SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2019

2. SEC Identification Number

   CS200803939

3. BIR Tax Identification No.

   006-990-128

4. Exact name of issuer as specified in its charter

   Top Frontier Investment Holdings, Inc.

5. Province, country or other jurisdiction of incorporation or organization

   Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   5th Floor, ENZO Building, Sen. Gil Puyat Ave., Makati City
   Postal Code
   1200

8. Issuer's telephone number, including area code

   (02) 8632-3481

9. Former name or former address, and former fiscal year, if changed since last report

   N/A

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	332,886,167
Total Liabilities as of 12/31/19 in Millions	1,329,117

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   Philippine Stock Exchange; Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

PHP 6,060,380,600 as of March 31, 2020

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

None.

(b) Any information statement filed pursuant to SRC Rule 20

None.

(c) Any prospectus filed pursuant to SRC Rule 8.1

None.

Top Frontier Investment Holdings, Inc.
TFHI

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2019
Currency	PHP (in Millions)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Current Assets	638,006	584,045
Total Assets	1,931,177	1,791,192
Current Liabilities	462,762	457,232
Total Liabilities	1,329,117	1,254,060
Retained Earnings/(Deficit)	86,408	78,238
Stockholders' Equity	602,060	537,132
Stockholders' Equity - Parent	162,438	158,790
Book Value Per Share	396.26	390.11

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Gross Revenue	1,020,480	1,024,915
Gross Expense	906,378	910,251
Non-Operating Income	10,557	7,174
Non-Operating Expense	47,179	52,263
Income/(Loss) Before Tax	77,480	69,575
Income Tax Expense	28,909	24,715
Net Income/(Loss) After Tax	48,571	44,860

Net Income/(Loss) Attributable to Parent Equity Holder	9,604	7,000
Earnings/(Loss) Per Share (Basic)	24.18	16.29
Earnings/(Loss) Per Share (Diluted)	24.18	16.29

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2019	Dec 31, 2018
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.38	1.28
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.91	0.81
; ; Solvency Ratio	Total Assets / Total Liabilities	1.45	1.43
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0.45	0.45
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	1.43	1.51
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	2.44	2.63
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	3.21	3.33
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	19.66	19.28
; ; Net Profit Margin	Net Profit / Sales	11.18	11.19
; ; Return on Assets	Net Income / Total Assets	2.52	2.5
; ; Return on Equity	Net Income / Total Stockholders' Equity	8.07	8.35
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	8.85	15.33

Other Relevant Information

The filing hereof of the Amended 2019 Annual Report (SEC Form 17-A) is solely for the purpose of submitting the 2019 Sustainability Report of the Corporation as an attachment thereof.

Enclosed herewith, are the following documents filed with the Securities and Exchange Commission through the Markets and Securities Regulation Department at msrd_covid19@sec.gov.ph on 30 June 2020:

1. Certification (as required under SEC Memorandum Circular No. 13, Series of 2020); together with the Amended 2019 Annual Report (SEC Form 17-A), complete with Annexes, including the 2019 Sustainability Report attached as Annex “I” thereof; and

2. 2019 Annual Report (SEC Form 17-A), as filed with the PSE through the PSE Edge on 15 May 2020, together with the proofs of filing to, and approval as a company report by, the PSE.

Filed on behalf by:

Name	Irene Cipriano

Designation	Assistant Corporate Secretary

CERTIFICATION

The undersigned, for and on behalf of **Top Frontier Investment Holdings, Inc.** (the "Corporation"), hereby certify that:

1. the Corporation hereby submits its Amended Annual Report (SEC 17-A) for fiscal year ended 31 December 2019 (the "Amended 2019 Annual Report"), with the 2019 Sustainability Report of the Corporation attached thereto as Annex "I" and referred to in page 42 of the Amended 2019 Annual Report under Item 14 (c), in compliance with SEC Memorandum Circular Nos. 4 (series of 2019) and 13 (series of 2020);

2. the Annual Report (SEC Form 17-A) for fiscal year ended 31 December 2019 (the "2019 Annual Report") of the Corporation has been filed with the Securities and Exchange Commission on 15 May 2020 via submission in the PSE Edge, in compliance with the MSRD Notice dated 17 March 2020. A copy of the 2019 Annual Report, the submission to the PSE Edge, and the email correspondence from the PSE Edge of the approval of the 2019 Annual Report as a Company Report, are hereto likewise submitted;

3. the information contained in the 2019 Annual Report and Amended 2019 Annual Report are true and correct;

4. the Amended 2019 Annual Report is hereto filed solely for the purpose of submitting the 2019 Sustainability Report attached thereto and referenced therein and there are no other changes made to the 2019 Annual Report as previously filed; and

5. the undersigned is the incumbent Corporate Secretary and Compliance Officer of the Corporation, duly authorized by the Corporation to prepare and file the 2019 Sustainability Report in accordance with the SEC Memorandum Circular No. 13 (series of 2020).

