025 |
| Red Horse Beer Extra Strong | FDA | June 16, 2020 | 5 years | June 16, 2025 |
| Red Horse Beer Extra Strong | FDA | June 15, 2020 | 5 years | June 15, 2025 |
| Red Horse Beer Extra Strong | FDA | March 18, 2020 | 5 years | March 18, 2025 |
| Red Horse Super Beer Liquor Brandy Flavored Beer | FDA | June 26, 2020 | 5 years, 5 months | December 11, 2025 |
| Red Horse Super Extra Strong Beer | FDA | October 13, 2020 | 5 years | October 13, 2025 |
| Red Horse Super Extra Strong Beer | FDA | October 16, 2020 | 5 years | October 16, 2025 |
| Red Horse Super Extra Strong Beer | FDA | October 19, 2020 | 5 years | October 19, 2025 |
| Red Horse Super Extra Strong Beer | FDA | October 14, 2020 | 5 years | October 14, 2025 |
| Red Horse Super Extra Strong Beer | FDA | October 14, 2020 | 5 years | October 14, 2025 |
| Red Horse Super Extra Strong Beer | FDA | October 14, 2020 | 5 years | October 14, 2025 |
| Red Horse Super Extra Strong Beer | FDA | October 14, 2020 | 5 years | October 14, 2025 |
| San Miguel Pale Pilsen | FDA | May 21, 2021 | 2 years 11 months | May 5, 2024 |
| San Miguel Pale Pilsen | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| San Miguel Pale Pilsen | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| San Miguel Pale Pilsen | FDA | March 26, 2019 | 5 years | March 26, 2024 |

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| San Miguel Pale Pilsen | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| San Miguel Pale Pilsen | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| San Miguel Pale Pilsen | FDA | March 27, 2020 | 5 years | March 27, 2025 |
| San Miguel Pale Pilsen (can - Monde Medal) | FDA | October 17, 2019 | 5 years, 5 months | March 31, 2025 |
| San Miguel Pale Pilsen (Limited Edition Designs) | FDA | August 22, 2022 | 4 years, 8 months | May 11, 2027 |
| San Mig Light Pale Pilsen (low-risk food product) | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| San Mig Light Pale Pilsen (low-risk food product) | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| San Mig Light Draft Beer (low-risk food product) | FDA | September 24, 2020 | 5 years, 3 months | January 15, 2026 |
| San Mig Light Draft Beer (low-risk food product) | FDA | February 16, 2022 | 5 years, 1 month | April 4, 2027 |
| San Mig Light Pale Pilsen (low-risk food product) | FDA | February 11, 2022 | 5 years | March 10, 2027 |
| San Mig Light Pale Pilsen (low-risk food product) | FDA | June 15, 2022 | 5 years, 4 months | November 8, 2027 |
| San Mig Light Pale Pilsen (low-risk food product) | FDA | February 17, 2022 | 5 years, 2 months | May 15, 2027 |
| San Mig Light Pale Pilsen (low-risk food product) | FDA | March 3, 2022 | 5 years | March 18, 2027 |
| San Mig Light Pale Pilsen (low-risk food product) | FDA | March 18, 2020 | 5 years | March 18, 2025 |
| Gold Eagle Beer | FDA | March 26, 2019 | 5 years | April 14, 2024 |
| Gold Eagle Beer | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| Gold Eagle Beer | FDA | March 26, 2019 | 5 years | March 26, 2024 |
| Gold Eagle Beer | FDA | March 27, 2020 | 5 years | March 27, 2025 |
| San Miguel Flavored Beer- Apple (low-risk food product) | FDA | August 6, 2021 | 2 years, 5 months | January 24, 2024 |
| San Miguel Flavored Beer- Apple (low-risk food product) | FDA | May 31, 2021 | 4 years, 5 months | November 29, 2025 |
| San Miguel Flavored Beer- Apple (low-risk food product) | FDA | March 22, 2022 | 3 years, 3 months | June 30, 2025 |
| San Miguel Flavored Beer- Apple (low-risk food product) | FDA | May 7, 2021 | 3 years, 7 months | December 19, 2024 |
| San Miguel Flavored Beer- Apple (low-risk food product) | FDA | June 29, 2022 | 5 years | June 29, 2027 |
| San Miguel Flavored Beer- Lemon (low-risk food product) | FDA | July 13, 2021 | 5 years, 4 months | December 9, 2026 |
| San Miguel Flavored Beer- Lemon (low-risk food product) | FDA | January 27, 2022 | 3 years, 3 months | May 11, 2025 |
| San Miguel Flavored Beer- Lemon (low-risk food product) | FDA | May 19, 2021 | 5 years, 6 months | November 29, 2026 |
| San Miguel Flavored Beer- Lemon (low-risk food product) | FDA | February 4, 2020 | 5 years | February 4, 2025 |
| San Miguel Flavored Beer- Lemon (low-risk food product) | FDA | June 27, 2022 | 5 years | June 27, 2027 |
| San Miguel Flavored Beer - Lychee | FDA | January 27, 2022 | 1 year, 10 months | December 11, 2023 |
| San Miguel Flavored Beer - Lychee | FDA | December 11, 2018 | 5 years | December 11, 2023 |
| San Miguel Flavored Beer - Lychee | FDA | November 22, 2018 | 5 years | November 22, 2023 |
| San Miguel Flavored Beer - Lychee | FDA | July 15, 2021 | 5 years | July 15, 2026 |
| San Miguel Flavored Beer - Lychee | FDA | June 29, 2022 | 5 years | June 29, 2027 |
| San Mig Hard Seltzer - Citrus Mix | FDA | May 19, 2022 | 4 years, 7 months | December 27, 2026 |
| San Miguel Super Dry Pale Pilsen (low-risk food product) Local and Export Market | FDA | May 7, 2021 | 4 years, 8 months | January 14, 2026 |

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| San Miguel Super Dry Pale Pilsen | FDA | October 4, 2019 | 4 years, 7 months | May 5, 2024 |
| San Miguel Premium All Malt Beer (low-risk food product) | FDA | May 19, 2021 | 3 years, 10 months | April 16, 2025 |
| San Miguel Cerveza Negra Dark Lager (low-risk food product) | FDA | September 26, 2022 | 3 years, 3 months | January 5, 2026 |
| San Miguel Cerveza Negra Dark Lager (low-risk food product) | FDA | June 26, 2020 | 5 years, 6 months | January 15, 2026 |
| San Mig Free 0.0 Zero Alcohol Beer | FDA | April 29, 2021 | 4 years, 1 month | June 16, 2025 |
| San Mig Zero Beer | FDA | October 8, 2019 | 5 years | October 9, 2024 |
| Kirin Ichiban Beer | FDA | March 28, 2022 | 5 years, 4 months | August 6, 2027 |
| Cali Sparkling Pineapple Drink | FDA | October 13, 2020 | 5 years, 1 month | December 8, 2025 |
| Cali Sparkling Apple Drink | FDA | October 14, 2020 | 2 years, 10 months | August 22, 2023 |
| Cali Light Low Calorie Sparkling Pineapple Drink (medium risk food product) | FDA | October 13, 2020 | 3 years, 4 months | March 6, 2024 |
| Cali Sparkling Pineapple Soft Drink | FDA | February 10, 2022 | 4 years | March 8, 2026 |
| Cali Sparkling Apple Soft Drink | FDA | February 14, 2022 | 4 years, 1 month | March 15, 2026 |
| Cali Light Sparkling Pineapple Soft Drink | FDA | January 27, 2022 | 4 years, 1 month | March 15, 2026 |
| San Mig Cola Carbonated Cola Flavored Soft Drink (medium risk food product) | FDA | April 19, 2018 | 5 years | April 19, 2023 |
| San Mig Cola Carbonated Cola Flavored Soft Drink (medium risk food product) | FDA | April 16, 2018 | 5 years | April 16, 2023 |
| Magnolia fruit drink- Grape (medium risk food product) | FDA | March 4, 2022 | 10 months | February 1, 2023 |
| Magnolia fruit drink- Grape | FDA | July 3, 2020 | 5 years, 6 months | January 8, 2026 |
| Magnolia fruit drink- Grape | FDA | August 3, 2021 | 2 years, 1 month | September 26, 2023 |
| Magnolia fruit drink- Orange | FDA | March 16, 2018 | 5 years | March 16, 2023 |
| Magnolia fruit drink- Orange | FDA | July 2, 2020 | 5 years, 6 months | January 8, 2026 |
| Magnolia Healthtea flavored tea drink- Apple (medium risk food product) | FDA | January 9, 2018 | 5 years | January 9, 2023 |
| Magnolia Healthtea Apple flavored tea drink | FDA | July 3, 2020 | 5 years, 5 months | December 10, 2025 |
| Magnolia Healthtea Apple flavored tea drink | FDA | May 27, 2021 | 5 years, 3 months | September 26, 2026 |
| Magnolia Healthtea flavored tea drink- Lemon (medium risk food product) | FDA | July 28, 2022 | 5 years, 4 months | December 18, 2027 |
| Magnolia Healthtea Lemon flavored tea drink | FDA | July 3, 2020 | 5 years, 5 months | December 10, 2025 |
| Magnolia Healthtea Lemon flavored tea drink | FDA | July 13, 2021 | 2 years, 2 months | September 26, 2023 |
| Magnolia Healthtea flavored tea drink- Strawberry (medium risk | FDA | July 6, 2022 | 5 years, 4 months | November 20, 2027 |

| | | | | |
|---|---|---|---|---|
| food product) | | | | |
| Magnolia Healthtea Strawberry flavored tea drink | FDA | March 16, 2022 | 3 years, 8 months | December 10, 2025 |
| Magnolia Healthtea Strawberry flavored tea drink | FDA | May 31, 2021 | 5 years, 3 months | September 26, 2026 |
| Agua Prima Still Lemon Flavored Water Drink (500-mL glass bottle) | FDA | July 10, 2019 | 5 years | July 10, 2024 |
| Agua Prima Sparkling Lemon Flavored Water Drink (500-mL glass bottle) | FDA | June 10, 2019 | 5 years | June 10, 2024 |
| Agua Prima Sparkling Lemon Flavored Water Drink (330-mL aluminum can) | FDA | July 3, 2019 | 5 years | July 3, 2024 |
| San Mig Flavored Water - Apple | FDA | November 15, 2021 | 4 years, 6 months | May 21, 2026 |
| Carbon Dioxide Liquefied Gas | FDA | September 25, 2020 | 5 years | September 25, 2025 |
| Carbon Dioxide Liquefied Gas | FDA | July 29, 2020 | 5 years | July 29, 2025 |
| Carbon Dioxide Liquefied Gas | FDA | July 8, 2021 | 5 years | July 8, 2026 |
| Carbon Dioxide Liquefied Gas | FDA | June 14, 2019 | 5 years | June 14, 2024 |
| Carbon Dioxide Liquefied Gas | FDA | October 14, 2020 | 5 years | October 14, 2025 |
| Carbon Dioxide Liquefied Gas | FDA | September 16, 2021 | 5 years | September 16, 2026 |

| **CERTIFICATE OF PRODUCT REGISTRATION (FOR EXPORT USE)** | | | | |
|---|---|---|---|---|
| **Name of Permit/License** | **Issuing Agency** | **Issue Date** | **Validity Period** | **Expiry Date** |
| San Miguel Cerveza Negra Dark Lager | FDA | June 26, 2020 | 5 years, 6 months | January 15, 2026 |
| San Miguel Cerveza Negra Draught Dark Lager | FDA | June 26, 2020 | 5 years, 6 months | January 15, 2026 |
| San Miguel Flavored Beer- Apple | FDA | August 15, 2019 | 5 years, 2 months | November 6, 2024 |
| San Miguel Flavored Beer- Lemon | FDA | August 16, 2019 | 5 years, 2 months | November 6, 2024 |
| San Miguel Flavored Beer- Lychee | FDA | May 24, 2021 | 5 years | May 24, 2026 |
| Red Horse Beer Extra Strong Brew | FDA | November 11, 2019 | 5 years, 2 months | January 29, 2025 |
| Red Horse Beer (low risk food product) | FDA | January 21, 2020 | 5 years, 2 months | April 4, 2025 |
| San Miguel Pale Pilsen Beer | FDA | January 4, 2019 | 5 years, 3 months | April 14, 2024 |
| San Miguel Premium All Malt Expertly Brewed Beer | FDA | November 16, 2018 | 5 years, 1 month | January 14, 2024 |
| San Mig Light Pale Pilsen Beer | FDA | February 28, 2020 | 5 years, 6 months | September 8, 2025 |
| San Mig Pale Pilsen Beer | FDA | January 21, 2020 | 5 years, 4 months | May 22, 2025 |

LIST OF BUSINESS PERMITS

| BUSINESS PERMITS | | | | | |
|---|---|---|---|---|---|
| **Name of Permit/License** | **Issuing Agency** | **Issue Date** | **Validity Period** | **Expiry Date** | **Remarks** |
| Marbel Sales Office | --- | --- | --- | --- | Cancellation in process; Idle Warehouse |
| Butuan Region Office | City of Butuan Office of the City Mayor | January 28, 2022 | Year of issuance | December 31, 2022 | |
| Butuan Sales Office | --- | --- | --- | --- | Processing; To be transferred to a new site |
| Davao Brewery | Municipality of Sta. Cruz, Davao del Sur Office of the Mayor | May 23, 2022 | Year of issuance | December 31, 2022 | |
| Metro Davao Sales Office Mayor's Permit | Davao City Mayor's Office | March 29, 2022 | Year of issuance | December 31, 2022 | |
| General Santos Sales Office Business Permit | General Santos City Office of the City Mayor | January 17, 2022 | Year of issuance | December 31, 2022 | |
| Opol Sales Office Business Permit | Municipality of Opol Office of the Municipal Mayor | January 24, 2022 | Year of issuance | June 30, 2022 | Renewal in process |
| Opol Sales Office (Private Wharf) Business Permit | Municipality of Opol Office of the Municipal Mayor | January 24, 2022 | Year of issuance | December 31, 2022 | |
| Zamboanga Sales Office Mayor's Permit | Office of the City Mayor Zamboanga City | January 19, 2022 | Year of issuance | December 31, 2022 | |
| Liloy Sales Office Business Permit | Municipality of Liloy Office of the Municipal Mayor | January 17, 2022 | Year of issuance | December 31, 2022 | |
| Dipolog Sales Office Business Permit | City of Dipolog Office of the City Mayor | January 14, 2022 | Year of issuance | December 31, 2022 | |
| Ozamiz Sales/Area Offices Mayor's Business Permit | City of Ozamiz Mayor's Office | January 22, 2022 | Year of issuance | December 31, 2022 | |
| Digos Sales Office Business Permit | City of Digos Office of the City Mayor | January 25, 2022 | Year of issuance | December 31, 2022 | |
| Tagum Sales Office Business Permit | City of Tagum Office of the City Mayor | January 17, 2022 | Year of issuance | December 31, 2022 | |
| Tagoloan Brewery Mayor's Permit | Municipality of Tagoloan Office of the Mayor | January 17, 2022 | Year of issuance | December 31, 2022 | |
| Numancia Sales Office Business Permit | Municipality of Numancia Office of the Mayor | February 22, 2022 | Year of issuance | December 31, 2022 | |
| Roxas Sales Office | Province of Capiz Office of the Mayor | January 19, 2022 | Year of issuance | December 31, 2022 | |
| Bacolod Brewery Mayor's Permit | City Government of Bacolod Office of the City Mayor | February 8, 2022 | Year of issuance | December 31, 2022 | |
| Dumaguete Region Office Mayor's Permit | City of Dumaguete Office of the Mayor | June 24, 2022 | Year of issuance | December 31, 2022 | |

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| Mandaue Brewery Business Permit | Mandaue Office of the City Mayor | February 15, 2022 | Year of issuance | December 31, 2022 | |
| Himamaylan Sales Office Business Permit | City of Himamaylan Office of the City Mayor | February 23, 2022 | Year of issuance | March 31, 2022 | Renewal in process |
| Iloilo Sales Office Business Permit | City of Iloilo Office of the City Mayor | January 14, 2022 | Year of issuance | December 31, 2022 | |
| Dumangas Sales Office Business Permit | Municipality of Dumangas Office of the Municipal Mayor | February 2, 2022 | Year of issuance | December 31, 2022 | |
| Iloilo Region Office Business Permit | City of Iloilo Office of the City Mayor | January 18, 2022 | Year of issuance | December 31, 2022 | |
| Catbalogan Sales/Area Office Mayor's Permit for Business | City of Catbalogan Office of the Mayor | January 20, 2022 | Year of issuance | December 31, 2022 | |
| Tacloban Sales Office Mayor's Business Permit | City Government of Tacloban | January 31, 2022 | Year of issuance | December 31, 2022 | |
| Tagbilaran Sales Office Mayor's Permit | City Government of Tagbiliran | January 18, 2022 | Year of issuance | December 31, 2022 | |
| Parañaque Sales Office Mayor's Permit to Operate Business | City Government of Parañaque | March 1, 2022 | Year of issuance | March 31, 2022 | Renewal in process |
| Sucat Sales Office Mayor's Permit to Operate Business | City Government of Parañaque | March 1, 2022 | Year of issuance | March 31, 2022 | Renewal in process |
| Pasig Sales Office Mayor's Permit | City Government of Pasig Office of the City Mayor | January 18, 2022 | Year of issuance | December 31, 2022 | |
| Pureza Sales Office Business Permit | City of Manila Office of the Mayor | March 29, 2022 | Year of issuance | December 31, 2022 | |
| Sta. Ana Sales Office Business Permit | City of Manila Office of the Mayor | March 29, 2022 | Year of issuance | December 31, 2022 | |
| Taytay Sales Office Business Permit | City Government of Taytay | January 18, 2022 | Year of issuance | December 31, 2022 | |
| Polo Brewery Mayor's Permit | City of Malabon Office of the Mayor | February 17, 2022 | Year of issuance | December 31, 2022 | |
| Cubao Sales Office Permit to Operate | Quezon City Office of the Mayor | --- | --- | --- | Processing; Permit pending; Installment already paid with OR |
| Novaliches Sales Office Permit to Operate | Quezon City Office of the Mayor | July 8, 2022 | Year of issuance | December 31, 2022 | |
| Balintawak Sales Office Permit to Operate | Quezon City Office of the Mayor | --- | --- | --- | Processing; Permit pending; Installment |

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| | | | | | already paid with OR |
| Caloocan Sales Office Mayor's Permit | City of Caloocan Office of the City Mayor | April 18, 2022 | Year of issuance | December 31, 2022 | |
| Polo Brewery (Malabon) Mayor's Permit | City of Malabon Office of the Mayor | February 17, 2022 | Year of issuance | December 31, 2022 | |
| Polo Brewery (Valenzuela) Mayor's Business Permit | City Government of Valenzuela | January 1, 2022 | Year of issuance | March 31, 2022 | Renewal in process |
| Tondo Sales Office Business Permit | City of Manila Office of the Mayor | March 28, 2022 | Year of issuance | December 31, 2022 | |
| Valenzuela Sales Office | City Government of Valenzuela | January 1, 2022 | Year of issuance | March 31, 2022 | Renewal in process |
| Ilocos Sales Office Mayor's Permit | San Nicolas Ilocos Norte, Office of the Municipal Mayor | January 19, 2022 | Year of issuance | December 31, 2022 | |
| Lal-lo Sales Office Mayor's Permit | Municipality of Lal-lo Office of the Municipal Mayor | January 18, 2022 | Year of issuance | December 31, 2022 | |
| Baguio Sales Office Permit to Engage in Business | City of Baguio Office of the City Mayor | March 17, 2022 | Year of issuance | December 31, 2022 | |
| San Isidro Sales Office Business Permit | City Government of San Isidro Office of the City Mayor | January 14, 2022 | Year of issuance | December 31, 2022 | |
| Cabanatuan Sales Office Business Permit | City of Cabanatuan Office of the City Mayor | January 17, 2022 | Year of issuance | December 31, 2022 | |
| Bataan Malt Terminal Business Permit | Municipality of Mariveles Office of the Mayor | January 31, 2022 | Year of issuance | December 31, 2022 | |
| Cauayan Region Office Mayor's Permit | City of Cauayan Office of the City Mayor | February 18, 2022 | Year of issuance | December 31, 2022 | |
| Santiago Sales Office Business Permit | City of Santiago Office of the City Mayor | January 27, 2022 | Year of issuance | December 31, 2022 | |
| Angeles Region Office Business Permit | City of Angeles Office of the City Mayor | January 19, 2022 | Year of issuance | December 31, 2022 | |
| La Union Region Office Permit to Engage in Business | City of San Fernando Office of the City Mayor | January 17, 2022 | Year of issuance | December 31, 2022 | |
| Dagupan Region Office Business Permit | City of Dagupan Office of the City Mayor | January 18, 2022 | Year of issuance | December 31, 2022 | |
| Guiguinto Sales Office Business Permit | Municipality of Guiguinto Office of the Mayor | January 17, 2022 | Year of issuance | December 31, 2022 | |
| San Fernando Brewery Mayor's Permit | City of San Fernando Office of the City Mayor | January 18, 2022 | Year of issuance | December 31, 2022 | |

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| Carmen Sales Office Business Permit | City of Rosales Office of the City Mayor | January 19, 2022 | Year of issuance | March 31, 2022 | Renewal in process |
| | | March 22, 2022 | Year of issuance | June 30, 2022 | |
| Bulan Sales Office Mayor's Permit | Municipality of Bulan Office of the Mayor | January 24, 2022 | Year of issuance | December 31, 2022 | |
| Masbate Sales Office Mayor's Permit | Municipality of Mobo Office of the Municipal Mayor | January 19, 2022 | Year of issuance | December 31, 2022 | |
| Legazpi Sales Office Mayor's Permit | Legazpi City Office of the City Mayor | February 10, 2022 | Year of issuance | December 31, 2022 | |
| Gumaca Sales Office Business Permit | Municipality of Gumaca Office of the Municipal Mayor | January 20, 2022 | Year of issuance | December 31, 2022 | |
| San Jose Sales Office Business Permit | Municipality of San Jose Office of the City Mayor | January 24, 2022 | Year of issuance | December 31, 2022 | |
| Canlubang Sales Office | City of Calamba Office of the City Mayor | March 16, 2022 | Year of issuance | December 31, 2022 | |
| Lucena Sales Office Business Permit | City of Lucena Office of the City Mayor | January 22, 2022 | Year of issuance | December 31, 2022 | |
| Bacoor Sales Office Mayor's Permit and Business License | City of Bacoor Office of the City Mayor | January 20, 2022 | Year of issuance | December 31, 2022 | |
| Puerto Princesa Sales Office Mayor's Permit | City of Puerto Princesa Office of the City Mayor | January 18, 2022 | Year of issuance | December 31, 2022 | |
| Sta Rosa Plant Business Permit | City of Santa Rosa Office of the City Mayor | February 22, 2022 | Year of issuance | December 31, 2022 | |
| Pila Sales Office Mayor's Permit and Business License | Municipality of Pila Office of the Municipal Mayor | February 17, 2022 | Year of issuance | December 31, 2022 | |
| Dasmarinas Sales Office Business Permit | City of Dasmarinas Office of the City Mayor | January 14, 2022 | Year of issuance | December 31, 2022 | |
| Naga Sales Office Mayor's Permit | City of Naga Office of the City Mayor | January 31, 2022 | Year of issuance | December 31, 2022 | |
| Lipa Sales Office Mayor's Permit | Cit of Lipa Office of the Mayor | January 21, 2022 | Year of issuance | December 31, 2022 | |
| Batangas Sales Office Business Permit | Batangas City Office of the City Mayor | January 31, 2022 | Year of issuance | July 31, 2022 | Renewal in process |
| SMB - Head Office Mayor's Permit | City of Mandaluyong Office of the Mayor | March 16, 2022 | Year of issuance | December 31, 2022 | |

| Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date | Remarks |
|---|---|---|---|---|---|
| Environmental Compliance Certificate: Bacolod Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | June 27, 2019 | Until amended (as necessary) | N/A | |
| Environmental Compliance Certificate: Davao Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | January 20, 2020 | Until amended (as necessary) | N/A | |
| Environmental Compliance Certificate: Mandaue Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | December 22, 2017 | Until amended (as necessary) | N/A | |
| Environmental Compliance Certificate: Polo Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | April 24, 2019 | Until amended (as necessary) | N/A | |
| Environmental Compliance Certificate: San Fernando Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | July 10, 2018 | Until amended (as necessary) | N/A | |
| Environmental Compliance Certificate: Sta. Rosa Plant | Department of Environment and Natural Resources-Environmental Management Bureau | February 6, 2019 | Until amended (as necessary) | N/A | |
| Environmental Compliance Certificate: Tagoloan Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | March 13, 2018 | Until amended (as necessary) | N/A | |
| Environmental Compliance Certificate: Tagoloan Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | March 13, 2018 | Until amended (as necessary) | N/A | |
| Permit to Operate (Air Pollution Source and Control Installations): Bacolod Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | January 30, 2018 | 5 years from application date | January 15, 2023 | |
| Permit to Operate (Air Pollution Source and Control Installations): Davao Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | January 15, 2021<br>November 1, 2021 | | August 22, 2024<br>November 1, 2026 | |