This Certification is signed on 30 June 2020 at Mandaluyong City.

Virgilio S. Jacinto
Corporate Secretary and
Compliance Officer
Top Frontier Investment Holdings, Inc.

Attested by:

Ramon S. Ang
President and Chief Executive Officer
Top Frontier Investment Holdings, Inc.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2019**

2. SEC Identification Number **CS200803939** 3. BIR Tax Identification No.**006-990-128**

4. **TOP FRONTIER INVESTMENT HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

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

6. Industry Classification Code:

7. **5th Floor ENZO Building, Sen. Gil. Puyat Ave., Makati City** **1200**
   Address of principal office Postal Code

8. **(02) 632-3481**
   Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and approximate Debt Outstanding (as of December 31, 2019)
Common Shares	**332,886,167***

Net of the 157,310,033 common shares held in Treasury

Total Liabilities	**P1,329,117 million**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [√] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Common Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [√] No [ ]

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

Yes [√] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Parent Company as of March 31, 2020 is P6,060,380,600.

DOCUMENTS INCORPORATED BY REFERENCE

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

None.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Top Frontier Investment Holdings, Inc. ("Top Frontier" or the "Parent Company") is a Philippine corporation organized on March 11, 2008 as a holding company. Top Frontier is the largest shareholder of San Miguel Corporation ("SMC") in which it holds 1,573,100,340 common shares, or 65.99% of SMC's total outstanding common stock, as of December 31, 2019. On August 30, 2013, Top Frontier acquired 100% of the outstanding common stock of Clariden Holdings, Inc. ("Clariden"), a holding company with interests in exploration, mining and development. Other than its ownership in SMC and Clariden, the Parent Company has no other operations as of December 31, 2019.

Major developments in Top Frontier and its subsidiaries (collectively referred to as the "Group") are discussed in the Management's Discussion and Analyses of Financial Position and Financial Performance, attached herein as **Annex "A"**, and in Notes 5 and 11 of the Audited Consolidated Financial Statements, attached herein as **Annex "B"**.

SAN MIGUEL CORPORATION

SMC, together with its subsidiaries (collectively 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 5.5% of the Philippine gross domestic product in 2019.

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

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

SMC, through its subsidiaries and affiliates, is the market leader in its businesses with 44,024 regular employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2019. SMC products include beer, spirits, non-alcoholic beverages (NAB), poultry, animal feeds, flour, fresh and processed meats, dairy products, coffee, various packaging products, and a full range of refined petroleum products, most of which are market leaders in their respective markets. In addition, SMC contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers.

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

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

Businesses

Food and Beverage

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

SMFB has three primary operating segments - (i) beer and NAB, (ii) spirits, and (iii) food. The Beer and NAB Segment and the Spirits Segment comprise the beverage business (the "Beverage business"). SMFB operates its Beverage business through San Miguel Brewery Inc. and its subsidiaries ("SMB" or the "Beer and NAB Segment"), and Ginebra San Miguel Inc. and its subsidiaries ("GSMI" or the "Spirits Segment"). The Food business (the "Food Segment") is managed through a number of other subsidiaries, including San Miguel Foods, Inc. ("SMFI"), Magnolia, Inc., ("Magnolia") and The Purefoods-Hormel Company, Inc. ("Purefoods-Hormel"). SMFB serve the Philippine archipelago through an extensive distribution and dealer network and export its products to almost 60 markets worldwide.

Beer and NAB Segment

The Beer and NAB Segment is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Top beer brands in the Philippines include *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light,* and *Gold Eagle*. Its flagship brand, *San Miguel Pale Pilsen*, has a history of close to 130 years and was first produced by *La Fabrica de Cerveza de San Miguel* in 1890. The Beer and NAB Segment also produces non-alcoholic beverages such as ready-to-drink tea, ready-to-drink juice and carbonates.

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

For the NAB business, SMB's portfolio includes *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), *San Mig Cola* (carbonates), as well as *Cali*, a sparkling malt-based non-alcoholic drink.

SMB discontinued the production of *Magnolia Purewater* (bottled water) in plastic bottles in line with SMC's initiative to reduce its environmental footprint and support a sustainable business model.

San Miguel Brewing International Limited and its subsidiaries ("SMBIL") also offers the *San Miguel Pale Pilsen* and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia, and most export markets, *Red Horse* in Thailand, China, Hong Kong, Vietnam, and selected export markets, and *Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, United

States, Thailand, South Korea, and Taiwan, in addition to locally available brands: *Valor (*Hong Kong), *Blue Ice* (Hong Kong), *Dragon* and *Guang's* (South China), *Blue Star* (North China), *W1N Bia* (Vietnam), and *Anker* and *Kuda Putih* (Indonesia).

Spirits Segment

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

GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel* and *Vino Kulafu*, the leading brands in the gin and Chinese wine categories, accounted for 94% of GSMI's total revenues. The other products that complete the liquor business of GSMI comprise about 6% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are also exported primarily to markets with a high concentration of Filipino communities such as the United Arab Emirates, Taiwan, Vietnam, Hong Kong and the U.S. and certain brands are produced for export only, including *Tondeña Gold Rum, Tondeña Manila Rum, Gran Matador Solera, Gran Reserva Brandy, Gran Matador Gold,* and *Añejo Dark Rum 5 years*. 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.

Food Segment

The Food Segment holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Segment 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, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, *La Pacita* for biscuits, and *B-Meg* for animal feeds.

The breadth of Food Segment ranges from branded value-added refrigerated meats and canned meats, butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids and biscuits, flour mixes, and coffee and coffee-related products (collectively "Prepared and Packaged Food") to integrated feeds ("Animal Nutrition and Health") to poultry and fresh meats ("Protein") as well as flour milling, grain terminal handling, foodservice, franchising, and international operations ("Others").

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

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

Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, and other ready-to-heat meal products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, 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, spreads and biscuits business, primarily operated through Magnolia, Inc., manufactures and markets a variety of bread spreads, milk, ice cream, jelly-based snacks, salad aids, biscuits, flour mixes, and cooking oils. 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, jelly-based snacks are under the *JellYace* brand, biscuits under the *La Pacita* brand, while flour mixes, salad aids like mayonnaise and dressings, are under the *Magnolia* brand. Cooking oil products are sold under the *Magnolia Nutri-Oil* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s.

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

In February 2015, the Food Segment entered the biscuits category through the acquisition of the *La Pacita* brand from Felicisimo Martinez & Co., Inc. *La Pacita* products include crackers and cookies in various formats, which are distributed in the Philippines and exported to other countries.

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

c) ***Protein*** - SMFI is also the operating subsidiary for the business' Protein segment, which sells poultry and fresh meats products. The poultry business operates a vertically-integrated production process that spans from breeding broilers to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole and cut-up products. A wide variety of fresh and easy-to-cook products are sold through *Magnolia Chicken Stations*. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors, and sells live chickens to dealers.

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

d) ***Others*** - Flour milling, premixes and baking ingredients, foodservice, and franchising together with 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"). SMMI owns Golden Bay Grain Terminal Corporation, which provides grain terminal, warehousing services, and grain handling (e.g. unloading, storage, bagging, and outloading) services to clients, and Golden Avenue Corp., which holds investment in real property.

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

The international operations of the Food Segment are located in Indonesia and Vietnam. PT San Miguel Foods Indonesia (formerly PT Pure Foods Suba Indah) ("PTSMPFI") is a 75:25 joint venture with PT Hero Intiputra of Indonesia. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. ("SMPFVN") in Vietnam, is a wholly-owned subsidiary of San Miguel Foods International, Limited. Both PTSMPFI and SMPFVN are in the business of production and marketing of processed meats which are sold under the *Farmhouse* and *Vida* brands in Indonesia and under the *Le Gourmet* brand in Vietnam.

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

The Food Segment ventured into the franchising business to serve as contact points with consumers, a trial venue for new product ideas and a channel to introduce product applications for its products. The franchising business, also a group under SMFI, follows a convenience store model under the *Treats* brand, most of which are located in Petron gasoline stations. *Chick'n Juicy* is the newest addition to the Food Segment's franchising roster. Launched in February 2019, *Chick'n Juicy* gives its own take on the popular roast chicken, fried chicken, fried *isaw,* and hard-boiled eggs*,* with top quality meats using the *Magnolia* brand.