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| Permit to Operate (Air Pollution Source and Control Installations): Mandaue Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | April 6, 2022 | | April 6, 2027 | |
| Permit to Operate (Air Pollution Source and Control Installations): Polo Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | September 18, 2019 | 5 years from application date | May 31, 2024 | |
| Permit to Operate (Air Pollution Source and Control Installations): San Fernando Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | October 1, 2020 | 5 years from application date | June 1, 2025 | |
| Permit to Operate (Air Pollution Source and Control Installations): Sta. Rosa Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | February 8, 2022 | | November 7, 2026 | |
| Permit to Operate (Air Pollution Source and Control Installations): Sta. Rosa Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | January 27, 2020 | Up to expiry date unless revoked | October 31, 2024 | |
| Permit to Operate (Air Pollution Source and Control Installations): Sta. Rosa Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | June 17, 2021 | Up to expiry date unless revoked | June 17, 2026 | |
| Permit to Operate (Air Pollution Source and Control Installations): Sta. Rosa Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | August 17, 2022 | Up to expiry date unless revoked | August 17, 2027 | |
| Permit to Operate (Air Pollution Source and Control Installations): Tagoloan Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | May 19, 2022<br>November 9, 2021<br>May 19, 2022 | Up to expiry date unless revoked | November 19, 2026<br>August 4, 2026<br>November 19, 2026 | |
| Wastewater Discharge Permit: Bacolod Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | March 26, 2022 | | January 26, 2023 | |
| Wastewater Discharge Permit: Davao Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | August 22, 2019 | 5 years from certificate issuance | August 22, 2024 | |
| Wastewater Discharge Permit: Mandaue Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | March 23, 2022 | | March 23, 2023 | |

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| Wastewater Discharge Permit: Polo Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | July 5, 2022 | 1 year from certificate date | July 5, 2023 | |
| Wastewater Discharge Permit: San Fernando Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | August 3, 2022 | 1 year from certificate date | August 3, 2023 | |
| Wastewater Discharge Permit: Sta. Rosa Plant | Department of Environment and Natural Resources-Environmental Management Bureau | April 28, 2021 | | March 15, 2023 | |
| Wastewater Discharge Permit: Tagoloan Brewery | Department of Environment and Natural Resources-Environmental Management Bureau | July 1, 2022 | | July 1, 2027 | |
| Certification for Management Head: Elisito A. Locaylocay | Department of Environment and Natural Resources-Environmental Management Bureau | March 26, 2015 | One-time issuance | N/A | Plant Manager of Bacolod Brewery |
| Certification for Management Head: Wigbert Michael R. Blardony | Department of Environment and Natural Resources-Environmental Management Bureau | November 25, 2019 | One-time issuance | N/A | Plant Manager of Tagoloan Brewery |
| Certification for Management Head: Enrico M. Mariano | Department of Environment and Natural Resources-Environmental Management Bureau | November 14, 2014 | One-time issuance | N/A | Plant Manager of Sta Rosa Brewery |

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| Certification for Management Head: Danilo A. Pajarillo | Department of Environment and Natural Resources- Environmental Management Bureau | October 8, 2020 | One-time issuance | N/A | Plant Manager of Mandaue Brewery |
| Certification for Management Head: William B. Montalbo | Department of Environment and Natural Resources- Environmental Management Bureau | July 5, 2018 | One-time issuance | N/A | Plant Manager of Polo Brewery |
| Certification for Management Head: Florito F. Santos | Department of Environment and Natural Resources- Environmental Management Bureau | December 10, 2019 | One-time issuance | N/A | Plant Manager of Davao Brewery |
| Certification for Management Head: Wilfredo R. Camaclang | Department of Environment and Natural Resources- Environmental Management Bureau | March 1, 2016 | One-time issuance | N/A | Plant Manager of San Fernando Brewery |
| Fire Safety Inspection Certificate: San Fernando Brewery | Department of Interior and Local Government- Bureau of Fire Protection | January17, 2022 | 1 year from certificate date | January 17, 2023 | |
| Fire Safety Inspection Certificate: Polo Brewery | Department of Interior and Local Government- Bureau of Fire Protection | March 24, 2022 | 1 year from certificate date | March 24, 2023 | |
| Fire Safety Inspection Certificate: Sta. Rosa Plant | Department of Interior and Local Government- Bureau of Fire Protection | November 3, 2021 | 1 year from certificate date | November 3, 2022 | |
| Fire Safety Inspection Certificate: Mandaue Brewery | Department of Interior and Local Government- Bureau of Fire Protection | October 24, 2021 | | October 24, 2022 | |
| Fire Safety Inspection Certificate: Davao Brewery | Department of Interior and Local Government- Bureau of Fire Protection | March 7, 2022 | | March 7, 2023 | |
| Fire Safety Inspection Certificate: Bacolod Brewery | Department of Interior and Local Government- Bureau of Fire Protection | December 15, 2021 | | December 15, 2022 | |

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|---|---|---|---|---|---|
| Fire Safety Inspection Certificate: Tagoloan Brewery | Department of Interior and Local Government-Bureau of Fire Protection | March 24, 2022 | 1 year from certificate date | March 24, 2023 | |
| Electrical Inspection Certificate: San Fernando Brewery | Department of Labor and Employment | April 18, 2022 | | March 31, 2023 | |
| Electrical Inspection Certificate: Polo Brewery | Department of Labor and Employment | May 26, 2022 | 1 year from certificate date | May 26, 2023 | |
| Electrical Inspection Certificate: Sta. Rosa Plant | Department of Labor and Employment | | | | Inspection done last April 27, 2022. Pending issuance of new permit. |
| Electrical Inspection Certificate: Mandaue Brewery | Department of Labor and Employment | October 28, 2021 | | October 28, 2022 | |
| Electrical Inspection Certificate: Davao Brewery | Department of Labor and Employment | April 26, 2022 | 1 year from certificate date | April 7, 2023 | |
| Electrical Inspection Certificate: Bacolod Brewery | Department of Labor and Employment | | | | Done with inspection last June 24, 2022. Pending issuance of new permit. |
| Electrical Inspection Certificate: Tagoloan Brewery | Department of Labor and Employment | January 13, 2022 | | January 13, 2023 | |
| Permit to Operate Pressure Vessel: San Fernando Brewery | Department of Labor and Employment | April 1, 2022 | 1 year from inspection date | April 1, 2023 | |
| Permit to Operate Pressure Vessel: Polo Brewery | Department of Labor and Employment | October 27, 2021 | | October 27, 2022 | |
| Permit to Operate Pressure Vessel: Sta. Rosa Plant | Department of Labor and Employment | December 15, 2021 | 1 year from inspection date | December 15, 2022 | |
| Permit to Operate Pressure Vessel: Mandaue Brewery | Department of Labor and Employment | May 2, 2022 | 1 year from inspection date | February 15, 2023 | |
| Permit to Operate Pressure Vessel: Davao Brewery | Department of Labor and Employment | April 26, 2022 | 1 year from inspection date | April 26, 2023 | |
| Permit to Operate Pressure Vessel: Bacolod Brewery | City of Bacolod: Office of the Building Official | October 2021 | 1 year from certificate date | October 2022 | |
| Permit to Operate Pressure Vessel: Tagoloan Brewery | Department of Labor and Employment | January 27, 2022 | 1 year from inspection date | January 27, 2023 | |

GINEBRA SAN MIGUELINC.

# LIQUOR BUSINESS

| COMPANY NAME | AREA/OFFICE/PLANT | NAME OF PERMIT/LICENSE | ISSUING AGENCY | ISSUE DATE | VALIDITY PERIOD | EXPIRY DATE | REMARKS |
|---|---|---|---|---|---|---|---|
| **Manufacturing** | | | | | | | |
| East Pacific Star Bottlers Phils Inc. | Ligao | PERMIT TO OPERATE Air Pollution Source and Control Installations | Department of Environment and Natural Resources | 10-Feb-21 | Expires | 10-Feb-22 | |
| Ginebra San Miguel Inc. | Cabuyao | Fire Safety Clearance, BFP Cabuyao (Storage for Flammable & Combustible Liquids) | Bureau of Fire Protection | 22-Feb-21 | Expires | 21-Feb-22 | |
| Ginebra San Miguel Inc. | Cabuyao | Fire Safety Clearance, BFP Cabuyao (Hotworks Operation) | Bureau of Fire Protection | 22-Feb-21 | Expires | 21-Feb-22 | |
| Ginebra San Miguel Inc. | Cabuyao | Food and Drug Administration Permit (GSMI Cabuyao) | Food and Drug Administration | 03-Feb-21 | Expires | 28-Feb-26 | |
| Ginebra San Miguel Inc. | Cabuyao | Establishment Registration - DOLE, Region IV-A | Department of Labor and Employment | 28-Aug-14 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Occupancy 02-01-0576 | Office of the Building Official | 08-Jan-02 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Occupancy 97-01-0118 | Office of the Building Official | 15-Jan-97 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Occupancy 03-96-027 | Office of the Building Official | 26-Mar-96 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Occupancy 03-96-032 | Office of the Building Official | 22-Apr-96 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Occupancy 96-09-080 | Office of the Building Official | 19-Sep-96 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Occupancy 96-11-095 | Office of the Building Official | 12-Nov-96 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Occupancy 96-11-096 | Office of the Building Official | 12-Nov-96 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Hazardous Waste Generator M-GR-4A-34-00264 | Department of Environment and Natural Resources | 19-Sep-19 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Establishment Registration -DOLE, Batangas LS-2019-05-30-2023 | Department of Labor and Employment | 30-May-19 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Water Permit WP# 15434, 19 Lps No. 29-2004 | National Water Resources Board | 17-Jun-04 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Water Permit WP# 15691, 18.93 Lps No. 30-2004 | National Water Resources Board | 17-Jun-04 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Hazardous Waste Generator Tabangao M-GR-04-10-0876 | Department of Environment and Natural Resources | 30-Aug-19 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Water Permit WP# 15691, 18.93 Lps No. 30-2004 | National Water Resources Board | 17-Jun-04 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Certificate of Accreditation of Pollution Control Officer | Department of Environment and Natural Resources | 22-Jan-21 | Expires | 22-Jan-24 | |
| Ginebra San Miguel Inc. | SBP | Discharge Permit | Department of Environment and Natural Resources | 14-Mar-21 | Expires | 14-Mar-26 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Certificate of Registration | Department of Labor and Employment | 10-Aug-21 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Certificate of Authority to Operate | Professional Regulation Commission | 22-Jun-20 | Expires | 20-Jun-23 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | License to Operate as Cosmetic Manufacturer | Food and Drug Administration | 02-Apr-21 | Expires | 03-Mar-22 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Certificate of Registration | Bureau of Internal Revenue | 03-Mar-21 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Certificate of Environmental Compliance 1 | Department of Environment and Natural Resources | 19-Mar-09 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Certificate of Environmental Compliance Certificate 2 | Department of Environment and Natural Resources | 10-Jun-15 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Certificate of Environmental Compliance 3 | Department of Environment and Natural Resources | 25-Oct-18 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Permit to Operate Air Pollution Source & Control Installations | Department of Environment and Natural Resources | 06-Mar-20 | Expires | November 06, 2025 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Certificate of Accreditation | Department of Environment and Natural Resources | 27-Dec-19 | Expires | 27-Dec-22 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Hazardous Waste Generator Registration Certificate | Department of Environment and Natural Resources | 15-Mar-21 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Water Permit | National Water Resources Board | 24-Jul-12 | Lifetime | | |
| Distileria Bago, Inc. | DBI | PCO Accreditation | Department of Environment and Natural Resources | 16-Nov-20 | Expires | November 16, 2023 | |
| Ginebra San Miguel Inc. | Mandaue | Permit to Operate | Department of Environment and Natural Resources | 03-Dec-19 | Expires | 01-Dec-22 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | Mayor's Permit, Business Annual Inspection, CENRO, Zoning, Fire Safety Clearance, FSIC, Barangay Clearance | LGU (City Hall, Barangay Hall) | 21-Jan-21 | Expires | 21-Jan-22 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | Permit to Operate - Genset (Misubishi 630KW) | Department of Environment and Natural Resources | 10-Feb-21 | Expires | 10-Feb-22 | |
| Ginebra San Miguel Inc. | Mandaue | Environmental Clearance | LGU (City Hall, Barangay Hall) | 24-Mar-21 | Expires | 23-Mar-22 | |
| Ginebra San Miguel Inc. | Mandaue | ECC | Department of Environment and Natural Resources | 10-Oct-14 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | PCO Accreditation | Department of Environment and Natural Resources | 19-Dec-19 | Expires | 19-Dec-22 | |
| Ginebra San Miguel Inc. | Mandaue | Safety Practitioner Accreditation | Department of Labor and Employment | 02-Jul-20 | Expires | 31-Jan-23 | |
| Ginebra San Miguel Inc. | Mandaue | certificate of Registration | Department of Labor and Employment | 24-Aug-19 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | License to Operate as a food manufacturer | Food and Drug Administration | 26-Jan-21 | Expires | 23-Jan-26 | |
| Ginebra San Miguel Inc. | Mandaue | Hazardous Waste Generator Registration | Department of Environment and Natural Resources | 29-May-19 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | Discharge Permit | Department of Environment and Natural Resources | 04-Sep-19 | Expires | September 04, 2022 | |
| Ginebra San Miguel Inc. | Mandaue | PCO Accreditation Managing Head | Department of Environment and Natural Resources | 01-Dec-20 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | Certificate of Occupancy | Department of Public Works, Transportation and Communication | 15-Aug-91 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | Certificate of Registration PCB | Department of Environment and Natural Resources | 08-Jun-16 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | Water Permit | National Water Resources Board | 12-Mar-93 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | Permit to Operate (Air Pollution Installation) | Department of Environment and Natural Resources | 17-Feb-20 | Expires | 27-Feb-25 | |
| Ginebra San Miguel Inc. | SBP | PCO Accreditation | Department of Environment and Natural Resources | 26-Jun-20 | Expires | 25-Jun-23 | |
| Ginebra San Miguel Inc. | SBP | Hazardous Waste Generator Certificate | Department of Environment and Natural Resources | 03-Aug-20 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | ECC-Amended 2021 | Department of Environment and Natural Resources | 21-Apr-21 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Discharge Permit | Laguna Lake Development Authority | 30-Apr-21 | Expires | 17-Apr-24 | |
| Ginebra San Miguel Inc. | Cabuyao | Discharge Permit DP (R) - 20a-2021-01602 | Laguna Lake Development Authority | 30-Apr-21 | Expires | 17-Apr-24 | |
| Ginebra San Miguel Inc. | SBP | Certificate of Compliance | Energy Regulatory Commission | 16-Apr-21 | Expires | 15-Apr-26 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | License to Operate as Food Manufacturer | Food and Drug Administration | 02-Jun-21 | Expires | 02-Jun-26 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | ECC | Department of Environment and Natural Resources | 23-Dec-08 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | BIR 2303 | Bureau of Internal Revenue | 21-May-21 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | Halal Certificate | Halal Devt. Institute of the Phils. (HDIP) | 06-Sep-21 | Expires | 06-Sep-22 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | WASTEWATER DISCHARGE PERMIT | Department of Environment and Natural Resources | 24-Sep-21 | Expires | 24-Sep-22 | |

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| East Pacific Star Bottlers Phils Inc. | Cauayan | Permit to Operate (Internal Combustion Engine) | Department of Labor and Employment | 18-Aug-21 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Permit to Operate (Pressure Vessel) | Department of Labor and Employment | 18-Aug-21 | Expires | 18-Nov-22 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Wastewater Discharge Permit | Department of Environment and Natural Resources | 11-Nov-21 | Expires | 22-Oct-22 | |
| Ginebra San Miguel Inc. | Cabuyao | PCO Certificate of Accreditation | Department of Environment and Natural Resources | 12-Jul-21 | Expires | 11-Jul-24 | |
| Ginebra San Miguel Inc. | Cabuyao | PCO Certificate of Accreditation | Laguna Lake Development Authority | 07-Jun-21 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Discharge Permit - Tabangao Alcohol Depot | Department of Environment and Natural Resources | 22-Oct-21 | Expires | 22-Oct-22 | |
| Ginebra San Miguel Inc. | Cabuyao | ECC - Tabangao Alcohol Depot | Department of Environment and Natural Resources | 01-Dec-03 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Annual Inspection | Office of the Building Official | 06-Oct-21 | Expires | 06-Oct-22 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Compliance | Energy Regulatory Commission | 14-Jun-21 | Expires | 13-Jun-26 | |
| Ginebra San Miguel Inc. | SBP | Environmental Compliance Certificate | Department of Environment and Natural Resources | 07-Dec-92 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | Certificate of Non-Coverage for Rubbing Alcohol Production | Department of Environment and Natural Resources | 24-Jun-20 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | CCO Registration for Mercury Compounds | Department of Environment and Natural Resources | 08-Jun-20 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | ECC for SL Warehouse | Department of Environment and Natural Resources | 11-Jul-12 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | WATER PERMIT 22664/22665 | National Water Resources Board | 24-Jul-12 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | License to Possess Explosives/Explosive Ingredients/Controlled Chemicals | Philippine National Police | 09-Nov-21 | Expires | 09-Sep-22 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Boiler's Operation | Department of Labor and Employment | 11-Nov-21 | Expires | 11-Nov-22 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Distilling Unit's Operation | Department of Labor and Employment | 11-Nov-21 | Expires | 11-Nov-22 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | HAZARDOUS WASTE GENERATOR REGISTRATION CERTIFICATE | Environmental Management Bureau | 25-Nov-21 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | CCO Registration Certificate for Cr(VI) compounds | Department of Environment and Natural Resources | 09-Dec-21 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | Chemical Control Order Certficate | Department of Environment and Natural Resources | 23-Dec-21 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | DENR Permit to Operate for Air Pollution Source and Control Installations | Department of Environment and Natural Resources | 23-Dec-21 | Expires | 23-Dec-26 | |
| Ginebra San Miguel Inc. | SBP | Amended CCO Registration Certificate for Chromium (VI)-containing compounds | Department of Environment and Natural Resources | 23-Dec-21 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | CCO Registration Certificate for CN- containing compounds | Department of Environment and Natural Resources | 31-Dec-21 | Lifetime | | |
| Ginebra San Miguel Inc. | SBP | PCO Accreditation | Department of Environment and Natural Resources | 26-Nov-21 | Expires | 25-Nov-24 | |
| Distileria Bago, Inc. | DBI | Pressure Vessels - CO2 Plant (Permit to Operate) | Department of Labor and Employment | 24-Nov-21 | Expires | 24-Nov-22 | |
| Ginebra San Miguel Inc. | SBP | License to Operate - Food Manufacturer | Food and Drug Administration | 07-Feb-22 | Expires | 03-Mar-27 | |
| Ginebra San Miguel Inc. | Mandaue | Business Permit 2022 | LGU (City Hall, Barangay Hall) | 19-Jan-22 | Expires | 31-Dec-22 | |
| Ginebra San Miguel Inc. | Mandaue | Permit to Operate | Department of Environment and Natural Resources | 12-Mar-19 | Expires | 01-Dec-22 | |
| Ginebra San Miguel Inc. | Mandaue | PCO Accreditation | Department of Environment and Natural Resources | 19-Dec-19 | Expires | 19-Dec-22 | |
| Ginebra San Miguel Inc. | Mandaue | PCO Accreditation-Managing Head | Department of Environment and Natural Resources | 01-Dec-20 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | License to Operate | Food and Drug Administration | 23-Jan-21 | Expires | 26-Jan-26 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Compliance (Power Generator) | Energy Regulatory Commission | 14-Jun-21 | Expires | 13-Jun-26 | |
| Ginebra San Miguel Inc. | Mandaue | ECC | Department of Environment and Natural Resources | 21-Apr-21 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | Hazardous waste Registration Certificate | Department of Environment and Natural Resources | 29-Oct-20 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | Business Permit | LGU (City Hall, Barangay Hall) | 19-Jan-22 | Expires | 31-Dec-22 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Annual inspection | Office of the Building Official | 06-Oct-21 | Expires | 06-Oct-22 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Unfired Pressure Vessels | Office of the Building Official | 11-Nov-21 | Expires | 11-Nov-22 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Operation Steam Boiler 1 | Office of the Building Official | 11-Nov-21 | Expires | 11-Nov-22 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Operation Steam Boiler 2 | Office of the Building Official | 11-Nov-21 | Expires | 11-Nov-22 | |
| Ginebra San Miguel Inc. | Mandaue | Environmental clearance 2022 | LGU (City Hall, Barangay Hall) | 22-Feb-22 | Expires | 21-Feb-23 | |
| Ginebra San Miguel Inc. | Mandaue | Fire Safety Inspection Certificate | Bureau of Fire Protection | 09-Mar-22 | Expires | 09-Mar-23 | |
| Ginebra San Miguel Inc. | Mandaue | Fire Safety Clearance-Mandaue Plant | Bureau of Fire Protection | 15-Mar-22 | Expires | 15-Mar-23 | |
| Ginebra San Miguel Inc. | Mandaue | Fire Safety Clearance-Ouano Depot | Bureau of Fire Protection | 15-Mar-22 | Expires | 15-Mar-23 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Operation-Genset 2022 | Office of the Building Official | 04-Mar-22 | Expires | 04-Mar-23 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Operation-Air Receiver Tank 1400L 2022 | Office of the Building Official | 04-Mar-22 | Expires | 04-Mar-23 | |
| Ginebra San Miguel Inc. | Mandaue | Certificate of Operation-Air Receiver Tank 250L 2022 | Office of the Building Official | 04-Mar-22 | Expires | 04-Mar-23 | |
| Ginebra San Miguel Inc. | Mandaue | Sanitary Permit Renewal | Mandaue City Health Department | 22-Mar-22 | Expires | 22-Mar-23 | |
| Ginebra San Miguel Inc. | Mandaue | License To Operate as Cosmetic Manufacturer | Food and Drug Administration | 28-Mar-22 | Expires | 28-Mar-23 | |
| Ginebra San Miguel Inc. | Cabuyao | CCOr Cyanide | Department of Environment and Natural Resources | 03-Mar-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | Permit to Operate | Department of Labor and Employment | 14-Dec-21 | Expires | 14-Dec-22 | |
| Ginebra San Miguel Inc. | Cabuyao | CCOr Cadmium Nitrate | Department of Environment and Natural Resources | 21-Feb-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | CCOr Chromium (VI) Compounds | Department of Environment and Natural Resources | 24-Feb-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | CCOr Lead and Lead Compounds | Department of Environment and Natural Resources | 24-Feb-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | CCOr Mercury and Mercury Compounds | Department of Environment and Natural Resources | 29-Mar-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | LTO-Cosmetics Manufacturer | Food and Drug Administration | 04-Apr-22 | Expires | 04-Apr-23 | |
| Ginebra San Miguel Inc. | Cabuyao | LTO-Food Manufacturer | Food and Drug Administration | 28-Feb-21 | Expires | 28-Feb-26 | |
| Ginebra San Miguel Inc. | Cabuyao | Safety Seal | Department of Labor and Employment | 23-Mar-22 | Expires | 23-Sep-22 | |
| Ginebra San Miguel Inc. | Cabuyao | LTO as Cosmetic Manufacturer | Food and Drug Administration | 04-Apr-22 | Expires | 04-Apr-23 | |
| Ginebra San Miguel Inc. | Cabuyao | Barangay Clearance for Trade and Business Establishments | LGU (City Hall, Barangay Hall) | 17-Jan-22 | Expires | 17-Jan-23 | |
| Ginebra San Miguel Inc. | Cabuyao | Mayor's Permit and Business License | LGU (City Hall, Barangay Hall) | 11-Feb-22 | Expires | 31-Dec-22 | |
| Ginebra San Miguel Inc. | Cabuyao | City Environmental Clearance | LGU (City Hall, Barangay Hall) | 07-Feb-22 | Expires | 31-Dec-22 | |
| Ginebra San Miguel Inc. | Cabuyao | Sanitary Permit | LGU (City Hall, Barangay Hall) | 07-Feb-22 | Expires | 31-Dec-22 | |
| Ginebra San Miguel Inc. | Cabuyao | License to Handle Controlled Precursors and Essential Chemicals | Philippine Drug Enforcement Agency | 20-May-22 | Expires | 26-May-23 | |
| Ginebra San Miguel Inc. | Cabuyao | Permit to Transport | Department of Environment and Natural Resources | 24-May-22 | Expires | 24-Nov-22 | |