Below is a list of the major food and beverage subsidiaries as of December 31, 2019:

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

Packaging

The packaging business began operations in 1938 with the establishment of a glass plant that supplied glass bottles for the beer and non-alcoholic beverage products of SMC. Collectively called as the Packaging Group, the business is comprised of San Miguel Yamamura Packaging Corporation ("SMYPC") San Miguel Yamamura Packaging International Limited ("SMYPIL") and their respective subsidiaries which are both joint venture companies between SMC and NYG, one of the largest glass and plastic packaging corporations in Japan, San Miguel Yamamura Asia Corporation[(1)] ("SMYAC"), the largest glass manufacturer in the Philippines and also a joint venture company of SMC and NYG, SMC Yamamura Fuso Molds Corp. ("SYFMC"), the manufacturer of glass and plastics molds in the country, Can Asia, Inc. ("CAI"), a pioneer in the production of two-piece aluminum cans, Mindanao Corrugated Fireboard, Inc. ("Mincorr"), a paper corrugated carton manufacturer, and Wine Brothers Philippines Corp., involved in the sale and distribution of wine products.

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

The Packaging Group holds 17 international packaging companies, particularly, located in China (glass, plastic, and paper packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags, and radiant/thermal liners), Australia (trading, wine closures and bottle caps, and wine filling services and distribution) and New Zealand (plastics 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 Mincorr, which is 100% owned by SMC, and SMYAC, a joint venture between SMC and NYG. Both Mincorr and SMYAC are being managed by SMYPC. SMYPIL's subsidiaries are the Packaging Group's international facilities.

a) ***Glass*** - The glass business is the Packaging Group's largest business segment. It has three glass manufacturing facilities, and one glass and PET mold plant in the Philippines serving the requirements of the beverage, food, pharmaceutical, chemical, personal care, and health care industries. The bulk of the glass bottle requirements served by this segment are for the beverage, pharmaceuticals and food industries. SMYAC is the country's most technologically advanced glass manufacturing facility and the largest glass manufacturing facility in the Philippines.

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[1] The application for the merger between SMYPC and SMYAC, with SMYPC as the surviving company, (the "Merger") was filed on October 25, 2019 with the Securities and Exchange Commission (the "SEC"). On February 24, 2020, the SEC issued the Certificate of Merger approving the Merger. The effective date of the Merger is March 1, 2020, in accordance with Clause 5.5 of the Plan of Merger. Accordingly, by operation of law, SMYAC has ceased to exist.

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

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

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

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

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

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

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

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

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

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

Below is a list of the major domestic and international packaging subsidiaries as of December 31, 2019:

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

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

Mindanao Corrugated Fibreboard, Inc.
San Miguel Yamamura Asia Corporation

Real Estate

Established in 1990 as the corporate real estate arm of SMC, San Miguel Properties Inc. (“SMPI”) is aiming to be one of the major players in the property sector through mixed-use developments. SMPI is 99.95% owned by SMC and is primarily engaged in the development, sale and lease of real property. SMPI is also engaged in leasing and managing the real estate assets of SMC.

Moving forward, SMPI is creating more synergies with its business units and is looking at developing quality residential, commercial and industrial developments.

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

Maravilla

Spanning 24 hectares, Maravilla is a mid-range residential community located at General Trias, Cavite, offering Spanish Mediterranean houses, which currently offers new house models to suit the changing needs of the market.

Asian Leaf

Asian Leaf is a seven-hectare premier residential community in the heart of General Trias, Cavite, composed of single attached 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 93-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 and four bedrooms, with only 23 and eight units, respectively. Floor areas range from 222.80 to 327.10 square meters.

Emerald 88

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

Makati Diamond Residences

MDR is a luxury serviced apartment with 410 spacious guest rooms ranging from 41 square meters up to as much as 204 square meters and has top-of-the-line amenities and health and wellness facilities. Conveniently located in Makati 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.

Boracay Gateway Project

Situated in the municipalities of Nabas and Malay, Province of Aklan, Boracay Gateway Project is a soon-to-rise Tourism Development under the flagship of La Belle Plume Realty, Inc. It is a masterplanned development with various hotels, state-of-the-art water themed park, retail, food and beverage and entertainment facilities.