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| Ginebra San Miguel Inc. | Cabuyao | Certificate of Compliance | Energy Regulatory Commission | 20-Dec-21 | Expires | 19-Dec-26 | |
| Ginebra San Miguel Inc. | SBP | Fire Safety Inspection Certificate | Bureau of Fire Protection | 02-Jun-22 | Expires | 02-Jun-23 | |
| Ginebra San Miguel Inc. | SBP | License to Handle Controlled Precursors and Essential Chemicals CPECS | Philippine Drug Enforcement Agency | 11-Apr-22 | Expires | 20-Apr-23 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | License to Handle Controlled Precursors and Essential Chemicals (CPECS) | Philippine Drug Enforcement Agency | 06-Jun-22 | Expires | 08-Mar-23 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Mayor's Permit | LGU (City Hall, Barangay Hall) | 05-May-22 | Expires | 31-Dec-22 | |
| Ginebra San Miguel Inc. | SBP | License to Operate as Cosmetic Manufacturer | Food and Drug Administration | 03-Mar-22 | Expires | 07-Feb-23 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | Permit to Operate (Air Pollution Source and Control Installations) | Department of Environment and Natural Resources | 02-May-22 | Expires | 02-May-27 | |
| Ginebra San Miguel Inc. | Cabuyao | Fire Safety Clearance (Welding, Cutting and Other Hot Work Operations) | Bureau of Fire Protection | 14-Jun-22 | Expires | 20-Oct-22 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | PDEA License to Handle Controlled Precursors and Essential Chemicals | Philippine Drug Enforcement Agency | 28-Jun-22 | Expires | 06-Jul-23 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Fire Safety Inspection Certificate | Bureau of Fire Protection | 30-Jun-22 | Expires | 30-Jun-23 | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Power Piping Line Operation Permit Demineralized Water Line & Alcohol Line | Department of Labor and Employment | 20-May-22 | Expires | 20-May-23 | |
| Ginebra San Miguel Inc. | Mandaue | Amended Hazwaste Generator ID 071222 | Department of Environment and Natural Resources | 12-Jul-22 | Lifetime | | |
| East Pacific Star Bottlers Phils Inc. | Cauayan | HAZARDOUS WASTE GENERATOR REGISTRATION CERTIFICATE AMENDMENT | Department of Environment and Natural Resources | 14-Jul-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | PCO Certificate | Laguna Lake Development Authority | 22-Jun-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Cabuyao | PCO Certificate of Accreditation | Laguna Lake Development Authority | 22-Jun-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | CCO Registration-Cyanide | Department of Environment and Natural Resources | 29-Jul-22 | Lifetime | | |
| Ginebra San Miguel Inc. | Mandaue | Permit to Transport | Department of Environment and Natural Resources | 04-Aug-22 | Expires | 03-Feb-23 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | Wastewater Discharge Permit | Department of Environment and Natural Resources | 24-Sep-21 | Expires | 24-Sep-22 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | Air Pollution Source and Control Installations | Department of Environment and Natural Resources | 02-May-22 | Expires | 02-May-27 | |
| East Pacific Star Bottlers Phils Inc. | Ligao | Permit to Operate (Cimech Boiler) | Department of Environment and Natural Resources | 27-Sep-17 | Expires | 30-Sep-22 | |
| Ginebra San Miguel Inc. | Cabuyao | Halal Certificate | Halal Development Institute of the Philippines | 24-Aug-22 | Expires | 24-Aug-23 | |
| Ginebra San Miguel Inc. | Cabuyao | License to Operate as Drug Manufacturer | Food and Drug Administration | 03-Aug-22 | Expires | 03-Aug-24 | |
| Ginebra San Miguel Inc. | Cabuyao | Pollution Control Officer Certificate of Accreditation | Department of Environment and Natural Resources | 12-Aug-22 | Expires | 12-Aug-25 | |
| Ginebra San Miguel Inc. | Mandaue | Halal Certificate | Halal Development Institute of the Philippines | 06-Sep-22 | Expires | 06-Sep-23 | |
| Ginebra San Miguel Inc. | SBP | Halal Certificate | Halal Development Institute of the Philippines | 25-Aug-22 | Expires | 25-Aug-23 | |
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| **FINANCE** | | | | | | | |
| Ginebra San Miguel Inc. | Head Office | Certificate of Registration | Bureau of Internal Revenue | 19-May-97 | N/A | N/A | |
| Distileria Bago Inc. | DBI | Certificate of Registration | Bureau of Internal Revenue | 21-Jun-94 | N/A | N/A | |
| Agricrops Industries Inc. | Head Office | Certificate of Registration | Bureau of Internal Revenue | 04-Apr-02 | N/A | N/A | |
| East Pacific Star Bottlers Phils Inc. | Head Office | Certificate of Registration | Bureau of Internal Revenue | 11-Nov-08 | N/A | N/A | |
| Crown Royal Distillers Inc. | Head Office | Certificate of Registration | Bureau of Internal Revenue | 04-Apr-02 | N/A | N/A | |
| Healthy Condiments Inc. | Head Office | Certificate of Registration | Bureau of Internal Revenue | 30-Jan-08 | N/A | N/A | |
| Ginebra San Miguel Inc. | Head Office | Mayor's Permit | Local Government Unit of Mandaluyong | N/A | 12 months | 31-Dec-22 | |
| East Pacific Star Bottlers Phils Inc. | Head Office | Mayor's Permit | Local Government Unit of Mandaluyong | N/A | 12 months | 31-Dec-22 | |
| Healthy Condiments Inc. | Head Office | Mayor's Permit | Local Government Unit of Mandaluyong | N/A | 12 months | 31-Dec-22 | |
| Ginebra San Miguel Inc. | Head Office | Permit to Operate and Buyer/User of Denatured Alcohol | Bureau of Internal Revenue | 23-Dec-21 | 12 months | 31-Dec-22 | |
| East Pacific Star Bottlers Phils Inc. | Head Office | Permit to Toll Manufacture | Bureau of Internal Revenue | 23-Dec-21 | 12 months | 31-Dec-22 | |
| Distileria Bago Inc. | DBI | Permit to Operate as Rectifier of Alcohol | Bureau of Internal Revenue | 12-May-22 | N/A | N/A | |
| Ginebra San Miguel Inc. | Pasig Sales Office | Mayor's Permit | City Government of Pasig Office of the City Mayor | 27-Jan-22 | 1 year | 31-Dec-22 | |
| Ginebra San Miguel Inc. | Pasig Sales Office | Certificate of Registration | Bereau of Internal Revenue | 27-Jul-16 | N/A | N/A | |
| Ginebra San Miguel Inc. | Paranaque Sales Office | Mayor's Permit | City Government of Paranaque Business Permits & Licensing Office | | | Copy of 2022 permit not yet secured; as per LGU, permit will be delivered to sales office. For follow-up on the status of the permit on Sep 8, 2022 at Paranaque LGU. **Permit wa paid on Feb 18, 2022.** | |
| Ginebra San Miguel Inc. | Paranaque Sales Office | Certificate of Registration | Bereau of Internal Revenue | 06-Sep-18 | N/A | N/A | |
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| **BPG & EXPORT** | | | | | | | |
| Ginebra San Miguel Inc | | Certificate of Registration | Bureau of Customs | 03-Dec-21 | 1 Year | 12-Mar-22 | |
| Ginebra San Miguel Inc | | Renewal of License to Operate | Bureau of Plant and Industry | 23-Mar-21 | 3 years | 23-Mar-24 | |
| Distileria Bago Inc | | Certificate of Registration | Bureau of Customs | 20-Oct-21 | 1 Year | 20-Oct-22 | |
| East Pacific Star Bottlers, Inc. | | Certificate of Registration | Bureau of Customs | 21-Oct-21 | 1 Year | 21-Oct-22 | |
| Ginebra San Miguel Inc | | Authority to Release Imported Goods | Bureau of Internal Revenue | | Every shipment | | |
| Ginebra San Miguel Inc | | Clearance for Release of Imported Molasses | Sugar Regulatory Administration | | Every shipment | | |
| Ginebra San Miguel Inc | | License to Operate as International Molasses Trader (importer) | Sugar Regulatory Administration | 01-Sep-22 | 1 Year | 31-Aug-23 | |
| Ginebra San Miguel Inc | | License to Operate as Domestic Molasses Trader | Sugar Regulatory Administration | 01-Sep-22 | 1 Year | 31-Aug-23 | |
| Distileria Bago Inc | | License to Operate as International Molasses Trader (importer) | Sugar Regulatory Administration | 01-Sep-22 | 1 Year | 31-Aug-23 | |
| Distileria Bago Inc | | License to Operate as Domestic Molasses Trader | Sugar Regulatory Administration | 01-Sep-22 | 1 Year | 31-Aug-23 | |
| Ginebra San Miguel Inc | | Certificate of Registration | Bureau of Customs | 19-Jul-22 | 1 Year | 19-Jul-23 | |
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| **TSG** | | | | | | | |
| Ginebra San Miguel Inc. | | Certificate Authority to Operate of Technical Services - Analytical Services Laboratory | Philippine Regulation Commission | 20-Nov-18 | 3 years | 20-Nov-21 | Awaiting for conduct of audit by PRC, application was submitted last April 20, 2022. |
| Ginebra San Miguel Inc. | | Certificate of Accreditation- ISO/IEC 17925:2017 of Technical Services - Analytical Services Laboratory | DTI- Philippine Accreditation Bureau | 08-Jan-21 | 5 years | 17-Jul-25 | |

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| Ginebra San Miguel Inc. | | Continuing Professional Development (CPD) Provider of Technical Services - Technical Manpower Development | Professional Regulatory Commission | 07-Jun-21 | 3 years | 07-Jun-24 | |
| Ginebra San Miguel Inc. | | License to Operate as Food Manufacturer of GSMI Cabuyao Plant | Food and Drug Administration | 28-Feb-21 | 5 years | 28-Feb-26 | |
| Ginebra San Miguel Inc. | | License to Operate as Cosmetic Manufacturer GSMI Cabuyao Plant | Food and Drug Administration | 04-Apr-22 | 1 year | 04-Apr-23 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra S. Miguel 80 Proof for GSMI Cabuyao Plant | Food and Drug Administration | 15-Dec-20 | 5 years | 14-Jan-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra San Miguel Premium Gin 35 % abv for GSMI Cabuyao Plant | Food and Drug Administration | 25-Jun-20 | 5 years | 17-Sep-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -1834 Premium Distilled Gin 80 Proof, 750 mL for GSMI Cabuyao Plant | Food and Drug Administration | 06-Jul-20 | 5 years | 06-Jul-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Primera Light Premium Brandy Liqueur, 55 Proof for GSMI Cabuyao Plant | Food and Drug Administration | 26-Dec-19 | 5 years | 20-Jan-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Añejo Dark Rum 5 years 40% abv for GSMI Cabuyao Plant | Food and Drug Administration | 16-May-21 | 5 years | 16-May-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Antonov Vodka 80 Proof for GSMI Cabuyao Plant | Food and Drug Administration | 29-Dec-20 | 5 years | 08-Mar-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - G.S.M. Blue Flavors Brown Coffee Flavored Spirit, 17.5% abv for GSMI Cabuyao Plant | Food and Drug Administration | 04-Nov-20 | 5 years | 24-Nov-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Mojito Flavored Spirit, 17.5% abv for GSMI Cabuyao Plant | Food and Drug Administration | 15-Dec-20 | 5 years | 03-Feb-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Margarita Flavored Spirit, 17.5% abv for GSMI Cabuyao Plant | Food and Drug Administration | 05-Feb-20 | 5 years | 05-Feb-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM BF Gin Pomelo Flavored Spirit, 17.5% abv for GSMI Cabuyao Plant | Food and Drug Administration | 19-Dec-19 | 5 years | 19-Dec-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - G.S.M. Blue Flavors Tamarind Punch Flavored Spirit, 17.5% alc./vol. for GSMI Cabuyao Plant | Food and Drug Administration | 22-Feb-20 | 5 years | 22-Feb-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -GSM Blue Flavors Cosmopolitan Flavored Spirit, 17.5% abv for GSMI Cabuyao Plant | Food and Drug Administration | 29-Oct-21 | 5 years | 29-Oct-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -G&T Lemon Ginger Spirit Drink 15% abv for GSMI Cabuyao Plant | Food and Drug Administration | 09-Nov-21 | 5 years | 09-Nov-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Vino Kulafu Chinise Wine, 25% abvfor GSMI Cabuyao Plant | Food and Drug Administration | 21-Jul-20 | 5 years | 21-Jul-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - G.S.M. Blue Light Gin 27.5% alc/vol (Distilled Spirit), 700 mL for GSMI Cabuyao Plant | Food and Drug Administration | 14-Apr-18 | 5 years | 14-Apr-23 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - G.S.M. Blue Light Gin 27.5% alc/vol (Distilled Spirit), 350 mL for GSMI Cabuyao Plant | Food and Drug Administration | 27-Jun-18 | 5 years | 27-Jun-23 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Don Enrique Mixkila Distilled Spirit, 40% alc/vol for GSMI Cabuyao Plant | Food and Drug Administration | 19-Jun-20 | 5 years | 06-Oct-23 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -TMR Silver, 39% alc/vol for GSMI Cabuyao Plant | Food and Drug Administration | 28-Sep-21 | 5 years | 09-Feb-27 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Ginebra San Miguel Premium Gin 35% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 22-Sep-20 | 5 years | 22-Jun-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Ginebra San Miguel Premium Gin 40% abv (Export Market) | Food and Drug Administration | 02-Sep-20 | 5 years | 02-Jun-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Mix Gin 40% abv (Export Market) | Food and Drug Administration | 02-Feb-21 | 5 years | 02-Feb-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Ginebra S. Miguel Gin 80°P (Export Market) | Food and Drug Administration | 15-Dec-20 | 5 years | 08-Mar-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Ginebra S. Miguel Gin 37% abv (Export Market) | Food and Drug Administration | 10-Feb-21 | 5 years | 10-Feb-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Ginebra S. Miguel Gin 40% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 02-Sep-20 | 5 years | 02-Sep-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Ginebra San Miguel Premium Gin Black, 40% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 02-Jun-22 | 5 years | 09-Oct-27 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Primera Light Premium Brandy Liqueur 55 proof (Export Market) | Food and Drug Administration | 03-Feb-21 | 5 years | 03-Feb-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Gran Matador Solera Gran Reserva Brandy 36% alc./vol. for GSMI Cabuyao Plant | Food and Drug Administration | 04-Nov-20 | 5 years | 22-Sep-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Gran Matador Rich &Smooth Solera Brandy 32.5% alc./vol. for GSMI Cabuyao Plant | Food and Drug Administration | 04-Nov-20 | 5 years | 29-Sep-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Mix Rum 40% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 29-Sep-20 | 5 years | 29-Sep-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -TMR Gold, 40% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 24-Nov-20 | 5 years | 24-Nov-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -TMR Dark 40% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 24-Nov-20 | 5 years | 24-Nov-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -TMR Silver 40% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 21-Oct-21 | 5 years | 21-Oct-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -TMR Gold, 39% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 04-Dec-20 | 5 years | 04-Dec-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -TMR Dark, 39% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 14-Dec-20 | 5 years | 14-Dec-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Tondena Gold Rum 40%alc./vol. (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 21-Apr-21 | 5 years | 21-Apr-26 | |
| Ginebra San Miguel Inc. | | Añejo Dark Rum 5 Years, 40% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 22-Feb-21 | 5 years | 16-May-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Mix Vodka 40% abvc (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 24-Nov-20 | 5 years | 24-Nov-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Antonov Vodka 80 Proof (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 25-Sep-20 | 5 years | 29-Sep-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -GSM Blue Distilled Spirit, 32.5% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 22-Dec-20 | 5 years | 22-Dec-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -G.S.M. Blue Light Gin Distilled Spirit 27.5% alc/vol. (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 23-Dec-19 | 5 years | 23-Dec-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Don Enrique Tequila Distilled Spirit, 40% alc./vol. (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 24-Sep-20 | 5 years | 24-Sep-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -GSM Blue Flavors Brown Coffee Flavored Spirit, 17.5% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 24-Nov-20 | 5 years | 24-Nov-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -GSM Blue Flavors Mojito Flavored Spirit, 17.5% abv (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 15-Dec-20 | 5 years | 03-Feb-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -G.S.M. Blue Flavors Gin Pomelo Flavored Spirit, 17.5% alc./vol. (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 04-Dec-19 | 5 years | 04-Dec-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -G.S.M. Blue Flavors Margarita Flavored Spirit, 17.5% alc./vol. (Export Market) for GSMI Cabuyao Plant | Food and Drug Administration | 14-Feb-20 | 5 years | 14-Feb-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Notification - San Miguel Ethyl Alcohol 70% Solution Rubbing Alcohol for GSMI Cabuyao Plant | Food and Drug Administration | 14-Jul-22 | 1 year | 14-Jul-23 | |
| Ginebra San Miguel Inc. | | License to Operate as Food Manufacturer for GSMI Sta. Barbara Plant | Food and Drug Administration | 03-Mar-22 | 5 years | 03-Mar-27 | |
| Ginebra San Miguel Inc. | | License to Operate as Food Trader GSMI Sta. Barbara Plant | Food and Drug Administration | 24-Aug-22 | 5 years | 24-Aug-27 | |
| Ginebra San Miguel Inc. | | License to Operate as Cosmetic Manufacturer for GSMI Sta. Barbara Plant | Food and Drug Administration | 07-Feb-22 | 1 year | 07-Feb-23 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra S. Miguel 80 Proof for GSMI Sta. Barbara Plant | Food and Drug Administration | 09-Nov-21 | 5 years | 30-Jul-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra San Miguel Premium Gin 35 % abv for GSMI Sta. Barbara Plant | Food and Drug Administration | 30-Jul-20 | 5 years | 30-Jul-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Antonov Vodka 80 Proof for GSMI Sta. Barbara Plant | Food and Drug Administration | 10-Aug-20 | 5 years | 10-Aug-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Mojito Flavored Spirit, 17.5% abv for GSMI Sta. Barbara Plant | Food and Drug Administration | 29-Dec-19 | 5 years | 29-Dec-24 | |

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|---|---|---|---|---|---|---|---|
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM BF Gin Pomelo Flavored Spirit, 17.5% abv for GSMI Sta. Barbara Plant | Food and Drug Administration | 22-Nov-19 | 5 years | 22-Nov-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Margarita Flavored Spirit, 17.5% abv for GSMI Sta. Barbara Plant | Food and Drug Administration | 28-Nov-19 | 5 years | 28-Nov-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - G.S.M. Blue Light Gin 27.5% alc/vol (Distilled Spirit), for GSMI Sta. Barbara Plant | Food and Drug Administration | 4-Oct-2019 | 5 years | 4-Oct-2024 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra S. Miguel 80 Proof for GSMI Sta. Barbara Plant | Food and Drug Administration | 15-Jun-2021 | 5 years | 15-Jun-2026 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM BF Gin Pomelo Flavored Spirit, 17.5% abv for GSMI Sta. Barbara Plant | Food and Drug Administration | 15-Jun-2021 | 5 years | 15-Jun-2026 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Margarita Flavored Spirit, 17.5% abv for GSMI Sta. Barbara Plant | Food and Drug Administration | 15-Jun-2021 | 5 years | 15-Jun-2026 | |
| Ginebra San Miguel Inc. | | Certificate of Product Notification - San Miguel Ethyl Alcohol 70% Solution Rubbing Alcohol for GSMI Sta. Barbara Plant | Food and Drug Administration | 10-Jul-20 | 3 years | 10-Jul-23 | |
| Ginebra San Miguel Inc. | | License to Operate as Food Manufacturer for GSMI Mandaue Plant | Food and Drug Administration | 23-Jan-21 | 5 years | 23-Jan-26 | |
| Ginebra San Miguel Inc. | | License to Operate as Cosmetic Manufacturer GSMI Mandaue Plant | Food and Drug Administration | 28-Mar-22 | 1 year | 28-Mar-23 | |
| Ginebra San Miguel Inc. | | Halal Certificate for SMEA for GSMI Mandaue Plant | Halal Development Institute of the Philippines | 06-Sep-21 | 1 year | 06-Sep-22 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra San Miguel Premium Gin 35 % abv for GSMI Mandaue Plant | Food and Drug Administration | 02-Oct-20 | 5 years | 02-Oct-25 | |
| Ginebra San Miguel Inc. | | CPR - Añejo Gold Rum 65 Proof, with background for GSMI Mandaue Plant | Food and Drug Administration | 10-Jul-19 | 5 years | 10-Jul-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Antonov Vodka 80 Proof for GSMI Mandaue Plant | Food and Drug Administration | 31-Jul-20 | 5 years | 31-Jul-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Mojito Flavored Spirit, 17.5% abv for GSMI Mandaue Plant | Food and Drug Administration | 11-Dec-19 | 5 years | 11-Dec-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Margarita Flavored Spirit, 17.5% abv for GSMI Mandaue Plant | Food and Drug Administration | 05-Nov-18 | 5 years | 05-Nov-23 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM BF Gin Pomelo Flavored Spirit, 17.5% abv for GSMI Mandaue Plant | Food and Drug Administration | 01-Jan-20 | 5 years | 01-Jan-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Vino Kulafu Chinese Wine, 25% abv for GSMI Mandaue Plant | Food and Drug Administration | 21-Apr-22 | 5 years | 14-Jun-27 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - G.S.M. Blue Light Gin 27.5% alc/vol (Distilled Spirit) for GSMI Mandaue Plant | Food and Drug Administration | 12-Feb-19 | 5 years | 12-Feb-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Vino Kulafu Chinese Wine 25% abv (Export Market) | Food and Drug Administration | 06-Oct-19 | 5 years | 06-Oct-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Notification - San Miguel Ethyl Alcohol 70% Solution Rubbing Alcohol for GSMI Mandaue Plant | Food and Drug Administration | 14-Jul-20 | 3 years | 14-Jul-23 | |
| Ginebra San Miguel Inc. | | LTO as Food Manufacturer for EPSBPI Ligao Plant | Food and Drug Administration | 03-Aug-20 | 5 years | 03-Aug-25 | |
| Ginebra San Miguel Inc. | | LTO as Cosmetic Manufacturer for EPSBPI Ligao Plant | Food and Drug Administration | 11-Apr-22 | 1 year | 11-Apr-23 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra S. Miguel 80 Proof for EPSBPI Ligao Plant | Food and Drug Administration | 13-Jan-21 | 5 years | 03-Feb-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Vino Kulafu 25% abv for EPSBPI Ligao Plant | Food and Drug Administration | 03-Aug-20 | 5 years | 03-Aug-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Light 27.5%abv for EPSBPI Ligao Plant | Food and Drug Administration | 29-Jan-20 | 5 years | 29-Jan-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Mojito 17.5%abv for EPSBPI Ligao Plant | Food and Drug Administration | 03-Dec-19 | 5 years | 03-Dec-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Gin Pomelo 17.5%abv for EPSBPI Ligao Plant | Food and Drug Administration | 04-Feb-20 | 5 years | 04-Feb-25 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - GSM Blue Flavors Margarita 17.5%abv for EPSBPI Ligao Plant | Food and Drug Administration | 04-Dec-19 | 5 years | 04-Dec-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Notification - San Miguel Ethyl Alcohol 70% Solution Rubbing Alcohol for EPSBPI Ligao Plant | Food and Drug Administration | 28-Jul-20 | 3 years | 28-Jul-23 | |
| Ginebra San Miguel Inc. | | License to Operate as Cosmetic Manufacturer for EPSBPI Cauayan Plant | Food and Drug Administration | 04-Mar-22 | 1 year | 04-Mar-23 | |
| Ginebra San Miguel Inc. | | License to Operate as Food Manufacturer EPSBPI Cauayan Plant | Food and Drug Administration | 03-May-21 | 5 years | 02-Jun-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration - Ginebra S. Miguel 80 Proof EPSBPI Cauayan Plant | Food and Drug Administration | 29-Dec-20 | 5 years | 04-Jan-26 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -GSM Blue Flavors Mojito Flavored Spirit, 17.5% abv EPSBPI Cauayan Plant | Food and Drug Administration | 09-Dec-19 | 5 years | 09-Dec-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Notification - San Miguel Ethyl Alcohol 70% Solution Rubbing Alcohol EPSBPI Cauayan Plant | Food and Drug Administration | 17-Jul-20 | 5 years | 17-Jul-23 | |
| Ginebra San Miguel Inc. | | License to Operate as Food Distributor - Importer/Exporter/Wholesaler for GSMI SMPC | Food and Drug Administration | 17-Mar-22 | 5 years | 22-Apr-27 | |
| Ginebra San Miguel Inc. | | License to Operate as Drug Distributor - Exporter/Wholesaler for GSMI SMPC | Food and Drug Administration | 18-May-22 | 2 years | 18-May-24 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Ginebra S. Miguel Gin Light Distilled Spirit, 60°P Sta. Barbara Plant | Food and Drug Administration | 26-Apr-22 | 5 years | 26-Apr-27 | |
| Ginebra San Miguel Inc. | | Certificate of Product Registration -Primera Light Premium Brandy Liqueur, 55°P Sta. Barbara Plant | Food and Drug Administration | 13-Apr-22 | 5 years | 13-Apr-27 | |
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| **HR** | | | | | | | |
| Ginebra San Miguel Inc. | Head Office | Employer Registration | Social Security System (SSS) | August 1987 | n/a | n/a | same as 2021 |
| Ginebra San Miguel Inc. | Head Office | Employer Registration | Home Development Mutual Fund (Pag-IBIG Fund) | 09-Jul-87 | n/a | n/a | Updated issuance/registration date per confirmation from Pag-IBIG EDR |
| Ginebra San Miguel Inc. | Head Office | Employer Registration | Philippine Health Insurance Corporation (Philhealth) | 19-Apr-01 | n/a | n/a | Updated issuance/registration date per confirmation from PhilHealth |
| Ginebra San Miguel Inc. | North Luzon | Employer Registration | Social Security System (SSS) | April 1995 | n/a | n/a | Additional from 2021 conso file |
| Ginebra San Miguel Inc. | North Luzon | Employer Registration | Home Development Mutual Fund (Pag-IBIG Fund) | | n/a | n/a | Additional from 2021 conso file; Pending confirmation of Area HR |
| Ginebra San Miguel Inc. | North Luzon | Employer Registration | Philippine Health Insurance Corporation (Philhealth) | | n/a | n/a | Additional from 2021 conso file; Pending confirmation of Area HR |
| Ginebra San Miguel Inc. | South Luzon | Employer Registration | Social Security System (SSS) | April 1998 | n/a | n/a | Updated per confirmation from SSS COR |
| Ginebra San Miguel Inc. | South Luzon | Employer Registration | Home Development Mutual Fund (Pag-IBIG Fund) | 24-May-17 | n/a | n/a | same as 2021 |
| Ginebra San Miguel Inc. | South Luzon | Employer Registration | Philippine Health Insurance Corporation (Philhealth) | 03-Mar-09 | n/a | n/a | same as 2021 |
| Ginebra San Miguel Inc. | VisMin | Employer Registration | Social Security System (SSS) | April 1993 | n/a | n/a | same as 2021 |
| Ginebra San Miguel Inc. | VisMin | Employer Registration | Home Development Mutual Fund (Pag-IBIG Fund) | 14-Sep-11 | n/a | n/a | same as 2021 |
| Ginebra San Miguel Inc. | VisMin | Employer Registration | Philippine Health Insurance Corporation (Philhealth) | 16-May-03 | n/a | n/a | same as 2021 |
| Distileria Bago, Inc. | Distileria Bago, Inc. | Employer Registration | Social Security System (SSS) | October 1993 | n/a | n/a | same as 2021 |