The project's Phase 1 is resting in a 205-hectare land just beside the Boracay Airport, and is envisioned to be a premiere, world-class destination boasting with a variety of water and non-water activities and attractions, immersive experiences, culture, and arts.

Below is a list of the major properties subsidiaries as of December 31, 2019:

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

Fuel and Oil

SMC operates its fuel and oil business through Petron Corporation ("Petron"), which is involved in refining crude oil and marketing and distribution of refined petroleum products mainly in the Philippines and Malaysia. Petron is the number one integrated oil refining and marketing company in the Philippines. Petron participates in the reseller (service station), industrial, lube, and liquefied petroleum gas sectors. In addition, Petron is also engaged in non-fuels business by earning income from billboards and locators, situated within the premises of the service stations.

Petron owns and manages the most extensive oil distribution infrastructure in the Philippines. Petron has more than 2,400 retail service stations and approximately 680 retail service stations in Malaysia as of December 31, 2019. Petron also exports various petroleum products and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

Petron owns and operates a petroleum refining complex, with a capacity of 180,000 barrels per day located in Limay, Bataan Philippines. The refinery has its own piers and two off shore berthing facilities. In 2010, Petron started the upgrade of its refinery by undertaking the Petron Bataan Refinery Master Plan Phase-2 Upgrade ("RMP-2") which started commercial operation on January 1, 2016. RMP-2 upgraded the Petron Bataan Refinery to a full conversion refining complex which further enhanced its operational efficiencies, converting its fuel oil production into higher value products – gasoline, diesel, jet fuel, and petrochemicals, making it comparable to highly complex refineries worldwide. Petron also owns a refinery in Malaysia with a capacity of 88,000 barrels per day.

Below is a list of the fuel and oil subsidiaries as of December 31, 2019:

SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation, Overseas Ventures Insurance Corporation Ltd., Petrofuel Logistics, Inc. (formerly Limay Energen Corporation), 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]

Energy

The energy business, which is conducted through SMC Global Power Holdings Corp. ("SMC Global Power"), together with its subsidiaries, associates and joint ventures, is one of the largest power companies in the Philippines, controlling 4,347 MW of combined capacity as of December 31, 2019. This combined capacity will increase to 4,682 MW following the expected commencement of commercial operations of Masinloc Power Plant Unit 3 (currently undergoing commissioning and expected to commence commercial operations in 2020, upon receipt of its certificate of compliance from the Energy Regulatory Commission ("ERC")). SMC Global Power currently benefits from a diversified power portfolio, including natural gas, coal, and hydroelectric power, and is expected to benefit soon from battery energy storage systems ("BESS"). This portfolio includes (1) the power plants subject of the Independent Power Producer Administration ("IPPA") Agreements, specifically the 1000 MW Sual Coal Fired Power Plant in Sual, Pangasinan, the 1200 MW Ilijan Natural Gas Fired Combined Cycle Power Plant in Ilijan, Batangas, and the 345 MW San Roque Multipurpose Hydroelectric Power Plant in San Roque, Pangasinan, being managed by San Miguel Energy Corporation ("SMEC"), South Premiere Power Corp. ("SPPC"), and Strategic Power Devt. Corp. ("SPDC"), respectively, which are wholly-owned subsidiaries of SMC Global Power, (2) the 218 MW Angat Hydroelectric Power Plant in Angat, Bulacan, owned by Angat Hydropower Corporation ("AHC"), whose outstanding capital stock is 60% owned by SMC Global Power through its wholly-owned subsidiary, PowerOne Ventures Energy Inc. ("PVEI"), (3) the 1 x 330 MW (Unit 1), 1 x 344 MW (Unit 2) and 1 x 335 MW (Unit 3) coal-fired power plants, Unit 3 being an expansion project nearing project completion (together, comprising the "Masinloc Power Plant"), and the 10 MWh BESS project all located in Masinloc, Zambales, owned by Masinloc Power Partners Co. Ltd. ("MPPCL"), which was wholly acquired by SMC Global Power in March 2018, and (4) the greenfield power plants owned and developed by SMC Global Power, namely the 4 x 150 MW Limay Coal-Fired Circulating Fluidized Bed Power Plant in Limay, Bataan, (the "Limay Greenfield Power Plant") owned by its subsidiary, SMC Consolidated Power Corporation ("SCPC") and the 2 x 150 MW Malita Coal-Fired Circulating Fluidized Bed Power Plant in Malita, Davao Occidental, (the "Davao Greenfield Power Plant") owned by another subsidiary, San Miguel Consolidated Power Corporation ("SMCPC"). Units 1, 2, 3 and 4 of the Limay Greenfield Power Plant commenced commercial operations in May 2017, September 2017, March 2018 and July 2019, respectively. Units 1 and 2 of the Malita Greenfield Power Plant commenced commercial operations in July 2017 and February 2018, respectively.