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| Distileria Bago, Inc. | Distileria Bago, Inc. | Employer Registration | Home Development Mutual Fund (Pag-IBIG Fund) | 01-Jan-95 | n/a | n/a | same as 2021 |
| Distileria Bago, Inc. | Distileria Bago, Inc. | Employer Registration | Philippine Health Insurance Corporation (Philhealth) | October 1993 | n/a | n/a | same as 2021 |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Employer Registration | Social Security System (SSS) | October 2008 | n/a | n/a | Additional from 2021 conso file |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Employer Registration | Home Development Mutual Fund (Pag-IBIG Fund) | 13-Aug-08 | n/a | n/a | Additional from 2021 conso file |
| East Pacific Star Bottlers Phils Inc. | Cauayan | Employer Registration | Philippine Health Insurance Corporation (Philhealth) | 04-Oct-12 | n/a | n/a | Additional from 2021 conso file |
| East Pacific Star Bottlers Phils Inc. | Ligao | Employer Registration | Social Security System (SSS) | October 2008 | n/a | n/a | Additional from 2021 conso file |
| East Pacific Star Bottlers Phils Inc. | Ligao | Employer Registration | Home Development Mutual Fund (Pag-IBIG Fund) | | n/a | n/a | Additional from 2021 conso file; Pending confirmation of Area HR |
| East Pacific Star Bottlers Phils Inc. | Ligao | Employer Registration | Philippine Health Insurance Corporation (Philhealth) | | n/a | n/a | Additional from 2021 conso file; Pending confirmation of Area HR |
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| OGC | | | | | | | |
| Ginebra San Miguel Inc. | | Certificate of Filing of Amended Articles of Incorporation | Securities and Exchange Commission | 25-Jul-22 | Lifetime | N/A | Latest Amended AOI issued on July 25, 2022 |
| Distileria Bago, Inc. | | Certificate of Filing of Amended Articles of Incorporation | Securities and Exchange Commission | 22-Nov-19 | Lifetime | N/A | |
| East Pacific Star Bottlers Phils Inc. | | Certificate of Filing of Amended Articles of Incorporation | Securities and Exchange Commission | 31-Oct-12 | Lifetime | N/A | |
| Agricrops Industries Inc. | | Certificate of Filing of Amended Articles of Incorporation | Securities and Exchange Commission | 09-Jan-15 | Lifetime | N/A | |
| Crown Royal Distillers, Inc. | | Certificate of Filing of Amended Articles of Incorporation | Securities and Exchange Commission | 11-Mar-15 | Lifetime | N/A | |
| Healthy Condiments, Inc. | | Certificate of Filing of Amended Articles of Incorporation | Securities and Exchange Commission | 09-Jan-15 | Lifetime | N/A | |
| Ginebra San Miguel Inc. | | Certificate of Permit to Offer Securities for Sale | Securities and Exchange Commission | September 2, 1998<br>July 29, 1998<br>December 16, 1994 | One time application | N/A | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM | Albania | 19-Oct-99 | 10 years | 09-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM & DESIGN | Albania | 19-Oct-99 | 10 years | 09-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LABEL | Albania | 30-Sep-99 | 10 years | 09-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM (WORD) | Albania | 30-Sep-99 | 10 years | 09-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL & DEVICE | Andorra | 29-Sep-97 | 10 years | 29-Sep-27 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM DEVICE | Andorra | 29-Sep-97 | 10 years | 29-Sep-27 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL & DEVICE | Australia | 05-Jul-96 | 10 years | July 5, 2026 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LABEL | Australia | 27-Aug-96 | 10 years | 27-Aug-26 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LABEL | Australia | 05-Jul-96 | 10 years | July 5, 2026 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM (LABEL DESIGN) | Bulgaria | 10-Jun-99 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM ANEJO RUM AGED IN WOOD | Bulgaria | 10-Jun-99 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LABEL | Bulgaria | 10-Jun-99 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Bulgaria | 09-Mar-99 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | Canada | 22-Sep-11 | 15 years | 22-Sep-26 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA S. MIGUEL & DESIGN | Canada | 06-Nov-00 | 15 years | 06-Nov-30 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM & DESIGN | Canada | 06-Nov-00 | 15 years | 06-Nov-30 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Canada | 30-Jan-03 | 15 years | 30-Jan-33 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA | China, People's Republic of | 07-Jul-99 | 10 years | 06-Jul-29 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA S. MIGUEL & DEVICE | China, People's Republic of | 07-Dec-99 | 10 years | 06-Dec-29 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA | China, People's Republic of | 27-Nov-01 | 10 years | 27-Nov-31 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM & DEVICE | China, People's Republic of | 28-Sep-01 | 10 years | 27-Sep-31 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM AND DEVICE | China, People's Republic of | 28-Sep-01 | 10 years | 27-Sep-31 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM (WORD) | European Community | 10-Jul-98 | 10 years | 12-Dec-26 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | Hong Kong | 26-Mar-01 | 10 years | 31-Jul-23 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RHUM | Hong Kong | 23-Feb-98 | 10 years | 31-Jul-23 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL & DEVICE (LABEL) IN COLOUR | Hong Kong | 04-Oct-01 | 10 years | 04-Oct-28 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM (DEVICE) | Hungary | 22-Feb-98 | 10 years | 12-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM AÑEJO RUM & DESIGN | Hungary | 22-Dec-98 | 10 years | 12-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM & DEVICE | Hungary | 08-Apr-98 | 10 years | 08-Apr-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Hungary | 21-Jan-98 | 10 years | 21-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL PREMIUM GIN. | India | 13-Oct-16 | 10 years | 13-Oct-26 | |
| Ginebra San Miguel Inc. | | Trademark - G.S.M. BLUE DISTILLED SPIRIT | India | 13-Oct-16 | 10 years | 13-Oct-26 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM LABEL | India | 20-Jan-98 | 10 years | 20-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL & LABEL DESIGN | India | 20-Jan-98 | 10 years | 20-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | India | 20-Jan-98 | 10 years | 20-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM & DESIGN | India | 20-Jan-98 | 10 years | 20-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LABEL | India | 20-Jan-98 | 10 years | 20-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | India | 20-Jan-98 | 10 years | 20-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM DEVICE | Italy | 10-Jan-01 | 10 years | 17-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM DEVICE | Italy | 10-Jan-01 | 10 years | 17-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Korea (South) | 12-Apr-99 | 10 years | 12-Apr-29 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM LABEL | Lithuania | 10-Feb-00 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL & DEVICE | Lithuania | 10-Feb-00 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | Lithuania | 10-Feb-00 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM DEVICE | Lithuania | 10-Feb-00 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Lithuania | 10-Feb-00 | 10 years | 10-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM DEVICE | Lithuania | 10-Feb-00 | 10 years | 11-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - G.S.M. BLUE DISTILLED SPIRIT | Malaysia | 29-Aug-18 | 10 Years | 17-Jan-27 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM LABEL | Monaco | 13-Feb-98 | 10 years | 13-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM LABEL | Monaco | 13-Feb-98 | 10 years | 13-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LABEL | Monaco | 13-Feb-98 | 10 years | 13-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA S. MIGUEL & DEVICE | New Zealand | 08-Sep-98 | 10 years | 02-Dec-23 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL (WORD) | New Zealand | 21-Jan-99 | 10 years | 02-Dec-23 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LA TONDEÑA (DEVICE) | New Zealand | 06-Jul-99 | 10 years | 02-Dec-23 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RHUM | New Zealand | 03-Sep-99 | 10 years | 02-Dec-23 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO (WORDMARK) | Intellectual Property Office of the Philippines | 28-Apr-06 | 10 years | 28-Apr-26 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO ORO (WORD MARK) | Intellectual Property Office of the Philippines | 08-Jan-07 | 10 years | 08-Jan-27 | |
| Ginebra San Miguel Inc. | | Trademark - ANG BIDA, NAKA-GINEBRA! (WORDMARK) | Intellectual Property Office of the Philippines | 03-Feb-17 | 10 years | 03-Feb-27 | |
| Ginebra San Miguel Inc. | | Trademark - FRASCO | Intellectual Property Office of the Philippines | 08-Apr-10 | 10 years | 08-Apr-30 | |
| Ginebra San Miguel Inc. | | Trademark - BILOG | Intellectual Property Office of the Philippines | 26-Aug-10 | 10 years | 26-Aug-30 | |
| Ginebra San Miguel Inc. | | Trademark - FRASQUITO | Intellectual Property Office of the Philippines | 18-Feb-10 | 10 years | 18-Feb-30 | |
| Ginebra San Miguel Inc. | | Trademark - HARI | Intellectual Property Office of the Philippines | 01-Jul-10 | 10 years | 01-Jul-30 | |

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|---|---|---|---|---|---|---|---|
| Ginebra San Miguel Inc. | | Trademark - KWATRO KANTOS | Intellectual Property Office of the Philippines | 23-Dec-10 | 10 years | 23-Dec-30 | |
| Ginebra San Miguel Inc. | | Trademark - ANG BIDA, NAKA-GINEBRA!. | Intellectual Property Office of the Philippines | 24-Nov-16 | 10 years | 24-Nov-26 | |
| Ginebra San Miguel Inc. | | Trademark - LAHING GINEBRA IKAW NA (WORDMARK) | Intellectual Property Office of the Philippines | 09-Jan-14 | 10 years | 09-Jan-24 | |
| Ginebra San Miguel Inc. | | Trademark - LAHING GINEBRA IKAW NA! | Intellectual Property Office of the Philippines | 09-Jan-14 | 10 years | 09-Jan-24 | |
| Ginebra San Miguel Inc. | | Trademark - GINUMAN FEST (WORDMARK) | Intellectual Property Office of the Philippines | 22-Sep-12 | 10 years | 22-Sep-22 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL SUPER ANGELS | Intellectual Property Office of the Philippines | 27-Feb-14 | 10 years | 27-Feb-24 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL BOTTLE. | Intellectual Property Office of the Philippines | 13-Oct-53 | 10 Years | 13-Oct-23 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL BOTTLE | Intellectual Property Office of the Philippines | 13-Oct-73 | 10 Years | 13-Oct-23 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL CONTAINER | Intellectual Property Office of the Philippines | 20-May-88 | 10 years | 20-May-29 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL (GIN) 250 ML. | Intellectual Property Office of the Philippines | 23-Feb-96 | 10 years | 23-Feb-26 | |
| Ginebra San Miguel Inc. | | Trademark - VINO KULAFU (DEVICE) | Intellectual Property Office of the Philippines | 15-Jan-15 | 10 years | 15-Jan-25 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL 180 YEARS | Intellectual Property Office of the Philippines | 15-Oct-15 | 10 years | 15-Oct-25 | |
| Ginebra San Miguel Inc. | | Trademark - AVENTADOR | Intellectual Property Office of the Philippines | 30-Oct-14 | 10 years | 30-Oct-24 | |
| Ginebra San Miguel Inc. | | Trademark - BRANDY DE SAN MIGUEL (WORD MARK) | Intellectual Property Office of the Philippines | 15-Jan-15 | 10 years | 15-Jan-25 | |
| Ginebra San Miguel Inc. | | Trademark - AMBASSADOR (WORD MARK) | Intellectual Property Office of the Philippines | 15-Jan-15 | 10 years | 15-Jan-25 | |
| Ginebra San Miguel Inc. | | Trademark - PRIMERA BRANDY | Intellectual Property Office of the Philippines | 13-Aug-15 | 10 years | 13-Aug-25 | |
| Ginebra San Miguel Inc. | | Trademark - GSM ANGEL AND DEMON (LOGO) | Intellectual Property Office of the Philippines | 30-Oct-14 | 10 years | 30-Oct-24 | |
| Ginebra San Miguel Inc. | | Trademark - GANADO SA BUHAY | Intellectual Property Office of the Philippines | 04-Jun-15 | 10 years | 04-Jun-25 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO CLASICO MILD RUM 12 YEARS OLD (WORD MARK) | Intellectual Property Office of the Philippines | 08-Feb-18 | 10 Years | 08-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO MILD RUM 12 YEARS OLD (WORD MARK) | Intellectual Property Office of the Philippines | 08-Feb-18 | 10 Years | 08-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO CLASICO MEDIUM RUM 12 YEARS OLD (WORD MARK) | Intellectual Property Office of the Philippines | 08-Feb-18 | 10 Years | 08-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO CLASICO MILD RUM (WORD MARK) | Intellectual Property Office of the Philippines | 08-Feb-18 | 10 Years | 08-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO MILD RUM (WORD MARK) | Intellectual Property Office of the Philippines | 08-Feb-18 | 10 years | 08-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - DEVICE/LOGO (MAN WITH BOW AND ARROW) [FOR VINO KULAFU] | Intellectual Property Office of the Philippines | 09-Nov-17 | 10 Years | 09-Nov-27 | |
| Ginebra San Miguel Inc. | | Trademark - KAKAMPI MO SA LAKAS (WORDMARK) | Intellectual Property Office of the Philippines | 17-Dec-17 | 10 Years | 17-Dec-27 | |
| Ginebra San Miguel Inc. | | Trademark - DOSENANG LAKAS (WORDMARK) | Intellectual Property Office of the Philippines | 17-Dec-17 | 10 Years | 17-Dec-27 | |
| Ginebra San Miguel Inc. | | Trademark - BLACK WEST MEDIUM | Intellectual Property Office of the Philippines | 17-Dec-17 | 10 Years | 17-Dec-27 | |
| Ginebra San Miguel Inc. | | Trademark - PRIMERA (WORDMARK) | Intellectual Property Office of the Philippines | 23-Nov-17 | 10 years | 23-Nov-27 | |
| Ginebra San Miguel Inc. | | Trademark - PRIMERA LIGHT SUPER SMOOTH (WORDMARK) | Intellectual Property Office of the Philippines | 23-Nov-17 | 10 years | 23-Nov-27 | |
| Ginebra San Miguel Inc. | | Trademark - GANADO CLASSICS | Intellectual Property Office of the Philippines | 14-Feb-19 | 10 Years | 14-Feb-29 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL GANADO CLASSICS 3-DECADE JERSEY COLLECTION (DEVICE) | Intellectual Property Office of the Philippines | 02-Sep-18 | 10 Years | 02-Sep-28 | |
| Ginebra San Miguel Inc. | | Trademark - MASARAP MAKIHALO | Intellectual Property Office of the Philippines | 22-Feb-18 | 10 Years | 22-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - FLAVORITE NG TROPA | Intellectual Property Office of the Philippines | 15-Feb-18 | 10 Years | 15-Feb-28 | |
| Ginebra San Miguel Inc. | | Trademark - TAMANG SWABE, SWABENG TAMA | Intellectual Property Office of the Philippines | 02-Sep-18 | 10 Years | 02-Sep-28 | |
| Ginebra San Miguel Inc. | | Trademark - 1834 | Intellectual Property Office of the Philippines | 21-Jun-18 | 10 Years | 21-Jun-28 | |
| Ginebra San Miguel Inc. | | Trademark - G.S.M. BLUE LIGHT GIN | Intellectual Property Office of the Philippines | 16-Aug-18 | 10 Years | 16-Aug-28 | |
| Ginebra San Miguel Inc. | | Trademark - G.S.M. BLUE FLAVORS GIN POMELO FLAVORED SPIRIT | Intellectual Property Office of the Philippines | 04-Nov-18 | 10 Years | 04-Nov-28 | |
| Ginebra San Miguel Inc. | | Trademark - G.S.M. BLUE FLAVORS MARGARITA FLAVORED SPIRIT | Intellectual Property Office of the Philippines | 04-Nov-18 | 10 Years | 04-Nov-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA AKO (WORDMARK) [DESIGN OF PBA UNIFORM] | Intellectual Property Office of the Philippines | 15-Aug-19 | 10 Years | 15-Aug-29 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA AKO (DEVICE) [DESIGN OF PBA UNIFORM] | Intellectual Property Office of the Philippines | 15-Aug-19 | 10 years | 15-Aug-29 | |
| Ginebra San Miguel Inc. | | Trademark - FRASQUITO BOTTLE DESIGN | Intellectual Property Office of the Philippines | 21-Jul-19 | 10 years | 21-Jul-29 | |
| Ginebra San Miguel Inc. | | Trademark - FRASCO BOTTLE DESIGN | Intellectual Property Office of the Philippines | 21-Jul-19 | 10 Years | 21-Jul-29 | |
| Ginebra San Miguel Inc. | | Trademark - JJAN (WORDMARK) | Intellectual Property Office of the Philippines | 10-Feb-20 | 10 Years | 10-Feb-30 | |
| Ginebra San Miguel Inc. | | Trademark - ANGELITO | Intellectual Property Office of the Philippines | 10-Mar-06 | 20 years | 10-Mar-26 | |
| Ginebra San Miguel Inc. | | Trademark - BARANGAY GINEBRA | Intellectual Property Office of the Philippines | 30-May-03 | 10 years | 30-May-23 | |
| Ginebra San Miguel Inc. | | Trademark - BOTTLE DESIGN FOR GINEBRA SAN MIGUEL FRASCO | Intellectual Property Office of the Philippines | 18-Feb-06 | 20 years | 18-Feb-26 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | Intellectual Property Office of the Philippines | 16-Apr-04 | 20 years | 16-Apr-24 | |
| Ginebra San Miguel Inc. | | Trademark - KULAFU & REPRESENTATION OF A MAN WITH BOW & ARROW | Intellectual Property Office of the Philippines | 24-Feb-05 | 10 years | 24-Feb-25 | |
| Ginebra San Miguel Inc. | | Trademark - ORO | Intellectual Property Office of the Philippines | 21-Apr-87 | 10 years | 21-Apr-27 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA GOLD RUM | Intellectual Property Office of the Philippines | 26-Jul-02 | 20 years | 26-Jul-22 | |
| Ginebra San Miguel Inc. | | Trademark - VINO KULAFU & DEVICE IN COLOURS | Intellectual Property Office of the Philippines | 01-Jul-04 | 10 years | 01-Jul-24 | |
| Ginebra San Miguel Inc. | | Trademark - PRIMERA LIGHT (WORD MARK) | Intellectual Property Office of the Philippines | 07-Jul-16 | 10 years | 07-Jul-26 | |
| Ginebra San Miguel Inc. | | Trademark - BARANGAY GINEBRA | Intellectual Property Office of the Philippines | 09-Jul-21 | 10 years | 09-Jul-31 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA S. MIGUEL LABEL DESIGN | Intellectual Property Office of the Philippines | 09-May-21 | 10 years | 09-May-31 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL LITE | Intellectual Property Office of the Philippines | 09-Jul-21 | 10 years | 09-Jul-31 | |
| Ginebra San Miguel Inc. | | Trademark - LIGHT LANG? DAPAT SWABE RIN | Intellectual Property Office of the Philippines | 09-Jul-21 | 10 years | 09-Jul-31 | |

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|---|---|---|---|---|---|---|---|
| Ginebra San Miguel Inc. | | Trademark - TAKE THE SWABE CHALLENGE PRIMERA LIGHT BRANDY (DEVICE) | Intellectual Property Office of the Philippines | 30-Dec-21 | 10 years | 30-Dec-31 | |
| Ginebra San Miguel Inc. | | Trademark - SAN MIGUEL ETHYL ALCOHOL | Intellectual Property Office of the Philippines | 01-Jan-21 | 10 years | 01-Jan-31 | |
| Ginebra San Miguel Inc. | | Trademark - 1834 PREMIUM DISTILLED GIN | Intellectual Property Office of the Philippines | 27-Jun-21 | 10 years | 27-Jun-31 | |
| Ginebra San Miguel Inc. | | Trademark - SHOT MO NA! | Intellectual Property Office of the Philippines | 12-Mar-21 | 10 years | 12-Mar-31 | |
| Ginebra San Miguel Inc. | | Trademark - MAY SARAP NG IMPORTED, SA PRESYONG PANG BARKADA | Intellectual Property Office of the Philippines | 03-Mar-22 | 10 years | 03-Mar-32 | |
| Ginebra San Miguel Inc. | | Trademark - IBA ANG PRIMERA LIGHT BRANDY | Intellectual Property Office of the Philippines | 24-Feb-22 | 10 years | 24-Feb-32 | |
| Ginebra San Miguel Inc. | | Trademark - CELEBRATE WITH A GLASS OF WORLD CLASS (WORDMARK) | Intellectual Property Office of the Philippines | 09-Jul-21 | 10 years | 09-Jul-31 | |
| Ginebra San Miguel Inc. | | Trademark - HAVE A GLASS OF WORLD CLASS (WORDMARK) | Intellectual Property Office of the Philippines | 09-Jul-21 | 10 years | 09-Jul-31 | |
| Ginebra San Miguel Inc. | | Trademark - ONE GINEBRA NATION | Intellectual Property Office of the Philippines | 26-Sep-21 | 10 years | 26-Sep-31 | |
| Ginebra San Miguel Inc. | | Trademark - GSM PREMIUM | Intellectual Property Office of the Philippines | 27-Aug-21 | 10 years | 27-Aug-31 | |
| Ginebra San Miguel Inc. | | Trademark - GSM PREMIUM GIN | Intellectual Property Office of the Philippines | 27-Aug-21 | 10 years | 27-Aug-31 | |
| Ginebra San Miguel Inc. | | Trademark - THE PREMIUM MIX | Intellectual Property Office of the Philippines | 03-Feb-22 | 10 years | 03-Feb-32 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL SINCE 1834 G-MIX NATION ANYONE CAN MIX! | Intellectual Property Office of the Philippines | 03-Feb-22 | 10 years | 03-Feb-32 | |
| Ginebra San Miguel Inc. | | Trademark - BAGONG TAPANG (WORDMAKR) | Intellectual Property Office of the Philippines | 09-Jul-21 | 10 years | 09-Jul-31 | |
| Ginebra San Miguel Inc. | | Trademark - SA BANGO AT LASA, SARAP KASAMA | Intellectual Property Office of the Philippines | 27-Aug-21 | 10 years | 27-Aug-31 | |
| Ginebra San Miguel Inc. | | Trademark - G&T ULTRALIGHT | Intellectual Property Office of the Philippines | 14-Nov-21 | 10 years | 14-Nov-31 | |
| Ginebra San Miguel Inc. | | Trademark - DEFINE YOUR PREMIUM (WORDMARK) | Intellectual Property Office of the Philippines | 05-Feb-22 | 10 years | 05-Feb-32 | |
| Ginebra San Miguel Inc. | | Trademark - NEVER SAY DIE | Intellectual Property Office of the Philippines | 05-Feb-22 | 10 years | 05-Feb-32 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM LABEL | Singapore | 27-Mar-98 | 10 years | 27-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Singapore | 27-Mar-98 | 10 years | 27-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM AND DESIGN | Spain | 20-Mar-97 | 10 years | 23-Sep-26 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Spain | 20-Mar-97 | 10 years | 23-Sep-26 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL & LABEL DESIGN | Sri Lanka | 18-Jul-01 | 10 years | 11-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | Sri Lanka | 18-Jul-01 | 10 years | 11-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM LABEL DESIGN | Sri Lanka | 29-Aug-01 | 10 years | 11-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM | Sri Lanka | 18-Jul-01 | 10 years | 11-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM LABEL DESIGN | Sri Lanka | 18-Jul-01 | 10 years | 11-Mar-28 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO AGED 5 YEARS RUM IN CHINESE CHARACTERS | Taiwan | 01-Apr-05 | 10 years | 31-Mar-25 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RHUM DARK IN CHINESE CHARACTERS | Taiwan | 01-Apr-05 | 10 years | 31-Mar-25 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RHUM SILVER/LIGHT IN CHINESE CHARACTERS | Taiwan | 01-Apr-05 | 10 years | 31-Mar-25 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM | Taiwan | 01-Dec-97 | 10 years | 30-Nov-27 | |
| Ginebra San Miguel Inc. | | Trademark - AÑEJO RUM ORO | Taiwan | 01-Dec-97 | 10 years | 30-Nov-27 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL & DESIGN | Taiwan | 01-Apr-98 | 10 years | 15-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | Taiwan | 16-Jan-98 | 10 years | 15-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL IN CHINESE CHARACTERS | Taiwan | 16-Jun-99 | 10 years | 15-Jun-29 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM (WORDMARK) | Taiwan | 16-Sep-97 | 10 years | 15-Sep-27 | |
| Ginebra San Miguel Inc. | | Trademark - ORO PREMIUM AÑEJO RUM AND DESIGN | Taiwan | 01-Mar-98 | 10 years | 15-Sep-27 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RHUM | Taiwan | 01-Dec-97 | 10 years | 30-Nov-27 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM & DESIGN | United States of America | 27-Jan-98 | 10 years | 27-Jan-28 | |
| Ginebra San Miguel Inc. | | Trademark - GINEBRA SAN MIGUEL | United States of America | 09-Oct-01 | 10 years | 09-Oct-31 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM SILVER LIGHT LABEL | Vietnam | 14-Jun-95 | 10 years | 05-Nov-24 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM GOLD LABEL | Vietnam | 14-Jun-95 | 10 years | 05-Nov-24 | |
| Ginebra San Miguel Inc. | | Trademark - TONDEÑA MANILA RUM DARK LABEL | Vietnam | 09-Jun-95 | 10 years | 05-Nov-24 | |
| Ginebra San Miguel Inc. | | Industrial Design - BOTTLE (BILOG) | Intellectual Property Office of the Philippines | 14-Jan-19 | 5 Years | 20-Aug-23 | |
| Ginebra San Miguel Inc. | | Industrial Design - BOTTLE (FRASQUITO) | Intellectual Property Office of the Philippines | 14-Jan-19 | 5 Years | 20-Aug-23 | |
| Ginebra San Miguel Inc. | | Industrial Design - BOTTLE (FRASCO) | Intellectual Property Office of the Philippines | 14-Jan-19 | 5 Years | 20-Aug-23 | |
| Ginebra San Miguel Inc. | | Copyright - BARANGAY GINEBRA | Intellectual Property Office of the Philippines | 11-Jun-96 | Lifetime and 50 years after the death of the author | Lifetime and 50 years after the death of the author | |
| Ginebra San Miguel Inc. | | Copyright - GINEBRANG GINEBRA | Intellectual Property Office of the Philippines | 11-Jun-96 | Lifetime and 50 years after the death of the author | Lifetime and 50 years after the death of the author | |
| Ginebra San Miguel Inc. | | Copyright - KULAFU: ANG TAGA PAGTANGGOL: COMICS | Intellectual Property Office of the Philippines | 03-May-00 | Lifetime of the Author and for 50 years after death | Lifetime of the Author and for 50 years after death | |
| Ginebra San Miguel Inc. | | Copyright - KULAFU: ANG TAGAPAGTANGGOL-RADIO. DRAMA SERIES | Intellectual Property Office of the Philippines | 24-Mar-00 | 20 years from the date the broadcast took place | 20 years from the date the broadcast took place | |
| Ginebra San Miguel Inc. | | Copyright - KULAFU: ANG TAGAPAGTANGGOL : CINEMA ADVERTISING SERIES | Intellectual Property Office of the Philippines | 03-May-00 | 50 years from publication and if unpublished from the date of making of the work | 50 years from publication and if unpublished from the date of making of the work | |