Based on the total installed generating capacities pursuant to the ERC Resolution on Grid Market Share Limitation, SMC Global Power believes that its combined installed capacity comprises approximately 20% of the National Grid, 26% of the Luzon Grid and 9% of the Mindanao Grid, in each case as of July 2019.

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

SMC Global, through its subsidiaries SMEC, SPDC, SPPC, AHC, SCPC, SMCPC, SMELC and MPPCL, sells power through offtake agreements directly to customers, including the Manila Electric Company (Meralco) and other distribution utilities, electric cooperatives and industrial customers, or through the Wholesale Electricity Spot Market ("WESM").

SMC Global Power also owns (1) 89.54% interest in Mariveles Power Generation Corporation ("MPGC") which is developing and constructing the 4 x 150 MW circulating fluidized bed coal-fired power plant and associated facilities in Mariveles, Bataan and (2) SMCGP Philippines Energy Co. Ltd. ("SMCGP Philippines Energy") which is constructing a 20 MWh BESS facility in Kabankalan, Negros Occidental.

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

Below is a list of the major energy subsidiaries as of December 31, 2019:

SMC Global Power Holdings Corp. and subsidiaries [including SMEC and subsidiaries, SPPC, SPDC, SMELC, SCPC, SMCPC, SMC Power Generation Corp., SMCGP Transpower Pte. Ltd., PVEI, APEC, Lumiere Energy Technologies Inc. (formerly Limay Premiere Power Corp.), Universal Power Solutions, Inc. (UPSI, formerly Limay Power Generation Corporation), MPGC, Prime Electric Generation Corporation and subsidiary, Alpha Water and Realty Services, Corp, and SMCGP Masin Pte. Ltd. and subsidiaries (including Strategic Holdings B.V., SMCGP Masinloc Partners Company Limited, SMCGP Philippines Energy Storage Co. Ltd., SMCGP Masinloc Power Company Limited, Transpower Holdings B.V., and MPPCL)]. SMCGP Masin Pte. Ltd. is in the process of liquidation as of December 31, 2019. Strategic Holdings B.V. and Transpower Holdings B.V. were liquidated effective March 31, 2020 and the deregistration process was completed on April 14, 2020.

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. Current operating toll roads include the South Luzon Expressway ("SLEX"), Skyway Stages 1 and 2, the Southern Tagalog Arterial Road ("STAR"), Tarlac-Pangasinan-La Union Toll Expressway ("TPLEX"), and NAIA Expressway ("NAIAx") tollways. Ongoing projects include Skyway Stage 3, Skyway Stage 4, SLEX TR4, Mass Rail Transit Line 7 (MRT-7) and the New Manila International Airport. It also operates and is currently expanding the Boracay Airport. It also has investments in Manila North Harbour Port Inc. (MNHPI) and Luzon Clean Water Development Corporation ("LCWDC") for the Bulacan Bulk Water Supply Project.

SLEX / Skyway Stage 1 and 2

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

- 80.0% stake in South Luzon Tollway Corporation ("SLTC"), through MTD Manila Expressways, Inc. ("MTDME"), a wholly-owned subsidiary of AAIBV. SLTC holds the 30-year concession rights to the SLEX, which currently spans 36.1 km from Alabang, Muntinlupa to Sto. Tomas, Batangas. SLEX is one of the three major expressways that link Metro Manila to the key southern provinces of the Philippines, including Cavite, Laguna, Batangas, Rizal and Quezon ("CALABARZON"). It also holds the 35-year concession rights to SLEX- TR4 which will extend SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province with a length of 56.862 km; and

- 87.84% beneficial ownership in Citra Metro Manila Tollways Corporation ("CMMTC"), through Atlantic Aurum Investments Philippines Corporation ("AAIPC"), a wholly-owned subsidiary of AAIBV. CMMTC holds the 30-year concession rights to construct, operate and maintain the 29.59 km Skyway Stage 1 and 2 Project.