# POWER BUSINESS

## LIST OF PERMITS

### I. SMCGPH

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 23-Jan-08 | N/A |
| Amended Articles of Incorporation | SEC | 15-Oct-10 | N/A |
| Certificate of Registration | BIR | 24-Jan-08 | N/A |
| Business Permit | LGU | 09-Feb-22 | 31-Dec-22 |
| Certificate of Registration as Employer | SSS | 01-Sep-11 | N/A |
| Clearance Certificate | PAGIBIG | 04-Apr-18 | N/A |

### II. SCPC

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 19-Aug-11 | N/A |
| Certificate of Compliance & Provisional Authority to Operate | ERC | 09-Mar-17 & 09-Mar-22 | 09-Mar-22 & 8-Mar-23 |
| Retail Electricity Supplier (RES) License & RES License Extension | ERC | 24-Aug-16 & 09-Mar-22 | 23-Aug-21 & 29-Sep-22 |
| Certificate of Registration - Pioneer Status | BOI | 20-Sep-13 | N/A |
| Certificate of Registration | BOI | 20-Sep-16 | N/A |
| Foreshore Lease Contract - 465k sqm | DENR | 13-Dec-17 | 12-Dec-42 |
| Environmental Compliance Certificate (ECC) Power Plant | DENR EMB | 17-Sep-13 | N/A |
| ECC Power Plant Amendment | DENR EMB | 04-May-16 | N/A |
| ECC Ash Storage Facility | DENR-EMB | 05-Feb-16 | N/A |
| Discharge Permit - Cooling Phase 1 | DENR EMB | 25-Apr-22 | 25-Apr-23 |
| Discharge Permit - Cooling Phase 2 | DENR EMB | 20-Apr-22 | 20-Apr-23 |
| Hazardous Wastes Generator ID | DENR EMB | 16-Mar-18 | N/A |
| ECC Substation & Transmission Line Project | DENR-EMB | 07-Aug-15 | N/A |
| Permit to Operate PP1 | DENR-EMB | 15-Mar-22 | 15-Mar-27 |
| Permit to Operate PP2 | DENR-EMB | 15-Mar-22 | 15-Mar-27 |
| Permit to Operate Ash Storage Facility | DENR-EMB | 15-Mar-21 | 15-Mar-26 |
| Transmission Service Agreement | NGCP | 26-May-15 | 25-May-25 |
| Metering Service Agreement | NGCP | 26-May-15 | 25-May-25 |
| Connection Agreement | NGCP | 26-May-15 | 25-May-25 |
| Water Permit for Deepwell 1, 2, 3 | NWRB | 28-Feb-18 | N/A |
| Water Permit for Seawater - Phase 1 | NWRB | 25-Aug-17 | N/A |
| DOLE Certificate of Registration (Rule 1020) | DOLE | 19-Jun-17 | N/A |
| Business Permit 2022 | LGU | 26-Jan-22 | 31-Dec-22 |
| Certificate of Non-Overlap | NCIP | 27-Aug-15 | N/A |
| Certificate of Non-Overlap Phase 2 | NCIP | 14-Dec-17 | N/A |
| Fire Inspection Certificate | BFP | 03-Nov-21 | 02-Dec-22 |
| Certificate of Registration | BIR | 19-Aug-11 | N/A |
| Certificate of Registration as Employer | SSS | 15-Jun-16 | N/A |
| Certificate of Employer's Registration | PAGIBIG | 19-Jul-16 | N/A |

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|---|---|---|---|
| Certificate of Registration - Permit to Operate & PTO Renewal Receipt | PPA | 15-Mar-17 & 04-Mar-22 | 14-Mar-22 (for renewal) |
| Various Permits to Operate | DOLE | Renewed. Awaiting issuance. | |

**III. MPPCL**

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| SEC Articles of Partnership | SEC | 25-Jun-07 | 2057 |
| Provisional Authority to Operate Unit 1, 2, 3 and Emergency Diesel Engine Gen Unit | ERC | 10-Jan-22 | 11-Jan-23 |
| Certificate of Compliance (COC) BESS & Certification on COC Renewal BESS | ERC | 15-May-17 & 02-May-22 | 14-May-22 (renewed) |
| Retail Electricity Supplier's (RES) License & RES License Extension | ERC | 02-Aug-16 & 09-Mar-22 | 1-Aug-2017 29-Sep-22 |
| Certificate of Registration for Unit 1 & 2 | BOI | 03-Mar-08 | N/A |
| Certificate of Registration for Unit 3 | BOI | 12-Oct-12 | N/A |
| Certificate of Registration for Unit 4 | BOI | 23-Feb-21 | N/A |
| Certificate of Registration for Unit 5 | BOI | 23-Feb-21 | N/A |
| Certificate of Registration for BESS I | BOI | 15-Jan-16 | N/A |
| Certificate of Registration for BESS II | BOI | 01-Oct-20 | N/A |
| Special Use Agreement in Protected Areas (SAPA) Original | DENR | 23-Mar-10 | 22-Mar-35 |
| Amended SAPA | DENR | 13-May-14 | 22-Mar-35 |
| Permit to Operate Unit 1&2 | DENR | 21-Dec-20 | 21-Dec-25 |
| Permit to Operate Unit 3 | DENR | 02-Nov-21 | 02-Nov-26 |
| Power Plant Environmental Compliance Certificate | DENR-EMB | 13-Apr-21 | N/A |
| BESS Original Environmental Compliance Certificate | DENR-EMB | 05-Oct-15 | N/A |
| BESS ECC Amendment | DENR-EMB | 07-Oct-19 | N/A |
| Wastewater Discharge Permit Cooling Water Unit 1 &2 | DENR-EMB | 06-Dec-21 | 6-Dec-22 |
| Wastewater Discharge Permit (Wastewater Treatment Facility) Unit 1&2 | DENR-EMB | 21-Apr-22 | 21-Mar-23 |
| Wastewater Discharge Permit (Wastewater Treatment Facility) Unit 3 | DENR-EMB | 06-Aug-21 | 6-Aug-22 |
| Wastewater Discharge Permit (Employee Housing Facility) | DENR-EMB | 04-May-22 | 4-May-23 |
| Waste Generator Registration Certificate | DENR-EMB | 03-Jan-17 | N/A |
| CCO Registration Certificate (Lead) | DENR-EMB | 01-Oct-14 | N/A |
| CCO Registration Certificate (Mercury) | DENR-EMB | 06-Nov-14 | N/A |
| Surface Level Helipad Permit to Operate | CAAP | 17-Jun-19 | N/A |
| Certificate of Registration - Permit to Operate | PPA | 21-Feb-19 | 21-Feb-24 |
| Transmission Service Agreement | NGCP | 26-Oct-16 | 25-Oct-26 |
| Metering Service Agreement | NGCP | 26-Oct-16 | 25-Oct-26 |
| Connection Agreement | NGCP | 26-Oct-16 | 25-Oct-26 |
| Water Permit | NWRB | 25-Aug-17 | N/A |
| Water Permit (Deepwell) | NWRB | 14-Apr-98 | N/A |
| Water Permit (Deepwell) | NWRB | 14-Apr-98 | N/A |
| Water Permit (Lauis River) | NWRB | 10-Feb-98 | N/A |
| Water Permit (Oyon Bay) | NWRB | 25-May-09 | N/A |

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|---|---|---|---|
| Business Permit | LGU | 20-Jan-22 | 31-Dec-22 |
| Fire Safety Inspection Certificate | BFP | 19-Jan-21 | 7-Sep-22 |
| Certificate of Registration | BIR | 25-Jun-07 | N/A |
| Various Permits to Operate | DOLE | Renewed. Awaiting issuance. | |

## IV. SMCPC

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 26-Aug-11 | N/A |
| Amended Articles of Incorporation | SEC | 04-Aug-17 | N/A |
| Certificate of Compliance & Provisional Authority to Operate | ERC | 5-Oct-16 & 5-Oct-21 | 04-Oct-21 & 04-Oct-22 |
| Certificate of Registration | BOI | 24-Jun-13 | N/A |
| Certificate of Non-Overlap | NCIP | 17-Oct-16 | N/A |
| Foreshore Lease Contract | DENR | 3-Oct-18 | 03-Oct-28 |
| Miscellaneous Lease Contract | DENR | 3-Oct-18 | 03-Oct-28 |
| Permit to Operate Air Pollution Control Device | DENR | 12-Dec-19 | 19-Oct-24 |
| Environmental Compliance Certificate | DENR-EMB | 17-Jun-13 | N/A |
| Wastewater Discharge Permit (2019-2024) | DENR-EMB | 4-Nov-19 | 19-Oct-24 |
| NWRB Permit - Surface Water (River) 2015 & 2014 | NWRB | 20-Aug-14 | N/A |
| PTO COR of Jetty/Pier (PPA) | PPA - Davao | 26-Oct-17 | 31-Dec-26 |
| Transmission Service Agreement | NGCP | 26-Jun-15 | 25-Jun-25 |
| Metering Service Agreement | NGCP | 26-Jun-15 | 25-Jun-25 |
| Connection Agreement | NGCP | 26-Jul-15 | 25-Jul-25 |
| SMCPC Environmental Certificate | MENRO | 26-Jan-21 | 31-Dec-22 |
| Business Permit | LGU | 20-Jan-22 | 31-Dec-22 |
| Mayors Permit | LGU | 20-Jan-21 | 31-Dec-22 |
| Sanitary Permit to Operate | LGU | 20-Jan-22 | 31-Dec-22 |
| Certificate of Employer's Registration | PAGIBIG | 1-Apr-16 | N/A |
| Certificate of Registration | BIR | 26-Aug-11 | N/A |
| Employer Registration | SSS | 19-Feb-16 | N/A |
| Various Permits to Operate | DOLE | Renewed. Ongoing processing. | |

## V. SPPC

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 23-Oct-03 | N/A |
| Cert. of Filing of Amended Art. Of Incorporation | SEC | 24-Mar-10 | N/A |
| Certificate of Registration | BIR | 28-Oct-03 | N/A |
| Business Permit | LGU | 27-Jan-22 | 31-Dec-22 |

## VI. SMEC

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 30-May-03 | N/A |
| Certificate of Registration | BIR | 18-Jul-03 | N/A |
| Business Permit (Pasig) | LGU | 9-Feb-22 | 31-Dec-22 |
| Business Permit (Sual) | LGU | 20-Jan-22 | 30-Jun-22 |

Power Business

## VII. UPSI

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 18-Aug-21 | N/A |
| Provisional Authority to Operate (PAO) - Malita BESS | ERC | 28-Jan-22 | 27-Jan-23 |
| PAO - Toledo BESS | ERC | 28-Jan-22 | 27-Jan-23 |
| PAO - Ubay BESS | ERC | 04-May-22 | 03-May-23 |
| PAO - Maco BESS | ERC | 04-May-22 | 03-May-23 |
| PAO - Bataan BESS | ERC | 04-May-22 | 03-May-23 |
| PAO - San Manuel BESS | ERC | 05-May-22 | 04-May-23 |
| PAO - Lamao BESS | ERC | 05-May-22 | 04-May-23 |
| Amended ECC - San Manuel R-HUB | DENR-EMB | 25-Oct-20 | N/A |
| ECC - Gamu R-HUB | DENR-EMB | 09-Mar-20 | N/A |
| ECC - Magapit R-HUB | DENR-EMB | 09-Oct-19 | N/A |
| ECC - Limay R-HUB (Lamao) | DENR-EMB | 26-Sep-19 | N/A |
| ECC - Limay 2 R-HUB (BCCPP) | DENR-EMB | 15-May-20 | N/A |
| ECC - Concepcion R-HUB | DENR-EMB | 30-Jan-20 | N/A |
| ECC - Mexico R-HUB | DENR-EMB | 03-Mar-20 | N/A |
| ECC - Mexico 2 R-HUB | DENR-EMB | 20-Oct-21 | N/A |
| ECC - Lumban R-HUB | DENR-EMB | 27-May-20 | N/A |
| ECC - Lumban 2 R-HUB | DENR-EMB | 18-Feb-21 | N/A |
| ECC - M. Parang R-HUB | DENR-EMB | 07-Sep-21 | N/A |
| ECC - Daraga R-HUB | DENR-EMB | 07-Jul-21 | N/A |
| ECC - Navotas R-HUB | DENR-EMB | 04-Mar-20 | N/A |
| ECC - Dingle R-HUB | DENR-EMB | 22-Mar-22 | N/A |
| Amended ECC - Ubay R-HUB | DENR-EMB | 27-Mar-20 | N/A |
| ECC - Toledo R-HUB | DENR-EMB | 28-Sep-20 | N/A |
| ECC - Tabango R-HUB | DENR-EMB | 06-Nov-19 | N/A |
| ECC - Ormoc R-HUB | DENR-EMB | 03-Jul-20 | N/A |
| ECC - Jasaan R-HUB | DENR-EMB | 17-Jun-20 | N/A |
| ECC - Villanueva R-HUB | DENR-EMB | 07-Mar-20 | N/A |
| ECC - Malita R-HUB | DENR-EMB | 15-Aug-19 | N/A |
| ECC - Maco R-HUB | DENR-EMB | 27-Aug-19 | N/A |
| ECC - Tagum R-HUB | DENR-EMB | 19-Jan-21 | N/A |
| Certificate of Registration – Calbayog R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Subic R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Gumaca R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Bolo R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Bayombong R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Bacnotan R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Calamba R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Tagum R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Tuguegarao R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Lobo R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Naga R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Angat R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – San Jose R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – La Trinidad R-HUB | BOI | 9-Mar-21 | N/A |
| Certificate of Registration – Pagbilao R-HUB | BOI | 17-Apr-20 | N/A |

| | | | |
|---|---|---|---|
| Certificate of Registration – Placer R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – General Santos R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Cabanatuan R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Sual R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Urdaneta R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Mexico R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Labrador R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – San Carlos R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Bauang R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Mactan R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Laoag R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Navotas R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Jasaan R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Dasmarinas R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Maramag R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Ubay R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Ilijan R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Hermosa R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Mahabang Parang R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Limay R-HUB | BOI | 17-Apr-20 | N/A |
| Certificate of Registration – Tabango R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Ormoc R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – San Manuel R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Tagoloan R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Nabas R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Concepcion R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Lumban 1 R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Toledo 1 R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Dingle R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Maco R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Malita R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Gamu R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Magapit R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Lamao R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – San Rafael 1 R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Samboan R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Compostela R-HUB | BOI | 29-Nov-19 | N/A |
| Certificate of Registration – Daraga R-HUB | BOI | 29-Nov-19 | N/A |

## VIII. MPGC

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 22-Jan-15 | N/A |
| Certificate of Registration | AFAB | 13-Dec-2021 | N/A |

## IX. EERI

| Name of Permit / License | Issuing Agency | Issue Date | Expiry Date |
|---|---|---|---|
| Certificate of Incorporation | SEC | 26-Jan-19 | N/A |
| Certificate of Registration | BOI | 23-Feb-21 | N/A |
| Certificate of Registration | BOI | 23-Feb-21 | N/A |

**PETRON CORPORATION**
Material Permits and Licenses

# FUEL BUSINESS

| | Name of Permit / License | Particulars | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| 1 | Certificate of Incorporation, Amended Articles of Incorporation dated July 6, 2015 and Amended By-laws | Registration No. 31131 | Securities and Exchange Commission | December 22, 1966 | Perpetual | N/A |
| 2 | Business permits of Petron and its Philippine operating subsidiaries — New Ventures Realty Corporation ("NVRC") and Petron Freeport Corporation ("PFC") | | | | | |
| 2.a | Petron Mayor's Permit | Mayor's Permit No. 22-02078 | City of Mandaluyong | January 17, 2022 | 1 year | December 31, 2022 |
| 2.b | Petron Certificate of Registration | TIN 000168801000 | Bureau of Internal Revenue | January 1, 1996 | Perpetual | N/A |
| 2.c | NVRC Mayor's Permit | Mayor's Permit No. 22-03275 | City of Mandaluyong | January 25, 2022 | 1 year | December 31, 2022 |
| 2.d | NVRC Certificate of Registration | TIN 004735414000 | Bureau of Internal Revenue | January 1, 1997 | Perpetual | N/A |
| 2.e | PFC Certificate of Registration and Tax Exemption | Certificate No. 2003-0073 | Subic Bay Metropolitan Authority | December 20, 2021 | 3 years | December 19, 2024 |
| 2.f | PFC Certificate of Registration | TIN 22798527600000 | Bureau of Internal Revenue | December 2, 2003 | Perpetual | N/A |
| 3 | Import and Export Certificate of Registration | | | | | |
| 3.a | Petron HOC Certificate of Registration | CCN:IM0003112039 | Bureau of Customs | April 12, 2022 | 1 year | April 12, 2023 |
| 3.b | Petron AFAB Export Certificate of Registration | EX0001062913 | Bureau of Customs | March 8, 2022 | 1 year | March 8, 2023 |
| 3.c | Petron AFAB Import Certificate of Registration | IM0009074716 | Bureau of Customs | March 1, 2022 | 1 year | March 1, 2023 |
| 4 | Permit to discharge and shipside permits* | | | | | |
| 4.a | Discharge Permit* | N/A | Bureau of Customs | August 18, 2022 | N/A | N/A |
| 4.b | Shipside Permit* | N/A | Bureau of Customs | August 23, 2022 | N/A | N/A |
| 5 | Certificate of Accreditation as Importer | CCN: IM0O03112039 | Bureau of Customs | April 12, 2022 | 1 year | April 12, 2023 |
| 6 | Permit to Produce Biofuel- Blended Gasoline (E-10 / E-Gasoline)* | ELTRD(P)-028-12-21-37632 | Bureau of Internal Revenue | December 3, 2021 | 1 year | December 31, 2022 |
| 7 | Authority to Release Imported Goods* | Control No. ELTRDOIL188127 | Bureau of Internal Revenue | April 12, 2021 | N/A | N/A |
| 8 | Permit to Export* | ELTFOD-P-014-08-22-00135 | Bureau of Internal Revenue | August 12, 2022 | N/A | N/A |

| | Name of Permit / License | Particulars | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| 9 | BOC Authority to Load and Export Declaration* | | | | | |
| 9.a | BOC Authority to Load* | Invoice No. MST 2022-08-14 Export Clearance No. P16-22-003441 | Bureau of Customs | August 23, 2022 | Shipment dates | Shipment dates |
| 9.b | BOC Export Declaration* | 2022 / 120AX220823001 | Bureau of Customs | August 23, 2022 | Shipment dates | Shipment dates |
| 10 | Import Notice * | PPI (LPG) 2022-08-0360 | Department of Energy | August 22, 2022 | 20 days from unloading | 20 days from unloading |
| 11 | BIR and DOE denaturing request for bioethanol * | | | | | |
| 11.a | BIR denaturing request for bioethanol* | N/A | Bureau of Internal Revenue | September 2, 2022 | N/A | N/A |
| 11.b | DOE denaturing request for bioethanol* | N/A | Department of Energy | September 2, 2022 | N/A | N/A |
| 12 | BIR permit to transport bioethanol* | N/A | Bureau of Internal Revenue | September 2, 2022 | Shipment dates | Shipment dates |
| 13 | BIR permit to buy local ethanol * | N/A | Bureau of Internal Revenue | August 26, 2022 | Shipment dates | Shipment dates |
| 14 | Environmental Compliance Certificate | | | | | |
| 14.a | Bacolod Terminal ECC | ECC-0607-0516-135-120 | Department of Environment and Natural Resources – Energy Management Bureau (DENR-EMB) | May 16, 2007 | N/A | N/A |
| 14.b | Bacong Terminal ECC | ECC-R07-2105-0008 | DENR-EMB | July 5, 2021 | N/A | N/A |
| 14.c | Batangas Terminal ECC | ECC-R4A-1402-0115 | DENR-EMB | August 13, 2018 | N/A | N/A |
| 14.d | Bawing Terminal ECC | ECC-OL-R12-2019-0267 | DENR-EMB | May 6, 2022 | N/A | N/A |
| 14.e | Caticlan Aviation ECC Facility | ECC-OL-R06-2020-0118 | DENR-EMB | April 15, 2020 | N/A | N/A |
| 14.f | Davao Terminal ECC | ECC-OL-R11-2019-039 | DENR-EMB | September 3, 2019 | N/A | N/A |
| 14.g | Gasul Legazpi ECC | ECC-R05-2104-0005 | DENR-EMB | April 28, 2021 | N/A | N/A |
| 14.h | Gasul San Fernando ECC | R03-1105-0249 | DENR-EMB | September 5, 2017 | N/A | N/A |
| 14.i | Iligan Terminal ECC | ECC-R10-1006-0133 | DENR-EMB | December 3, 2012 | N/A | N/A |
| 14.j | Iloilo ITP Facility ECC | ECC-OL-R06-2020-0132 | DENR-EMB | May 7, 2020 | N/A | N/A |
| 14.k | Iloilo Terminal ECC | ECC-0607-0516-136-120A | DENR-EMB | November 19, 2012 | N/A | N/A |

| | Name of Permit / License | Particulars | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| 14.l | Jimenez Terminal ECC | 96ECC-LPG/FP1042-1087 | DENR-EMB | June 21, 2016 | N/A | N/A |
| 14.m | JOCASP Terminal ECC | ECC-NCR-1101-0008 | DENR-EMB | August 7, 2017 | N/A | N/A |
| 14.n | Laoag ITP Facility ECC | ECC-OL-R01-2020-0057 | DENR-EMB | March 16, 2020 | N/A | N/A |
| 14.o | Limay Terminal ECC | R03-1111-0550 | DENR-EMB | August 3, 2018 | N/A | N/A |
| 14.p | Mactan Aviation Terminal ECC | ECC-R07-0807-0257-104 | DENR-EMB | March 22, 2018 | N/A | N/A |
| 14.q | Mandaue Terminal ECC | ECC-R07 0902 0063 104 | DENR-EMB | December 18, 2018 | N/A | N/A |
| 14.q | Nasipit Terminal ECC | ECC-OL-R13-2020-0113 | DENR-EMB | May 21, 2020 | N/A | N/A |
| 14.s | Navotas Terminal ECC | ECC-NCR-1206-0224 | DENR-EMB | December 19, 2014 | N/A | N/A |
| 14.t | NLOBP Terminal ECC | ECC-NCR-1609-0061 | DENR-EMB | October 3, 2016 | N/A | N/A |
| 14.u | Ormoc Terminal ECC | ECC-R8-0803-029-6280 | DENR-EMB | May 7, 2008 | N/A | N/A |
| 14.v | Palawan Terminal ECC | ECC-R4B-1804-0005 | DENR-EMB | February 11, 2019 | N/A | N/A |
| 14.w | Pandacan Manufacturing ECC | ECC-LLDA-2005-209-3540 | Laguna Lake Development Authority (LLDA | October 18, 2005 | N/A | N/A |
| 14.x | Pandacan Manufacturing ECC | NCR2004-09-30-545-219-LOBP | DENR-EMB | September 30, 2004 | N/A | N/A |
| 14.y | Panglao ITP Facility ECC | CNC-OL-R07-2020-03-00277 | DENR-EMB | March 3, 2020 | N/A | N/A |
| 14.z | Pasacao Terminal ECC | ECC-OL-R05-2022-0102 | DENR-EMB | April 8, 2022 | N/A | N/A |
| 14.aa | Petron Bataan Refinery ECC | ECC-CO-2202-0007 | DENR-EMB | June 9, 2022 | N/A | N/A |
| 14.ab | Poro Terminal ECC | 95-LU-R1-001 | DENR-EMB | January 9, 2019 | N/A | N/A |
| 14.ac | Propylene Transfer Line Project | ECC-OL-R03-2022-0389 | DENR-EMB | July 28, 2022 | N/A | N/A |
| 14.ad | Rosario Terminal ECC | ECC-R4A-1301-0028 | DENR-EMB | June 26, 2013 | N/A | N/A |
| 14.ae | Roxas Terminal ECC | ECC-0604-1117-777-120 | DENR-EMB | December 20, 2019 | N/A | N/A |
| 14.af | SL Pan Asia ECC | ECC-OL-R03-2019-0311 | DENR-EMB | July 5, 2019 | N/A | N/A |
| 14.ag | Subic PFC – Fuel Additives Blending Plant ECC | ECC-OL-R03-2022-0061 | DENR-EMB | January 26, 2022 | N/A | N/A |
| 14.ah | Tacloban Terminal ECC | ECC-OL-R08-2019-0137 | DENR-EMB | August 1, 2019 | N/A | N/A |
| 14.ai | Tagoloan Terminal ECC | 95-ECC-STF/ODE-1043-852 | DENR-EMB | December 22, 2020 | N/A | N/A |
| 14.aj | Zamboanga Terminal ECC | A-2017-017-ZC | DENR-EMB | August 1, 2017 | N/A | N/A |

| | Name of Permit / License | Particulars | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|---|
| 15 | Foreshore lease agreements (FLA) or proof of payment of occupational fees for pending applications for foreshore lease agreements) of Petron and NVRC | | | | | |
| 15.a | Petron Lease in Brgy. San Antonio, Aparri, Cagayan | FLA | DENR | September 21, 1998 | 25 years | September 20, 2023 |
| 15.b | Petron Lease in Brgy. Punta, Aparri, Cagayan | FLA | DENR | September 21, 1998 | 25 years | September 20, 2023 |
| 15.c | Petron Lease in Brgy. Buntis, Bacong Negros Oriental | FLA | DENR | June 11, 2018 | 25 years | June 10, 2043 |
| 15.d | Petron Lease in Brgy. Sasa, Davao City | Provisional Permit No. 112402 (XI-DC) 21 | DENR | October 6, 2022 | 1 year | October 5, 2023 (with application for long-term lease) |
| 15.e | NVRC Lease in Brgy. Alangan, Limay Bataan | FLA | DENR | December 23, 2009 | 25 years | December 22, 2034 |
| 15.f | NVRC Lease in Brgy. Banago, Bacolod City | FLA | DENR | August 22, 2006 | 25 years | August 21, 2031 |
| 15.g | NVRC Lease in Brgy. Looc, Mandaue City Cebu | FLA | Mandaue LGU | February 16, 2007 | 25 years | February 15, 2032 |
| 15.h | NVRC Lease in Brgy. Linao, Ormoc Leyte | FLA | DENR | February 18, 2011 | 25 years | February 17, 2036 |
| 15.i | NVRC Lease in Brgy. Tominobo, Iligan City | FLA | DENR | December 13, 2005 | 25 years | December 12, 2030 |
| 15.j | NVRC Lease in Brgy. Casinglot, Tagoloan | FLA | PHIVIDEC | February 20, 2009 | 25 years | February 19, 2034 |
| 15.k | NVRC Lease in Brgy. Baliwasan, Zamboanga City | FLA | DENR | July 1, 2005 | 25 years | June 30, 2030 |
| 15.l | Petron Lease in Brgy. Wawa, Rosario, Cavite | Provisional Permit No. 042117-2021-002 | DENR | May 11, 2022 | 1 year | May 10, 2023 (with application for long- term lease) |
| 16 | Certificate of Compliance for the Refinery Solid Fuel-Fired Boiler Power Plant | COC No. 18-03-M-00300L | Energy Regulatory Commission | March 15, 2018 | 5 years | May 5, 2023 |
| 17 | Authority of the Freeport Area of Bataan (AFAB) Certificate of Registration issued in favor of Petron and NVRC | | | | | |
| 17.a | Petron AFAB Certificate of Registration | No. 2022-060 | AFAB | December 29, 2021 | 1 year | December 31, 2022 |
| 17.b | NVRC FAB Expansion Area Certificate | No. 2020-04 | AFAB | December 28, 2020 | Valid until revoked | Valid until revoked |

*Note: *Obtained on per shipment / transaction basis.*

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

# INFRASTRUCTURE BUSINESS

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| San Miguel Holdings Corp. | Certificate of Incorporation ("COI") | Securities and Exchange Commission ("SEC") | 18 December 2000 | n/a | n/a |
| | Latest Certificate of Filing of Amended Articles of Incorporation ("AOI") | SEC | 26 April 2022 | n/a | n/a |
| | Mayor's Permit | Office of the Mayor, Mandaluyong City | 13 January 2022 | Year 2022 | 31 December 2022 |
| | Certificate of Registration | Bureau of Internal Revenue ("BIR") | 04 January 2001 | n/a | n/a |
| | Certificate of Registration | Social Security System ("SSS") | 01 January 2005 | n/a | n/a |
| SMC SLEX Inc. (formerly: South Luzon Tollway Corporation) | COI | SEC | 26 July 2000 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | 22 February 2021 | n/a | n/a |
| | Business Permit - Alabang North Exit | City of Muntinlupa | January 31, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Susana Heights North/South Exit | City of Muntinlupa | January 31, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Filinvest North/South Exit | City of Muntinlupa | January 31, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Sta Rosa North/South Exit and ABI-Greenfield North/South Exit | City of Santa Rosa, Laguna | February 02, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Cabuyao North/South Exit | City of Cabuyao, Laguna | January 31, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Mamplasan North/South Exit | City of Binan, Laguna | February 7, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Southwoods North/South Exit | City of Binan, Laguna | February 7, 20212 | Year 2022 | December 31, 2022 |
| | Business Permit - Carmona North/South Exit | Municipality of Carmona | January 20, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - San Pedro South Exit | City of San Pedro, Laguna | February 2, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Calamba | City of Calamba, Laguna | February 10, 2022 | Year 2022 | December 31, 2022 |

***SMC Infrastructure Group***
***List of Material Permits and Licenses***

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Business Permit - Ayala Greenfield TR-3 Exit | City of Calamba, Laguna | February 10, 2022 | Year 2022 | December 31, 2022 |
| | Business Permit - Mandaluyong | City of Mandaluyong | February 23, 2022 | Year 2022 | December 31, 2022 |
| | Environmental Compliance Certificate (“ECC”) | Department of Environment and Natural Resources (“DENR”) - Environmental Management Bureau | January 29, 1999 | n/a | n/a |
| | ECC – Phase II TR4 | DENR | September 3, 2019 | n/a | n/a |
| | Toll Operations Permit (“TOP”) for Toll Roads 1 and 2 | Toll Regulatory Board (“TRB”) | April 8, 2010 | until end of concession period | |
| | Permit to Operate 2018-POA-0434-953 San Pedro | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-946 Southwoods NB & SB | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-955 Carmona Exit | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0421-2018 Carmona SB | Department of Environment & Natural Resources – Region 4A | MAY 25, 2018 | 5 YEARS | FEBRUARY 23, 2023 |
| | Permit to Operate 2018-POA-0421-2019 Carmona NB | Department of Environment & Natural Resources – Region 4A | MAY 25, 2018 | 5 YEARS | FEBRUARY 23, 2023 |
| | Permit to Operate 2018-POA-0434-949 Mamplasan NB & SB | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-950 Sta. Rosa NB & SB | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-947 Eton NB & SB | Department of Environment & | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | | Natural Resources – Region 4A | | | |
| | Permit to Operate 2018-POA-0434-951 Cabuyao NB & SB | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-948 Silangan NB & SB | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-954 Calamba Alpha & Bravo | Department of Environment & Natural Resources – Region 4A | MAY 24, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-952 Ayala Green Field NB & SB | Department of Environment & Natural Resources – Region 4A | MAY 25, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate 2018-POA-0434-1006 Operation Control Center | Department of Environment & Natural Resources – Region 4A | JUNE 11, 2018 | 5 YEARS | APRIL 28, 2023 |
| | Permit to Operate PTO-OL-R4A-2020-02542-R Operation Control Center | Department of Environment & Natural Resources – Region 4A | NOVEMBER 25, 2020 | 5 YEARS | NOVEMBER 25, 2025 |
| | Permit to Operate Additional 2020-POA-0434-1006 Operation Control Center | Department of Environment & Natural Resources – Region 4A | MARCH 10 ,2020 | 5 YEARS | APRIL 30, 2025 |
| | Permit to Operate 18-POA-C-137603-270 Filinvest | Department of Environment & Natural Resources - NCR | APRIL 12, 2019 | 4 YEARS | MARCH 02, 2023 |
| | Permit to Operate 18-POA-C-137603-267 Filinvest | Department of Environment & Natural Resources - NCR | APRIL 12, 2019 | 4 YEARS | MARCH 02, 2023 |
| | Permit to Operate 18-POA-C-137603-271 Alabang Filinvest SB Entry | Department of Environment & Natural Resources - NCR | APRIL 12, 2019 | 4 YEARS | MARCH 02, 2023 |
| | Permit to Operate 18-POA-C-137603-272 Susana Heights | Department of Environment & Natural Resources - NCR | APRIL 12, 2019 | 4 YEARS | MARCH 02, 2023 |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Permit to Operate<br>18-POA-C-137603-269<br>Alabang SB | Department of Environment & Natural Resources - NCR | APRIL 02, 2018 | 4 YEARS | MARCH 02, 2022 (ONGOING RENEWAL) |
| | Permit to Operate<br>18-POA-C-137603-268<br>Alabang NB | Department of Environment & Natural Resources - NCR | APRIL 03, 2018 | JULY 02, 2018 (ONGOING RENEWAL DUE TO NOV) | JULY 02, 2018 (ONGOING RENEWAL DUE TO NOV) |
| | Water Permit No. 24139<br>Eton SB | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24140<br>Eton NB | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24141<br>Cabuyao SB | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24142<br>Cabuyao NB | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24135<br>Silangan SB | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24138<br>Silangan NB | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24136<br>Calamba | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24133<br>Ayala Greenfieild | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24137<br>Operation Control Center | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Water Permit No. 24134<br>Carmona | National Water Resources Board (NWRB) | APRIL 25, 2017 | N/A | N/A |
| | Discharge Permit<br>DP (R) – 19a – 2021 – 02394 | Laguna Lake Development Authority | JULY 13, 2022 | 1 YEAR | MAY 17, 2023 |
| Manila Toll Expressways Systems Inc. | Certificate of Incorporation | SEC | 13 January 2006 | N/A | N/A |
| | Latest Certificate of Filing of Amended AOI | SEC | 25 August 2011 | N/A | N/A |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Toll Operations Certificate ("TOC") | TRB | November 27, 2009 | until end of concession period | |
| | Business Permit | City Treasury – Calamba | JANUARY 20, 2022 | 1 YEAR | DECEMBER 31, 2022 |
| | DPO Registration NPC Registration No. PIC-000-059-2019 | National Privacy Commission | March 8, 2022 | 1 YEAR | March 8, 2024 |
| | License to Own and Possess Firearms | PNP-CSG-FEO | AUGUST 31, 2021 | 1 YEAR | SEPTEMBER 3, 2023 |
| | Firearms License | PNP-CSG-FEO | FEBRUARY 24, 2020 | 1 YEAR | FEBRUARY 24, 2024 |
| | Firearms Long Regular Registration | PNP-CSG-FEO | | | Safekeeping was transferred to PNP-CSG-FEO |
| | Company Security Force License to Operate | PNP-Supervisory Office for Security & Invs. Agencies | JULY 7 2021 | 2 YEARS | MARCH 31 2023 |
| | Calibration Certificate (Speed Gun) | Department of Science and Technology | March 25, 2022 | 1 YEAR | March 25, 2023 |
| | Chainsaw Certificate of Registration 10202021-26-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | OCT. 20, 2021 | 2 YEARS | OCT. 20, 2023 |
| | Chainsaw Certificate of Registration 10202021-31-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | OCT. 20, 2021 | 2 YEARS | OCT. 20, 2023 |
| | Chainsaw Certificate of Registration 10202021-27-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | OCT. 20, 2021 | 2 YEARS | OCT. 20, 2023 |
| | Chainsaw Certificate of Registration 10202021-25-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | OCT. 20, 2021 | 2 YEARS | OCT. 20, 2023 |
| | Chainsaw Certificate of Registration 10202021-30-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | OCT. 20, 2021 | 2 YEARS | OCT. 20, 2023 |
| | Chainsaw Certificate of Registration 10202021-28-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | OCT. 20, 2021 | 2 YEARS | OCT. 20, 2023 |

***SMC Infrastructure Group***
***List of Material Permits and Licenses***

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Chainsaw Certificate of Registration 08222017-15-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | NOVEMBER 12, 2021 | 2 YEARS | NOVEMBER 12, 2023 |
| | Chainsaw Certificate of Registration 07102018-20-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | JUNE 16, 2018 | 5 YEARS | JUNE 16, 2023 |
| | Chainsaw Certificate of Registration 07102018-21-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | JUNE 16, 2018 | 5 YEARS | JUNE 16, 2023 |
| | Chainsaw Certificate of Registration 07102018-22-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | JUNE 16, 2018 | 5 YEARS | JUNE 16, 2023 |
| | Chainsaw Certificate of Registration 11072018-30-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | NOV. 08, 2018 | 5 YEARS | NOV. 08, 2023 |
| | Chainsaw Certificate of Registration 11072018-31-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | NOV. 08, 2018 | 5 YEARS | NOV. 08, 2023 |
| | Chainsaw Certificate of Registration 11072018-32-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | NOV. 08, 2018 | 5 YEARS | NOV. 08, 2023 |
| | Chainsaw Certificate of Registration 12042020-24-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | DEC. 09, 2020 | 5 YEARS | DEC. 09, 2025 |
| | Chainsaw Certificate of Registration 12042020-25-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | DEC. 09, 2020 | 5 YEARS | DEC. 09, 2025 |
| | Chainsaw Certificate of Registration 11072018-28-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | DEC. 09, 2020 | 5 YEARS | DEC. 09, 2025 |
| | Chainsaw Certificate of Registration 11072018-29-LB-RENEWAL | Department of Environment & Natural Resources – PENRO Laguna | DEC. 09, 2020 | 5 YEARS | DEC. 09, 2025 |
| | Chainsaw Certificate of Registration 05142021-14-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | MAY 14, 2021 | 2 YEARS | MAY 14, 2023 |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Chainsaw Certificate of Registration 05142021-13-LB-NEW | Department of Environment & Natural Resources – PENRO Laguna | MAY 14, 2021 | 2 YEARS | MAY 14, 2023 |
| | Hazardous Waste Generators ID OL-GR-R4A-34-000965 | Department of Environment & Natural Resources – Region 4A | JUNE 12, 2020 | N/A | N/A |
| | Registration of Establishment | Department of Labor and Employment (DOLE) – R4A | FEB. 12, 2015 | N/A | N/A |
| | Pollution Control Officer Accreditation No. 2020-9816 | Department of Environment & Natural Resources – Region 4A | JANUARY 25, 2021 | 3 YEARS | JANUARY 25, 2024 |
| | Pollution Control Officer Accreditation No. 2020-NCR-7850-PCOA-OPS | Department of Environment & Natural Resources – NCR | DECEMBER 28, 2020 | 3 YEARS | DECEMBER 28, 2023 |
| | Pollution Control Officer Accreditation No. 2017-00822 | Laguna Lake Development Authority | OCTOBER 09, 2017 | N/A | N/A |
| SMC Skyway Corporation (formerly: Citra Metro Manila Tollways Corporation) | COI | SEC | 27 November 1995 | N/A | N/A |
| | Latest Certificate of Filing of Amended AOI | SEC | 22 February 2021 | N/A | N/A |
| | Final Operation Certificate covering the Integrated Stages 1 and 2 of the South Metro Manila Skyway | TRB | 04/25/2011 | until end of concession period | |
| | Business Permit | City of Mandaluyong | 01/26/2022 | Year 2022 | 12/31/2022 |
| | Business Permit | City Government of Paranaque | 01/27/2022 | Year 2022 | 12/31/2022 |
| | Business Permit | City Government of Muntinlupa | 01/26/2021 | Year 2022 | 12/31/2022 |
| | Business Permit | City of Pasay | 01/27/2022 | Year 2022 | 12/31/2022 |
| | Business Permit | City of Taguig | 01/30/2022 | Year 2022 | 12/31/2022 |
| | Radio Station License | National Telecommunication Commission | 12/14/202 | Year 2021 | 11/26/2022 (On going renewal) |
| | Network Radio Station License | National Telecommunication Commission | 09/07/2021 | Year 2022 | 09/06/2022 (On going renewal) |
| | ECC | DENR | not indicated | | N/A |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| Skyway O & M Corporation | COI | SEC | 13 December 2007 | N/A | N/A |
| | DPO Registration | National Privacy Commission | 23 May 2023 | 1 YEAR | 08 March 2023 |
| | Business Permit - TOLL OPERATIONS COMPLEX | Parañaque City | 8 JANUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - DR. A. SANTOS | Parañaque City | 8 JANUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - SUCAT SOUTHBOUND EXIT | Parañaque City | 8JANUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - DOÑA SOLEDAD | Parañaque City | 8 JANUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - BICUTAN NORTH BOUND EXIT | Parañaque City | 8 JANUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - BUNYE SOUTH EXIT | Muntinlupa City | 3 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - SKYWAY MAIN TOLL PLAZA A& B | Muntinlupa City | 3 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - ALABANG SOUTH EXIT | Muntinlupa City | 3 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - FILINVEST EXIT | Muntinlupa City | 3 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - SUCAT NORTHBOUND EXIT | Muntinlupa City | 3 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - C-5 | Taguig City | 15 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - NICHOLS A & B | Pasay City | 4 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - NAIA SALES | Pasay City | 04 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | Business Permit - MERVILLE SOUTH | Pasay City | 04 FEBRUARY 2022 | Year 2022 | 31 DECEMBER 2022 |
| | License to Own and Possess Firearms | PNP-CSG-FEO | APRIL 27 2021 | 2 YEARS | APRIL 27 2023 |
| | Firearms License | PNP-CSG-FEO | APRIL 27 2021 | 2 YEARS | APRIL 27 2023 |
| | Firearms Long Regular Registration – Pistol | PNP-CSG-FEO | SEPT. 9, 2019 | 4 YEARS | SEPT. 9, 2023 |
| | Firearms Long Regular Registration - Shotgun | PNP-CSG-FEO | MAY 19, 2021 | 2 YEARS | MAY 19, 2023 |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Company Security Force License to Operate | PNP-CSG | AUGUST 11, 2022 | 2 YEARS | FEBRUARY 24, 2024 |
| | Calibration Certificate (Speed Gun) | DOST | MARCH 25, 2022 | 1 YEAR | MARCH 25, 2023 |
| | GENSET 18-POA-C-137603-048 Alabang SBX Toll Plaza | DENR | 12 APRIL 2018 | 5 YEARS | 12 MARCH 2023 |
| | GENSET PTO-OL-NCR-2021-10254-R Bunye Toll Plaza | DENR | 7 DEC 2021 | 5 YEARS | 17 DEC 2016 |
| | GENSET PTO-OL-NCR-2021-05803 Bicutan NBE Toll Plaza | DENR | 29 JULY 2021 | 5 YEARS | 29 JULY 2026 |
| | GENSET PTO-OL-NCR-2021-05858 Bicutan NBX Toll Plaza | DENR | 31 JULY 2021 | 5 YEARS | 31 JULY 2026 |
| | GENSET 18-POA-B-137604-095 Bicutan SBE Toll Plaza | DENR | 12 APRIL 2018 | 5 YEARS | 12 MARCH 2023 |
| | GENSET 18-POA-B-137604-079 Bicutan SBX Toll Plaza | DENR | 12 APRIL 2018 | 5 YEARS | 12 FEB. 2023 |
| | GENSET PTO-OL-NCR-2022-03044-R C5 Entry Toll Plaza | DENR | 17 MAY 2022 | 5 YEARS | 16 MAY 2027 |
| | GENSET 18-POA-H-137607-054 C-5 Exit Toll Plaza | DENR | 01 OCT 2018 | 5 YEARS | 11 AUG 2023 |
| | GENSET PTO-OL-NCR-2021-10254-R D. Soledad Toll Plaza | DENR | 7 DEC 2021 | 5 YEARS | 7 DEC 2026 |
| | GENSET PTO-OL-NCR-2021-10254-R Dr. A. Santos Toll plaza | DENR | 7 DEC 2021 | 5 YEARS | 7 DEC 2026 |
| | GENSET 18-POA-B-137605-026 Merville Toll Plaza | DENR | 12 APRIL 2018 | 5 YEARS | 12 FEB. 2023 |
| | GENSET PTO-OL-NCR-2022-03049-R Nichols Charlie Toll plaza | DENR | 17 MAY 2022 | 5 YEARS | 16 MAY 2027 |
| | GENSET PTO-OL-NCR-2022-03079-R Nichols Delta Toll plaza | DENR | 17 MAY 2022 | 5 YEARS | 16 MAY 2022 |
| | GENSET 18-POA-B-137605-018 | DENR | 12 APRIL 2018 | 5 YEARS | 12 FEB. 2023 |

***SMC Infrastructure Group***
***List of Material Permits and Licenses***

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Nichols A Toll Plaza | | | | |
| | GENSET 18-POA-B-137605-018 Nichols B Toll Plaza | DENR | 12 APRIL 2018 | 5 YEARS | 12 FEB. 2023 |
| | GENSET PTO-OL-NCR-2021-05852 Sky A Toll Plaza | DENR | JULY 31, 2021 | 5 YEARS | JULY 31, 2026 |
| | GENSET PTO-OL-NCR-2021-09120 Sky B Toll Plaza | DENR | 01 NOV. 2021 | 5 YEARS | 01 NOV. 2026 |
| | GENSET 18-POA-E-137603-067 Sucat NBE Toll Plaza | DENR | 09 JUNE 2020 | 3 YEARS | 11 MAY 2023 |
| | GENSET PTO-OL-NCR-2021-05659 Sucat NBX Toll Plaza | DENR | 26 JULY 2021 | 5 YEARS | 26 JULY 2026 |
| | GENSET PTO-OL-NCR-2021-10254-R Sucat SBE Toll Plaza | DENR | 1 DEC 2021 | 5 YEARS | 6 DEC 2026 |
| | GENSET 18-POA-I-137604-097 Sucat SBX Toll Plaza | DENR | 09 OCT. 2018 | 5 YEARS | 11 SEPT. 2023 |
| | GENSET 19-POA-D-137607-422 Runway | DENR | 09 JUNE 2020 | 5 YEARS | 21 SEPT. 2024 |
| | GENSET 19-POA-H-137504-066(Am) TOB | DENR | 21 OCT. 2019 | 5 YEARS | 13 AUG. 2024 |
| | GENSET PTO-OL-NCR-2021-03459-TR TOC MESD | DENR | 26 MAY 2021 | 1 YEAR | 26 MAY 2022 |
| | GENSET PTO-OL-NCR-2022-01316-R NAIAX Phase II | DENR | 18 FEB 2022 | 5 YEARS | 18 FEB 2027 |
| | Wastewater 18-DP-J-137604-109 TOB Discharge Permit | DENR | AUGUST 2, 2018 | | 13 OCT. 2019 (RENEWAL SUBMITTED IN-PROCESS WITH EMB) |
| | OL-GR-NCR-76-007137 Hazwaste ID | DENR | 31 MAY 2021 | N/A | N/A |
| SMC NAIAX Corporation (formerly: Vertex Tollways Devt. Inc.) | COI | SEC | 31 May 2013 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | 2 March 2021 | n/a | n/a |
| | Business Permit | Mandaluyong City | 08 February 2022 | Year 2022 | 31 December 2022 |
| | Business Permit | Paranaque City | 12 February 2022 | Year 2022 | 31 December 2022 |

***SMC Infrastructure Group***
***List of Material Permits and Licenses***

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Business Permit | Pasig City | 9 June 2022 | Year 2022 | 31 December 2022 |
| | Business Permit - Charlie Ramp Toll Plaza | Pasay City | 8 February 2022 | Year 2022 | 31 December 2022 |
| | Business Permit - Delta Ramp 1 Toll Plaza | Pasay City | 8 February 2022 | Year 2022 | 31 December 2022 |
| | Business Permit - Echo Ramp Toll Plaza | Pasay City | 8 February 2022 | Year 2022 | 31 December 2022 |
| | Business Permit - Main Alpha Toll Plaza | Pasay City | 8 February 2022 | Year 2022 | 31 December 2022 |
| | Business Permit - Main Bravo Toll Plaza | Pasay City | 8 February 2022 | Year 2022 | 31 December 2022 |
| | Business Permit - Ramp 9 Toll Plaza | Pasay City | 8 February 2022 | Year 2022 | 31 December 2022 |
| | ECC for Entertainment City | DENR | 15 September 1999 | n/a | n/a |
| | ECC for Manila International Airport Access Improvement Project | DENR | 26 June 2002 | n/a | n/a |
| | Amended ECC for NAIAX Phase II | DENR | 8 May 2014; amended on 27 May 2022 | n/a | n/a |
| | Notice to Proceed with construction of Tramo Ramp | DPWH | 16 May 2022 | n/a | n/a |
| | TOP for Phase 2A | TRB | 9 September 2016 | until end of concession period | |
| | TOP for Phase 2B | TRB | 19 December 2016 | until end of concession period | |
| SMC Skyway Stage 3 Corporation (formerly: Citra Central Expressway Corp.) | COI | SEC | 16 November 2012 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | 02 March 2021 | n/a | n/a |
| | Business Permit | Office of the Mayor, Mandaluyong City | 01 April 2022 | Year 2022 | 31 December 2022 |
| | ECC | DENR | 23 July 2012 (with amendments | n/a | n/a |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | | | on 21 March 2018 and 22 June 2021) | | |
| | TOP | TRB | 1 July 2021 | until end of concession period | |
| Central Metro Manila Skyway Corporation | COI | SEC | 16 November 2012 | n/a | n/a |
| | 2022 Business Permit | Paranaque City | 26 April 2022 | Year 2022 | 31 December 2022 |
| | TOP | TRB | 1 July 2021 | until end of concession period | |
| SMC Skyway Stage 4 Corporation (formerly: Citra Intercity Tollways, Inc.) | COI | SEC | 17 February 2014 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | 23 March 2021 | n/a | n/a |
| | Business Permit | Office of the Mayor, Mandaluyong City | 21 February 2022 | Year 2022 | 31 December 2022 |
| | ECC for Phase 1, Segments 1-3 | DENR | 20 February 2012 | n/a | n/a |
| | ECC for Phase 1, Segments 4-5 | DENR | 05 March 2014 | n/a | n/a |
| | Notice to Proceed with construction of Phase 1 | TRB | 27 June 2016 | n/a | n/a |
| SMC TPLEX Corporation (formerly: Private Infra Dev Corp.) | COI | SEC | 03 October 2007 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | 16 May 2022 | n/a | n/a |
| | TOP for Segments 1 & 2 of Section 1 | TRB | 30 October 2013 | until end of concession period | |
| | TOP for Segment 3 of Section 1 | TRB | 20 December 2013 | until end of concession period | |
| | TOP for Segments 4 & 5 of Section 1 | TRB | 15 April 2015 | until end of concession period | |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | TOP for Section 2 | TRB | 16 February 2015 | until end of concession period | |
| | TOP for Segment 7, Section 3A-1 | TRB | 27 June 2016 | until end of concession period | |
| | TOP for Binalonan to Pozorrubio Section 3 | TRB | 29 November 2017 | until end of concession period | |
| | TOP for Segment 8, Section 3B from Pozorrubio, Pangasinan to Rosario, La Union | TRB | 06 August 2020 | until end of concession period | |
| | Mayor's Permit | Office of the Mayor of the City of Pasig | 31 January 2022 | 1 year | 31 December 2022 |
| | Mayor's Permit | Office of the Mayor of the City of Mandaluyong | 22 January 2021 | 1 year | 31 December 2022 |
| Star Infrastructure Development Corp. | COI | SEC | 14 November 1997 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | 23 April 2008 | n/a | n/a |
| | TOC covering the entire STAR (i.e., Stage 1 and Stage 2, Phase 1) | TRB | 11 May 2010 | until end of concession period | 31 December 2035 |
| | Mayor's Permit and Business License | Office of the Municipal Mayor of Ibaan | 17 February 2022 | 1 year | 31 December 2022 |
| | Mayor's Permit and Business License | Office of the City Mayor of Lipa (Bulacnin) | 21 February 2022 | 1 year | 31 December 2022 |
| | Mayor's Permit | Office of the Municipal Mayor of Malvar | 17 February 2022 | 1 year | 31 December 2022 |
| | Mayor's Permit | Office of the City Mayor of Lipa (Tambo) | 28 February 2022 | 1 year | 31 December 2022 |

***SMC Infrastructure Group***
***List of Material Permits and Licenses***

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Mayor's Permit – 1st and 2nd quarter | Office of the City Mayor of Tanauan | 15 March 2022 | 6 months | 30 June 2022 |
| | Mayor's Permit – 3rd and 4th quarter | Office of the City Mayor of Tanauan | 20 May 2022 | 6 months | 31 December 2022 |
| | Business Permit | Office of the City Mayor of Calamba | 08 February 2021 | 1 year | 31 December 2022 |
| | Business Tax 2021 – 1st to 2nd quarter | Office of the City Mayor of Batangas City | 14 February 2022 | 6 months | 30 June 2022 |
| | Business Tax 2021 – 3rd to 4th quarter | Office of the City Mayor of Batangas City | 14 February 2022 | 6 months | 31 December 2022 |
| Star Tollway Corp. | COI | SEC | 27 February 2001 | n/a | n/a |
| | Amended Articles of Incorporation | SEC | October 14, 2011 | n/a | n/a |
| | Business License and Mayor's Permit | Office of the Mayor of the City of Lipa | 02 March 2021 17 February 2022 | 1 Year | 31 December 2022 |
| Manila North Harbour Port Inc. | COI | SEC | 05 November 2009 | n/a | n/a |
| | Certificate of Approval of Increase of Capital Stock | SEC | 18 February 2015 | n/a | n/a |
| | Certificate of Registration | BIR | 24 November 2009 | n/a | n/a |
| | Business Permit | City of Manila | 20 January 2022 | Year 2022 | 31 December 2022 |
| | ECC | Department of Environment and Natural Resources – Environmental Management Bureau ("DENR-EMB") | 17 May 2012 | n/a | n/a |
| | Hazardous Waste Generator Registration Certificate | DENR-EMB | 14 February 2021 | n/a | n/a |
| | Permit to Operate (Air Pollution Source Installations) | DENR-EMB | 21 May 2022 | n/a | 21 May 2027 |

***SMC Infrastructure Group***
***List of Material Permits and Licenses***

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Discharge Permit | LLDA | 13 July 2022 | | 05 July 2023 |
| | Statement of Compliance of a Port Facility | DOTr-OTS | 27 May 2019 | | 26 May 2024 |
| SMC Mass Rail Transit 7 Inc. | COI | SEC | 18 March 2016 | n/a | n/a |
| | Certificate of Approval of Increase of Capital Stock | SEC | 29 January 2019 | n/a | n/a |
| | Certificate of Registration | BIR | 12 April 2016 | n/a | n/a |
| | Business Permit | City of Mandaluyong | 06 January 2022 | Year 2021 | 31 December 2022 |
| | Business Permit | Quezon City | 05 April 2022 | | 05 April 2023 |
| Trans Aire Development Holdings Corp. | COI | SEC | February 9, 2005 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | April 26, 2016 | n/a | n/a |
| | Mayor's Permit | LGU Mandaluyong | 14 March 2022 | Year 2022 | 31 December 2022 |
| | Mayor's Permit (as Operator) | LGU Malay, Aklan | 31 March 2022 | Year 2022 | 31 December 2022 |
| | Business Permit | LGU Nabas, Aklan | 23 February 2022 | Year 2022 | 31 December 2022 |
| | Mayor's Permit (as Lessor) | LGU Malay, Aklan | 31 March 2022 | Year 2022 | 31 December 2022 |
| | Environmental Compliance Certificate | DENR | July 21, 2006 | n/a | n/a |
| | Water Discharge Permit | DENR | August 23, 2021 | | October 23, 2022 |
| | Permit to Operate Air Pollution Source & Control Installation | DENR | September 22, 2017 | | October 23, 2023 |
| | Temporary Aerodrome Certificate | CAAP | May 31, 2022 | Six (6) Months | November 30, 2022 |
| San Miguel Aerocity Inc. | COI | SEC | July 23, 2018 | | |
| | Latest Certificate of Filing of Amended AOI | SEC | June 17, 2022 | | |
| | Business Permit | City of Mandaluyong | January 2022 | Year 2022 | December 31, 2022 |
| | Business Permit | City of Pasig | January 2022 | Year 2022 | December 31, 2022 |
| | ECC | DENR | June 01, 2021 | n/a | n/a |
| | Access Channel Permit | LGU | May 25, 2021 | n/a | n/a |
| | Clearance to Develop Private Port | PPA | February 11, 2022 | n/a | n/a |

***SMC Infrastructure Group***
***List of Material Permits and Licenses***

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Approval for (temporary) river closure and river dredging permit | NWRB/DPWH | March 29, 2022 | n/a | n/a |
| | Ground Preparation Permit | LGU | December 29, 2021 | n/a | n/a |
| | Demolition Permit | LGU | December 27, 2021 | n/a | n/a |
| | Notice to Commence | DOTr | September 18, 2019 | n/a | n/a |
| Luzon Clean Water Development Corporation | COI | SEC | 17 December 2015 | n/a | n/a |
| | AOI | SEC | 13 August 2018 | n/a | n/a |
| | ECC - Water Treatment Plant (Stages 1&2) | DENR-EMB Region III | 31 May 2016 | n/a | n/a |
| | ECC - Water Treatment Plant (Stage 3A-1) | DENR-EMB Region III | 21 February 2022 | n/a | n/a |
| | ECC - Pipeline Conveyance Facility (Stage 1 & 2) | DENR-EMB Region III | 15 July 2016 | n/a | n/a |
| | ECC - Pipeline Conveyance Facility(Stage 3A-2) | DENR-EMB Region III | 21 February 2022 | n/a | n/a |
| | Conditional Water Permit | DENR - National Water Resources Board | 23 June 2021 | 7 months | 30 September 2022 (for extension to another 6 months) |
| | Certificate of Occupancy | City of San Jose del Monte, Bulacan – DPTWC | 20 November 2018 | n/a | n/a |
| | Business Permit | City of San Jose del Monte, Bulacan – Business Permit and Licensing Office | 28 January 2022 | Year 2022 | 31 December 2022 |
| | Sanitary Permit | City of San Jose del Monte, Bulacan – City Health Office | 28 January 2022 | Year 2022 | 31 December 2022 |
| | Barangay Business Clearance | City of San Jose del Monte, Bulacan – Barangay San Manuel | 28 January 2022 | Year 2022 | 31 December 2022 |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Environmental Inspection Clearance | City of San Jose del Monte, Bulacan – CENRO | 28 January 2022 | Year 2022 | 31 December 2022 |
| | Fire Safety Inspection Certificate | BFP RO3 - City of San Jose del Monte, Bulacan | 16 March 2022 | 1 Year | 20 March 2023 |
| | Fire Safety Clearance (Storage of Flammable & Combustible Liquids) | BFP RO3 - City of San Jose del Monte, Bulacan | 07 July 2022 | 1 Year | 07 July 2023 |
| | Controlled Chemicals Purchaser's License | PNP Camp Crame | 26 October 2021 | 1 Year | 26 October 2022 |
| | Permit to Purchase and Move Controlled Chemicals | PNP Camp Crame | 01 December 2021 | 1 Year | 01 December 2022 |
| | Wastewater Discharge Permit (Renewal) | DENR-EMB Region III | 30 March 2022 | 1 year | 20 March 2023 |
| | Permit to Operate Air Pollution Source and Control Installations (Renewal) | DENR-EMB Region III | 13 July 2020 | 5 years | 13 April 2025 |
| | Operational Permit – Water Supply Source | DOH RO3 - CLCHD | 31 January 2019 | n/a | n/a |
| | Certificate of Contestability | ERC | 03 September 2021 | n/a | n/a |
| | Certificate of Compliance – Diesel Generator, 6MW | ERC | 11 February 2019 | 5 Years | 10 February 2024 |
| | Hazardous Waste Generator's I.D | DENR-EMB Region III | 17 April 2021 | n/a | n/a |
| | Chemical Control Order Registration Certificate (Chromium, Arsenic, Lead, Potassium Chromate) | DENR Central Office | 16 May 2022 | n/a | n/a |
| Pasig River Expressway Corporation | COI | SEC | 10 January 2020 | n/a | n/a |
| | Latest Certificate of Filing of Amended AOI | SEC | 27 July 2021 | n/a | n/a |
| | Business Permit | Office of the Mayor, Mandaluyong City | 08 March 2022 | Year 2022 | 31 December 2022 |
| South Luzon Toll Road-5 Expressway, Inc. | COI | SEC | 10 April 2019 | n/a | n/a |
| | Business Permit | City of Mandaluyong | 14 March 2022 | Year 2022 | 31 December 2022 |

*SMC Infrastructure Group*
*List of Material Permits and Licenses*

| Name of Company | Name of Permit/ License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | Certificate of Registration | BIR | 10 April 2019 | n/a | n/a |
| SMC Northern Access Link Expressway Corp. | COI | SEC | 18 September 2020 | n/a | n/a |
| | Business Permit | City of Mandaluyong | 01 March 2022 | Year 2022 | 31 December 2022 |
| | Certificate of Registration | BIR | 02 October 2020 | n/a | n/a |
| SMC Southern Access Link Expressway Corp. | COI | SEC | 18 September 2020 | n/a | n/a |
| | AOI | SEC | 18 September 2020 | n/a | n/a |
| | Business Permit | City of Mandaluyong | 10 March 2022 | Year 2022 | 31 December 2022 |
| | Certificate of Registration | BIR | 02 October 2020 | n/a | n/a |

# PACKAGING BUSINESS

**SAN MIGUEL YAMAMURA PACKAGING CORPORATION**

| Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date | PLANT |
|---|---|---|---|---|---|
| Sanitary Permit | City Health Mandaue City | 02/11/2021 | Yearly | 02/11/2022 | 212 |
| Permit to Operate APSCI | DENR | ongoing renewal | | | 313 |
| Permit to Operate APSCI | DENR | ongoing renewal | | 08/08/2022 | 313 |
| Permit to Operate APSCI (Temporary) | DENR | | | 18/03/2023 | 313 |
| License to Handle Controlled Precursors and Essential Chemicals -P5 | Philippine Drug Enforcement Agency | 24/05/2022 | Yearly | 14/06/2023 | 371 |
| Certificate of Registration | Bureau of Customs | 18/08/2022 | 12 months | 18/08/2023 | 360 |
| Pressure Vessel Permits | OBO Mandaue City | 07/03/2022 | Yearly | 04/02/2023 | 212 |
| Certificate of Public Conveniene (Prevously Provisional Authority) | Land Transportation of Franchising and regulatory Board | 10/08/2021 | 5 Years | 09/08/2026 | 150 |
| Alcoholic Tolling Permit | Bureau of Internal Revenue (Per Product) | 01/01/2022 | Annually | 31/12/2022 | 362 |
| Sweetened Beverage Tolling Permit | Bureau of Internal Revenue (Per Product) | 01/01/2022 | Annually | 31/12/2022 | 362 |
| Certificate of Inspection: Airconditioning and Refrigerati | | | | | 211 |
| Certificate of Non-Coverage | | | | | 211 |
| Certificate of Operation - Unfired Pressure Vessel | | | | | 232 |
| Certificate of Registration Rule 1020 | | | | | 211 |
| Internal Combustion Engine | | | | | 211 |
| Permit for Unfired Pressure Vessels | | | | | 211 |
| Storage Permit for Flammables and Combustibles | | | | | 211 |
| Trademark Application for Rightshield mask | | | | | 371 |
| Barangay Clearance | BARANGAY | 01/01/2022 | 12 months | 31/12/2022 | |
| Fire Safety Inspection Permit | BARANGAY/ MUNICIPAL | | | | 150 |
| Locational Clearance Amendment, LC 2013-373 | BARANGAY/ MUNICIPAL | | | | 150 |
| Sanitary/ Plumbing Permit | BARANGAY/ MUNICIPAL | | | | 150 |
| SMYPC BOI Registration as Expanding Producer of Glass Containers | Board of Investment | Feb. 14, 2018 | 3 years of ITH entitlement + 5 years holding period | Feb. 14, 2026 | |
| SMYPC BOI Registration as Expanding Producer of Injection Plastic Caps | Board of Investment | Dec. 7, 2018 | 3 years of ITH entitlement + 5 years holding period | Dec. 7, 2026 | |
| SMYPC BOI Registration as New Producer of Plastics Products such as but not limited to Crates and Poultry Flooring | Board of Investment | Jun. 19, 2019 | 4 years of ITH entitlement + 5 years holding period | Jun. 19, 2028 | |
| Fire Safety Inspection Certificate | Bureau of Fire Protection | 24/03/2022 | 12 months | 24/03/2023 | |
| BIR Tax-Free Ruling on the Merger between San Miguel Yamamura Packaging Corporation and San Miguel Yamamura Asia Corporation | Bureau of Internal Revenue of BIR Ruling No. S40M-426-2021 | November 15, 2021 | | | |
| 2022 QMS ISO 2001 2015 | Bureau Veritas Certification Holding SAS | 17-Nov-19 | | 15/11/2022 | 371 |
| 2024 FSSC ISO 22000 SMYPC | Bureau Veritas Certification Holding SAS | 28-11-2017 | | 27-05-2024 | 371 |
| Certification from City Environment and Natural Resources Office (CENRO) | CENRO Mandaue City | Nov. 18, 2021 | Yearly | Nov. 17, 2022 | 212 |
| CCO Registry (ACL Paints) | DENR | | | N/A | 313 |
| CCO-Importation (ACL Paints) | DENR | | | 05/01/2023 | 313 |
| Certificate of Non-Coverage, CNC-R4A-2018-09-01922 | DENR | | | | 150 |
| Certificate of Treatment (COT) | DENR | | | | 251 |
| Discharge Permit | DENR | | | 11/03/2023 | 313 |
| Environmental Compliance Certificate (ECC) / Certificate of Non-Coverage (CNC) | DENR | | | | 251 |
| Environmental Compliance Certificate (ECC) or Certificate of Non Coverage (CNC) | DENR | | | | |
| Environmental Compliance CertificateECC-R4A-1709-033 | DENR | | | N/A | 313 |
| Environmental Compliance Certificate, ECC-OL-R4A-202 | DENR | | | | 150 |
| Hazardous Waste Generator Registration Certificate | DENR | | One-time issuance | | 232 |
| Hazardous Waste Generator's ID | DENR | | | | 251 |
| Hazardous Waste ID | DENR | | | | 150 |
| PCL Clearance (Selenium) | DENR | | | 03/01/2023 | 313 |
| Permit to Operate | DENR | | | | 211 |
| Permit to Operate - Air Pollution Source and Control Inst | DENR | | Every 5 years | | 232 |
| Permit to Operation Air Pollution Source & Control Installation (APSCI) | DENR | | | | 251 |
| Permit to Transport (PTT) | DENR | | | | 251 |

| | | | | | |
|---|---|---|---|---|---|
| Permit to Transport Hazardous Wastes | DENR | | Every 6 months (depending on the volume of hazardous wastes generated) | | 232 |
| DENR PCL Permit | DENR - EMB | | | | 371 |
| DENR PTO Renewal for APSI | DENR - EMB | 19-Jul-22 | | 19/07/2027 | 371 |
| PTT of J201 PTT-22-37504 | DENR - EMB | 16-Jun-22 | 6 Months | 15/12/2022 | 371 |
| SQI permit of CUFLEX 401 - CM | DENR - EMB | 29-Jun-22 | 12 Months | 28/06/2023 | 371 |
| SQI Permit of Cuflex 402 | DENR - EMB | 16-Jun-22 | 12 Months | 15/06/2023 | 371 |
| SQI permit of FUMETROL 21 LF2 | DENR - EMB | 23-Jun-22 | 12 Months | 22/06/2023 | 371 |
| SQI permit of HEEF 25 AS - CM | DENR - EMB | 29-Jun-22 | 12 Months | 28/06/2023 | 371 |
| Chemical Control Order (POTASSIUM DICHROMATE) | DENR-EMB | 26/05/2022 | One time Issuance | One time Issuance | 212 |
| Environmental Compliance Certificate | DENR-EMB | 13/10/2019 | One time Issuance | One time Issuance | 212 |
| On-Line Registration of Hazardous Waste ID | DENR-EMB | 08/10/2020 | One time Issuance | One time Issuance | 212 |
| PCO Accreditation Certificate | DENR-EMB | 18/02/2020 | 3 years validity | 18/02/2023 | 212 |
| Permit to Operate APSE | DENR-EMB | On-going renewal | 5 years validity | On-going renewal | 212 |
| Business Registration | DOLE | | | | |
| Certificate of Electrical Inspection | DOLE | | | | |
| COR (Rule 120) | DOLE | 07/02/2020 | N/A | N/A | |
| DOLE Electrical Permit | DOLE | | | | 150 |
| Electrical Inspection Certificate | DOLE | | | | 251 |
| Permit to Operate (Pressure Vessel) | DOLE | | | | 150 |
| Permit to Operate: Pressurize Vessel | DOLE | | | | 251 |
| Safety Officer Requirement (2 SO3 and 1 SO2) | DOLE | | | N/A | 313 |
| Safety Seal | DOLE | | | | 251 |
| FDA / LICENSE TO OPERATE Rightshield mask | FDA | | | 23/06/2023 | 371 |
| License to Operate | Food and Drug Administration | 11/05/2021 | 5 years validity | 11/05/2026 | |
| 2022 HALAL CERTIFICATE | Islamic Da'wah Council of the Philippines, Inc. | 28/12/2021 | | 27/12/2022 | 371 |
| Environmental Clearance | LGU - City Environment and Natural Resources (CENRO) | | Annually | | 232 |
| Discharge Permit | LLDA | | | | 150 |
| LLDA Clearance | LLDA | | | | |
| LLDA Clearance, PC-19a-2021-0165 | LLDA | | | | 150 |
| LLDA Discharge Permit | LLDA | | | | |
| Mayor's Business Permit (External Warehouse Permit) | Mandaue City Treasurers Office - Business Tax Division | | | | 212 |
| Building Permit | MUNICIPAL | | | 29/12/2022 | 313 |
| Building Permit, 1013-0542 | MUNICIPAL | | | | 150 |
| Certification from City Environment and Natural Resources Office (CENRO) Annual Inspection and Monitoring of Environmental Compliance and Requirements for Industry and Factory/Manufacturing Sector | MUNICIPAL | | | - | 313 |
| Electrical Permit | MUNICIPAL | | | | 150 |
| Occupancy Permit | MUNICIPAL | | | one time | 313 |
| BIR | MUNICIPAL/ CITY | | | | 251 |
| Business Permit/ Mayor's Permit | MUNICIPAL/ CITY | | | | 251 |
| CENRO | MUNICIPAL/ CITY | | | | 251 |
| Insurance | MUNICIPAL/ CITY | | | | 251 |
| Locational Clearance Amendment | MUNICIPAL/ CITY | | | N/A | 313 |
| Mayor's Business Permit | MUNICIPAL/ CITY | 01/01/2022 | 12 months | 31/12/2022 | |
| Mechanical & Electrical Permit | MUNICIPAL/ CITY | | | | 232 |
| Mechanical Permit | MUNICIPAL/ CITY | | | | 211 |
| Mechanical Permit | MUNICIPAL/ CITY | | | | 150 |
| Office of the Building Official Certificate of Operation: Machineries & Airconditioning | MUNICIPAL/ CITY | | | | 251 |
| Real Property Tax | MUNICIPAL/ CITY | 01/01/2022 | 12 months | 31/12/2022 | |
| Water permit | NWRB | | | | |
| Water permit (CWP No. 09-22-21- 066 ) | NWRB | | | 16/12/2023 | 313 |
| Water permit # 15129 | NWRB | | | | 150 |
| Water permit # 3522 | NWRB | | | | 150 |
| Water permit (14734) | NWRB | | | 05/05/2023 | 313 |
| Water permit (16740) | NWRB | | | 05/05/2023 | 313 |
| Water permit (2665) | NWRB | | | 05/05/2023 | 313 |
| Certificate of Annual Inspection/Occupancy Permit | OBO Mandaue City | Oct. 28, 2021 | Yearly | Oct. 28, 2022 | 212 |
| Certificate of Annual Inspection | Office of the Building Official - Mandaue City | 03/08/2021 | 12 MONTHS | | |
| Certificate of Occupancy | Office of the Building Official - Mandaue City | 15/10/2019 | | | |

| | | | | | |
|---|---|---|---|---|---|
| License to handle controlled Precursors and Essentials Chemicals. i.e. Hydrochloric and Sulfuric Acid | PDEA | | | | |
| License to handle controlled Precursors ans Essentials Chemicals. i.e. Hydrochloric and Sulfuric Acid | PDEA | | | 22/10/2022 | 313 |
| Controlled PDEA Chemical Monitoring Report (Niter) | PNP-CSG | 11/01/2021 | Yearly | | |
| Radiation Safety Officer (RSO) Accreditation Certificate | PNRI | | | | |
| Radioactive Material License | PNRI | | | | |
| BEE Certificate of Compliance | PRC | | | | 150 |
| BME Certificate of Compliance | PRC | | | | 150 |
| Certificate of Compliance (PME requirement) | PRC | | | | |
| Certificate of Filing of the Articles of and Plan of Merger between San Miguel Yamamura Packaging Corporation and San Miguel Yamamura Asia Corporation | Securities and Exchange Commission | February 24, 2020 | | | |
| Certificate of Incorporation issued by the SEC, together with the latest Certificate of Filing of Amended Articles of Incorporation of San Miguel Yamamura Packaging Corporation dated February 24, 2020 | Securities and Exchange Commission | August 29, 2002 | | | |

**WINE BROTHERS PHILIPPINES CORPORATION**

| Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|
| | | | | |
| Certificate of Registration | Bureau of Internal Revenue | 01/01/2022 | 12 months (Annual Reg. Fee) | 31/12/2022 |
| Certificate of Incorporation issued by the SEC, together with the latest Certificate of Filing of Amended Articles of Incorporation of Wine Brothers Philippines Corporation | Securities and Exchange Commission | July 12, 2018 | | |
| Certificate of Product Registration<br>WOOMERA PREMIUM CABERNET SAUVIGNON 2018 14.9% ALC./VOL. | Food and Drug Administration | September 6, 2021 | | September 6, 2023 |
| Certificate of Product Registration<br>WOOMERA SWEET RED WINE - 8.3% ALC./VOL. | Food and Drug Administration | August 27, 2021 | | September 20, 2026 |
| Certificate of Product Registration<br>WOOMERA WHITE MOSCATO, 8.1% ALC./VOL. | Food and Drug Administration | September 21, 2021 | | December 3, 2026 |
| Certificate of Product Registration<br>WOOMERA ROSE WINE 12.5% ALC/VOL. | Food and Drug Administration | November 4, 2020 | | November 23, 2025 |
| Certificate of Product Registration<br>WOOMERA SAUVIGNON BLANC WINE, 13.1% ALC./VOL | Food and Drug Administration | November 4, 2020 | | November 23, 2025 |
| Certificate of Product Registration<br>WOOMERA CABERNET MERLOT WINE, 13.5% ALC./VOL | Food and Drug Administration | November 4, 2020 | | November 23, 2025 |
| License to Operate as Food Importer | Food and Drug Administration | | | August 7, 2025 |
| Barangay Clearance | BARANGAY | 01/01/2022 | 12 months | 31/12/2022 |
| Mayor's Business Permit | MUNICIPAL/ CITY | 01/01/2022 | 12 months | 31/12/2022 |

**SMC YAMAMURA FUSO MOLDS CORPORATION**

| Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|
| | | | | |
| Fire Safety Inspection Certificate | City of General Trias | 03-Mar-22 | 12 MONTHS | 02-Mar-23 |
| Business Permit | City of General Trias | Jan-22 | 2021 | Dec-22 |
| Certificate of Incorporation issued by the SEC, together with the latest Certificate of Filing of Amended Articles of Incorporation of SMC Yamamura Fuso Molds Corporation dated December 05, 2019 | Securities and Exchange Commission | February 6, 1995 | | |
| SYFMC BOI Registration as New Producer of Molds for Glass | Board of Investment | Dec. 3, 2019 | 6 years of ITH entitlement + 5 years holding period | Dec. 3, 2030 |
| Certificate of Registration (2303) | BIR | Sept 08, 1994 | | |
| Water permit | NWRB | Jun-21 | Annually | |
| Hazardous Waste ID | DENR | May 9, 2021 | | Until superceded |
| Environmental Compliance Certificate (ECC) or Certificate of Non Coverage (CNC) | DENR | Issued last March 23, 1994/ Issued last August 28, 2002/ Issued last June 8, 2011 / Issued last October 17, 2018 | | Until superceded |
| PCO Accreditation Certificate | DENR | Jul. 5, 2019 | | PCO renewal documents submitted last July 27 to DENR EMBR4A |
| Discharge Permit | DENR | Apr. 21, 2021 | | submited to DENR portal March 21, 2022, in-process |
| Permit to Operate APSE | DENR | Sep. 29, 2017 | | Applied July 29, for order of payment |
| Business Registration | DOLE | Mar 24, 2022 | One year | 2023 |
| Certificate of Electrical Inspection | DOLE | Jul. 22, 2021 | One year | with application visited by DOLE last May 11<br>For follow-up of certificate |
| Barangay Clearance | BARANGAY | March 24, 2022 | One year | 2023 |
| Mayor's Business Permit | MUNICIPAL/ CITY | March 24, 2022 | One year | 2023 |
| Sanitary/ Plumbing Permit | MUNICIPAL/ CITY | March 24, 2022 | One year | 2023 |
| Fire Safety Inspection Permit | MUNICIPAL/ CITY | Feb 3, 2021 | One year | BFP requirement pending at BPG - installation of beam detector |
| Mechanical Permit | MUNICIPAL/ CITY | July 21, 2021 | One year | Submit request for renewal / Follow-up with OBO on renewal |
| Electrical Permit | MUNICIPAL/ CITY | Jul. 21, 2021 | One year | Submit request for renewal / Follow-up with OBO on renewal |
| Certificate of Annual Inspection | MUNICIPAL/ CITY | Jul. 21, 2021 | One year | Submit request for renewal / Follow-up with OBO on renewal |
| Locational Clearance | MUNICIPAL/ CITY | Jul. 21, 2021 | One year | Aavailable - no required renewal; |
| Building Permit | MUNICIPAL/ CITY | Jul. 21, 2021 | One year | Aavailable - no required renewal; |
| Occupancy Permit | MUNICIPAL/ CITY | Jul. 21, 2021 | One year | BFP requirement pending at BPG - installation of beam detector |
| Certificate of Compliance<br>(PME requirement) | PRC | | | N/A |

**MINDANAO CORRUGATED FIBERBOARD, INC.**

| Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|
| Certificate of Incorporation issued by the SEC, together with the latest Certificate of Filing of Amended Articles of Incorporation of Mindanao Corrugated Fibreboard, Inc. dated January 13, 2016 | Securities and Exchange Commission | 07-Oct-09 | | |
| Business Permit | City of Davao | 28-Jan-22 | 12 MONTHS | 31-Dec-22 |
| Certificate of Registration | Bureau of Internal Revenue | 23-Jun-21 | - | - |
| CAS Permit | Bureau of Internal Revenue | 10-Feb-15 | Until Revoked | Until Revoked |
| Certificate of Registration | Bureau of Customs | 08-Mar-22 | 12 MONTHS | 08-Mar-23 |
| Certification from City Environment and Natural Resources Office (CENRO) | Certification from City Environment and Natural Resources Office (CENRO) | 01-Jun-22 | 12 MONTHS | 23-Dec-22 |
| Water permit | NWRB | 03-Dec-99 | | One time |
| Hazardous Waste ID | DENR | 19-Jul-00 | | Until superceded |
| Environmental Compliance Certificate (ECC) or Certificate of Non Coverage (CNC) | DENR | 08-Mar-15 | | Until superceded |
| PCO Accreditation Certificate (COA No. 2022-RXI-0797 New) | DENR | 24-Feb-22 | | 24-Feb-25 |
| PCO Accreditation Certificate (COA No. 2022-RXI-0819 Renewal) | DENR | 15-Mar-22 | | 15-Mar-23 |
| PCO Accreditation Certificate (COA No. 2022-RXI-0858 New) | DENR | 04-Jun-22 | | 04-Jun-25 |
| Discharge Permit | DENR | Ongoing Process of Renewal (awaiting for the completion of WWTF Upgrade) | | |
| Permit to Operate APSE | DENR | 20-Jan-20 | | 29-Jul-25 |
| Business Registration | DOLE | 17-Feb-15 | | n/a |
| Certificate of Electrical Inspection | DOLE | n/a (c/o OCBO) | | n/a (c/o OCBO) |
| Barangay Clearance | BARANGAY | - | - | Not required for Business Permit renewal |
| Mayor's Business Permit | Tagoloan, Misamis Oriental | - | - | Not applicable. Discontinued operation. |
| Sanitary/ Plumbing Permit | City of Davao | 04-Jun-22 | | 31-Dec-22 |
| Fire Safety Inspection Permit | City of Davao | 12-Jul-21 | | 12-Jul-22 |
| Mechanical Permit | MUNICIPAL/ CITY | 25-Jun-21 | | Permit for claim at OCBO |
| Electrical Permit | MUNICIPAL/ CITY | 23-Dec-21 | | 16-Dec-22 |
| Certificate of Annual Inspection | MUNICIPAL/ CITY | 16-Apr-21 | | Permit for claim at OCBO |
| Locational Clearance | MUNICIPAL/ CITY | 22-Nov-94 | | Until superceded |
| Building Permit | MUNICIPAL/ CITY | 22-Nov-94 | | Until superceded |
| Occupancy Permit | MUNICIPAL/ CITY | 11-May-95 | | Until superceded |
| Certificate of Compliance (PME requirement) | PRC | | | |

**CAN ASIA, INC.**

| Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|
| Certificate of Incorporation issued by the SEC, together with the latest Certificate of Filing of Amended Articles of Incorporation of Can Asia, Inc. dated April 27, 2015 | Securities and Exchange Commission | November 12, 2012 | | |
| CAI BOI Registration as Expanding Export Producer of Aluminum Cans | Board of Investment | February 3, 2015 | 3 years of ITH entitlement + 5 years holding period | Feb. 3, 2023 |
| Intergrated LGU Permit (Barangay Business Clearance,Sanitary Permit and Business Permit) | City of General Trias Cavite | February 3, 2022 | 12 MONTHS | 31/12/2022 |
| Business Local Clearance | Barangay Wack wack, City of Mandaluyong | January 20, 2022 | 12 MONTHS | 31/12/2022 |
| Mayor's Permit | City of Mandaluyong | January 20, 2022 | 12 MONTHS | 31/12/2022 |
| Certificate of Registration-Local Investment Incentives Board | City of General Trias Cavite | July 15, 2016 | none | none |
| Certificate of Registration - BIR Main Office | Bureau of Internal Revenue RDO No. 121 | March 6, 2017 | none | none |
| Water permit | NWRB | October 27, 2014/ October 29, 1998 | | Until amended |
| License to handle controlled Precursors and Essentials Chemicals. i.e. Hydrochloric and Sulfuric Acid | PDEA | July 21, 2022 | | 24/07/2023 |
| Controlled Chemicals Purchaser's License | PNP | November 8, 2021 | | 26/10/2022 |
| Hazardous Waste ID | DENR | JUL. 15, 2020 | | Until superceded |
| Environmental Compliance Certificate (ECC) or Certificate of Non Coverage (CNC) | DENR | AUG. 01, 2002 | | Until superceded |
| PCO Accreditation Certificate | DENR | May 10, 2021 | | 10/05/2024 |
| Discharge Permit | DENR | November 23, 2021 | | November 22, 2022 |
| Permit to Operate on AIR | DENR | July 8, 2021 | 5 years | July 8, 2026 |
| Permit to Operate APSE | DENR | June 8, 2021 | | 08/06/2026 |
| Business Registration | DOLE | Jan. 29, 2013 | | Until superceded |
| Certificate of Electrical Inspection | DOLE | November 24, 2022 | | November 24, 2022 |
| Permit to Operate Pressure Vessel | DOLE | November 24, 2022 | | November 24, 2022 |
| Barangay Clearance | BARANGAY | February 3, 2022 | | 31/12/2022 |
| Mayor's Business Permit | MUNICIPAL/ CITY | February 3, 2022 | | 31/12/2022 |
| Sanitary/ Plumbing Permit | MUNICIPAL/ CITY | February 3, 2022 | | 31/12/2022 |
| Fire Safety Inspection Permit | MUNICIPAL/ CITY | July 1, 2022 | | July 1, 2023 |
| Mechanical Permit | MUNICIPAL/ CITY | January 20, 2022 | | January 20, 2023 |
| Electrical Permit | MUNICIPAL/ CITY | January 20, 2022 | | January 20, 2023 |
| Certificate of Annual Inspection | MUNICIPAL/ CITY | January 20, 2022 | | January 20, 2023 |
| Locational Clearance | MUNICIPAL/ CITY | March 24, 1995 | | Until superceded |
| Building Permit | MUNICIPAL/ CITY | April 25, 1995 | | Until superceded |
| Occupancy Permit | MUNICIPAL/ CITY | January 14, 1997 | | Until superceded |
| Certificate of Compliance (PME requirement) | PRC | N/A | | N/A |

**SAN MIGUEL EQUITY INVESTMENTS INC.**

| | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| 1. | Certificate of Incorporation | SEC | March 23, 2011 | | |
| 2. | Certificate of Filing Amended Articles of Incorporation | SEC | March 04, 2013 | | |
| 3. | Business permits | LGU – Mandaluyong City | February 14, 2022 | January 01, 2022 | December 31, 2022 |

**NORTHERN CEMENT CORPORATION**

| | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| 1. | Certificate of Incorporation (Company Registration No. 31563) | Securities and Exchange Commission (SEC) | February 10, 1967 | Extended for fifty (50) years from after February 10, 2017 | February 10, 2067 |
| 2. | Certificate of Filing of the Articles and Plan of Merger with San Miguel Northern Cement, Inc. (SMNCI), together with the Plan of Merger and Articles of Merger | SEC | June 14, 2021 | | |
| 3. | Certificate of Filing of Amended Articles of Incorporation, together with the Amended Articles of Incorporation | SEC | June 14, 2021 | | |
| 4. | Certificate of Filing of Amended By-laws, together with the Amended By-laws | SEC | October 16, 2013 | | |
| 5. | Certificate of Registration with TIN no. 000-344-215-000 for NCC head office | Bureau of Internal Revenue (BIR) | June 18, 1987 | | |
| 6. | Certificate of Registration with TIN no. 000-344-215-001 for NCC plant site | BIR | December 16, 2019 | | |
| 7. | Mayor's Permit issued to NCC head office with Mayor's Permit No. 22-02427 | Office of the Mayor of the City of Mandaluyong | February 24, 2022 | One (1) year | |
| 8. | Mayor's Permit issued to NCC plant site with Mayor's Permit No. 2022-015541000-0815 | Office of the Mayor of Sison, Pangasinan | February 8, 2022 | One (1) year | |
| 9. | Mineral Production Sharing Agreement (MPSA) | Department of Environment and Natural Resources (DENR) | March 12, 1998 | Twenty-Five (25) years | March 11, 2023 |
| 10. | Environmental Compliance Certificate with ECC-CO No. 1910-0031 for NCC Cement Plant (Line 1 and Line 2) and Quarry Expansion Project | Department of Environment and Natural Resources – Environmental | March 3, 2020 | | |

| | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | | Management Bureau (DENR-EMB) | | | |
| 11. | Environmental Compliance Certificate with ECC-CO No. 1910-0032 for the New Cement Production Project (Line A and Line B) issued to SMNCI and transferred to NCC in view of the merger per DENR-EMB letter dated May 10, 2022 | DENR-EMB | March 3, 2020 | | |
| 12. | Certificate of Registration as New Producer of Cement with No. 2018-011 issued to SMNCI and transferred to NCC in view of the merger, per BOI Management Committee Resolution No. 38-07, Series of 2021 | Board of Investments | January 15, 2018 | | |
| 13. | Certificate of Registration as Importer with CCN: IM0003957411 | Bureau of Customs | February 7, 2022 | One (1) year | February 7, 2023 |
| 14. | Water Permit No. 020536 | National Water Resources Board (NWRB) | November 18, 2005 | | |
| 15. | Water Permit No. 022503 | NWRB | May 25, 2011 | | |
| 16. | Water Permit No. 18918 | NWRB | February 19, 2004 | | |
| 17. | Water Permit No. 023956 | NWRB | October 21, 2015 | | |
| 18. | Water Permit No. 025803 | NWRB | December 16, 2021 | | |
| 19. | Water Permit No. 025804 | NWRB | December 16, 2021 | | |
| 20. | Certificate of Registration No. 4/2015/00013282 for SUPREME PORTLAND CEMENT TYPE 1 | Intellectual Property Office (IPO-PHL) | April 20, 2017 | | |
| 21. | Certificate of Registration No. 4/2015/00013283 for MAXPLUS PORTLAND TYPE 1P | IPO-PHL | April 20, 2017 | | |
| 22. | Certificate of Registration No. 4/2019/00019623 for "THE CONCRETE ACADEMY NORTHERN CEMENT" [colored] | IPO-PHL | December 11, 2020 | | |
| 23. | Pollution Control Officer Certificate of Accreditation (PCO1-03092020-1208 (Renewal) | DENR-EMB | March 9, 2020 | Three (3) years | March 8, 2023 |
| 24. | PS License – Portland Cement Type 1 License No. Q-0093 | Department of Trade and Industry (DTI) | November 18, 2020 | | August 21, 2023 |
| 25. | PS License – Blended Hydraulic Cement Type 1T License No. Q-0094 | DTI | November 2, 2021 | | August 21, 2023 |
| 26. | PS License – Masonry Cement Type N License No. Q-1739 | DTI | November 18, 2020 | | August 21, 2023 |

**SOUTHERN CONCRETE INDUSTRIES INC. (*FORMERLY*, ORO CEMENTO INDUSTRIES CORPORATION)**

| | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| 27. | Certificate of Incorporation with Company Registration no. CS201611122, dated June 1, 2016, together with the Articles of Incorporation and By-laws | Securities and Exchange Commission (SEC) | June 1, 2016 | | |
| 28. | Certificates of Filing of Amended Articles of Incorporation and By-Laws in relation to the change of corporate name to Southern Concrete Industries Inc. (formerly, Oro Cemento Industries Corporation), with the latest amended Articles of Incorporation and By-Laws | SEC | December 10, 2021 | | |
| 29. | Mayor's Permit (with permit No. 21-08536) issued to Head Office at Mandaluyong City dated January 19, 2021<br><br>Mayor's Permit (with permit No. 22-03927) issued to Head Office at Mandaluyong City dated January 19, 2022 | Office of the Mayor of the City of Mandaluyong | Pending<br><br>January 19, 2022 | One (1) year<br><br>One (1) year | Pending<br><br>January 20, 2023 (unless extended) |
| 30. | Special Permit for the period January 10 to 29, 2022<br><br>Mayor's Permit (with permit No. 0664-2022) issued to Plant Site at Municipality of Sta. Cruz dated July 8, 2022 | Office of the Mayor of Sta. Cruz, Davao del Sur | January 31,2022<br><br>July 8, 2022 | 3 weeks<br><br>7 months | February 26,2022<br><br>January 20, 2023 (unless extended) |
| 31. | Bureau of Customs Certificate of Registration (with CCN No. IM0007872070) | Bureau of Customs | April 15, 2021<br><br>March 28, 2022 | One (1) year<br><br>One (1) year | April 15, 2022<br><br>March 28, 2023 |
| 32. | Certificate of Registration (TIN 009-307-953-00000) for head office | Bureau of Internal Revenue (BIR) | June 22, 2016 | | |
| 33. | Certificate of Registration (TIN 009-307-953-001) for branch office | BIR | December 2, 2020 | | |
| 34. | Resolution No. 8, Series of 2018, entitled "A Resolution Interposing No Object to the Proposed Construction and Operation of Oro Cemento (Grinding Facility) to be located in the Property Owned by San Miguel Corporation here in Barangay Darong, Sta. Cruz, Davao del Sur" | Sangguniang Barangay of Darong, Sta. Cruz, Davao del Sur | January 26, 2018 | | |

| | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| 35. | Resolution No. 274-21 (approved in the 88th Regular Session) entitled "Endorsing the Approval of the New Cement Production Project of Oro Cemento Industries Corporation (OCIC) at Barangay Darong, Sta. Cruz, Davao del Sur" | Sangguniang Bayan of Sta. Cruz, Davao del Sur | September 29, 2021 | | |
| 36. | Resolution No. 21-660 (issued in the 96th Regular Session on July 22, 2021) entitled "Endorsing the Approval of the New Cement Production Project of Oro Cemento Industries Corporation (OCIC) at Barangay Darong, in the Municipality of Sta. Cruz, this Province" | Sangguniang Panlalawigan of Davao del Sur | August 3, 2021 | | |
| 37. | Certification on No Objection to the proposed construction of the Cement Grinding Plant | Office of the Mayor of Sta. Cruz, Davao del Sur | March 23, 2018 | | |
| 38. | Environmental Compliance Certificate (ECC-CO-1810-0028) for the proposed Sta. Cruz Cement Grinding with Pier Facility Project | Department of Environment and Natural Resources – Environmental Management Bureau (DENR-EMB) | May 20, 2019 | | |
| 39. | Certificate of Non-Overlap (with Control No. RXI-CNO-2021-11-74) for SMC Lot under TCT No. T-10896 (undated, signed by the Regional Director of NCIP Region XI) | National Commission on Indigenous Peoples (NCIP) | March 29, 2022 | | |
| 40. | Certificate of Non-Overlap (with Control No. RXI-CNO-2021-11-75) for Garrido Lots under TCT No. 144-2015001169 and TCT No. 144-2015001170 (undated, signed by the Regional Director of NCIP Region XI)<br><br>Certificate of Non-Overlap (with Control No. RXI-CNO-2021-11-74) | NCIP | March 29, 2022 | | |
| 41. | Certificate of Non-Overlap (with Control No. RXI-CNO-2021-11-76) for Uy Lot under TCT No. 144-2018000504 (undated, signed by the Regional Director of NCIP Region XI)<br><br>Certificate of Non-Overlap (with Control No. RXI-CNO-2021-11-74) | NCIP | March 29, 2022 | | |

| Name of Permit / License | | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| 42. | Certificate of Registration with PhilHealth Employer No. 002000033060<br><br>Amended Certificate of Registration | Philippine Health Insurance Corporation (PhilHealth) | December 15, 2020<br><br>July 20, 2022 | | |
| 43. | Certificate of Registration with SSS Employer No. 03-9531811-9-000<br><br>Amended Certificate of Registration | Social Security System (SSS) | June 1, 2016<br><br>June 28, 2022 | | |
| 44. | Building Permit (with BP No. 20-10-01-156) for the Additive and Clinker Conveying System | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | October 7, 2020 | | |
| 45. | Building Permit (with BP No. 21-07-01-200) for the Additive Bin and Clinker Conveying System (Superstructure) | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | July 29, 2021 | | |
| 46. | Building Permit (with BP No. 21-04-01-181) for the Additive Bin to Finish Mill Conveyor (Foundation) | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | April 8, 2021 | | |
| 47. | Building Permit (with BP No. 21-06-01-191) for the Bunker Fuel Oil Tank/BFO Supply Facility | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | June 10, 2021 | | |
| 48. | Building Permit (with BP No. 20-10-01-157) for the Electrical Room, Central Room & Laboratory | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | October 7, 2020 | | |
| 49. | Building Permit (with BP No. 20-08-01-145) for the Cement Silo | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | August 12, 2020 | | |
| 50. | Building Permit (with BP No. 20-08-01-144) for the Clinker Silo | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | August 12, 2020 | | |
| 51. | Building Permit (with BP No. 20-11-01-162) for the Compressor Building | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | November 11, 2020 | | |
| 52. | Building Permit (with BP No. 21-02-01-173) for the Dormitory/Staff House | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | February 10, 2021 | | |
| 53. | Building Permit (with BP No. 20-09-01-150) for the Finish Mill/Cement Grinding Building | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | September 4, 2020 | | |
| 54. | Building Permit (with BP No. 21-04-01-182) for the Fly Ash Bin | Office of the Building Official for the | April 8, 2021 | | |

| | Name of Permit / License | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| | | Municipality of Sta. Cruz, Davao del Sur | | | |
| 55. | Building Permit (with BP No. 20-08-01-146) for the Pack House | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | August 12, 2020 | | |
| 56. | Building Permit (with BP No. 21-07-01-195) for the Storage Hall to Feed Bin Storage Foundation | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | July 9, 2021 | | |
| 57. | Building Permit (with BP No. 20-12-01-164) for the Substation | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | December 17, 2020 | | |
| 58. | Building Permit (with BP No. 21-04-01-183) for the Truck Tilting Platform (Foundation) | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | April 8, 2021 | | |
| 59. | Building Permit (with BP No. 18-04-01-049) for the Warehouse | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | April 25, 2018 | | |
| 60. | Building Permit (with BP No. 21-09-01-211) for the Sewage Treatment Plant | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | September 28, 2021 | | |
| 61. | Building Permit (with BP No. 21-10-01-214) for the Additive Storage (Dome Type) | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | October 13, 2021 | | |
| 62. | Building Permit (with BP No. 21-10-01-213) for the Additive Bin (Structural and Sub) | Office of the Building Official for the Municipality of Sta. Cruz, Davao del Sur | October 13, 2021 | | |
| 63. | PS License with PS License No. Q-4382 for the Blended Hydraulic Cement | Department of Trade and Industry (DTI) | November 1, 2021 | Three (3) years | October 31, 2024 |
| 64. | PS License with PS License No. Q-4475 for the Portland Cement | DTI | November 1, 2021 | Three (3) years | October 31, 2024 |
| 65. | Pollution Control Officer Certificate of Accreditation (COA No. 2021-RXI-0416 New) | DENR-EMB | May 25, 2021 | Three (3) years | May 25, 2024 |
| 66. | DENR Letter granting the request to allow SCI to Occupy and Use the areas covered by the provisional permits of SMC in relation to the Foreshore Area and Miscellaneous Area | DENR | August 4, 2021 | | |
| 67. | PPA letter allowing temporary use of the SCII port | Philippine Ports Authority | July 27, 2021 | | |

| Name of Permit / License | | Issuing Agency | Issue Date | Validity Period | Expiry Date |
|---|---|---|---|---|---|
| 68. | Registration with Pag-IBIG Fund with Registration No. 206283670009 | Home Development Mutual Fund (HDMF or Pag-IBIG Fund) | July 15, 2022 | | |

**SAN MIGUEL CORPORATION**

| NAME OF PERMIT / LICENSE | ISSUING AGENCY | ISSUE DATE | VALIDITY PERIOD | EXPIRY DATE |
|---|---|---|---|---|
| Certificate of Incorporation | SEC | | 50 years | |
| Certificate of Registration | BIR | September 6, 1990 | No Expiry | |
| Business Permit | LGU | February 14, 2022 | 1 year | December 31, 2022 |
| Certificate of Registration | Bureau of Customs | February 16, 2021 | 1 year | February 16, 2022 |

**SEA REFINERY CORPORATION**

| NAME OF PERMIT / LICENSE | ISSUING AGENCY | ISSUE DATE | VALIDITY PERIOD | EXPIRY DATE |
|---|---|---|---|---|
| Amended Articles of Incorporation | SEC | July 06, 2011 | 50 years | |
| Certificate of Registration | BIR | December 09, 2008 | No Expiry | No Expiry |
| Mayor’s Permit | LGU | January 23, 2021 | 1 year | December 31, 2021 |