STAR Tollway

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

TPLEX

SMHC, through its subsidiary, SMC TPLEX Holdings Co. Inc. ("STHCI"; formerly Rapid Thoroughfares Inc.), owns a 70.11% equity interest in Private Infra Dev Corporation ("PIDC"). PIDC is a company which holds the 35-year BTO concession rights to construct, operate and maintain an 88.85 km toll expressway from La Paz, Tarlac, through Pangasinan, to Rosario, La Union. The stretch from Tarlac to Pozzorubio, Pangasinan has been operational since December 2017. The last phase from Pozzorubio to Rosario, La Union, is currently under construction. A section of this last phase Rosario to Sison, Pangasinan was opened temporarily in December 2019 and closed after the holiday season to complete its construction.

NAIAx

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

Skyway Stage 3

On February 28, 2014, SMHC through AAIBV incorporated Stage 3 Connector Tollways Holdings Corp. ("S3HC"), which holds an 80% ownership interest in Citra Central Expressway Corp. ("CCEC"). CCEC holds the 30-year concession rights to construct, operate, and maintain the Skyway Stage 3, an elevated roadway with a total length of approximately 17.38 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway Stage 1 and 2. Skyway Stage 3 will inter-connect the northern and southern cities of Metro Manila to help decongest traffic within the National Capital Region and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

On March 15, 2016, AAIBV sold its 100% ownership interest in S3HC to AAIPC.

Skyway Stage 4

Skyway Stage 4 is a proposed 56.74-km roadway from South Metro Manila Skyway to Batasan Complex, Quezon City. Skyway Stage 4 will serve as another expressway system that aims to further decongest EDSA, C5 and other major arteries of the Metropolis. Further, it aims to provide a faster alternate route and accessibility to the motorist when travelling from the provinces of CALABARZON area to the Metropolis. The project has a concession period of 30 years (from start of operations).

Boracay Airport

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

MRT-7

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

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

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

MNHPI

MNHPI is the terminal operator of Manila North Harbor, a 52-hectare port facility situated at Tondo, City of Manila. The port has a total quay length of 5,200 meters and 41 berths which can accommodate all types of vessels such as containerized and non-container type vessels. Under the Contract for the Development, Operation and Maintenance of the Manila North Harbor entered with the Philippine Ports Authority on November 19, 2009, the Philippine Ports Authority awarded MNHPI the sole and exclusive right to manage, operate, develop, and maintain the Manila North Harbor for 25 years, renewable for another 25 years. MNHPI commenced operations on April 12, 2010 SMC through SMHC owns 50% of MNHPI as of December 31, 2019.

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. SMC through SMHC owns 90% of LCWDC, which will serve as the concessionaire for a period of 30 years (inclusive of the two-year construction period). Stage 1 of this project was completed in January 2019 and started supplying potable water to six Bulacan municipalities as of the first quarter of 2019. Stage 2 was completed and started its commercial operations for the other six Bulacan municipalities in April 2019.

New Manila International Airport

On September 18, 2019, , San Miguel Aerocity Inc. doing business under the name and style of "Manila international Airport" ("SMAI"), a wholly-owned subsidiary of SMHC, signed a Concession Agreement ("CA") with the Department of Transportation for the development of the Manila International Airport ("MIA"). MIA will be governed by a 50-year CA with the ROP and will be built under a Build-Operate-Transfer ("BOT") framework. The project, which will be located in a 2500-hectare property in Bulakan, Bulacan, will provide a long-term solution to air connectivity between the Philippines and the rest of the world.

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

Below is a list of the major infrastructure subsidiaries as of December 31, 2019:

San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure and subsidiaries [including SMC TPLEX Holdings Co., Inc. (formerly Rapid Thoroughfares Inc.) and subsidiary, Private Infra Dev Corporation, TPLEX Operations & Maintenance Corp, Trans Aire Development Holdings Corp., Jethandler Asia Services Inc., Vertex Tollways Devt. Inc., Universal LRT Corporation (BVI) Limited, SMC Mass Rail Transit 7 Inc., ULCOM Company, Inc., Luzon Clean Water Development Corporation, Sleep International (Netherlands) Cooperatief U.A. and Wiselink Investment Holdings, Inc. {which collectively own Cypress Tree Capital Investments, Inc. and subsidiaries including Star Infrastructure Development Corporation and Star Tollway Corporation (collectively the Cypress Group)}, Atlantic Aurum Investments B.V. and subsidiaries {including Atlantic Aurum Investments Philippines Corporation and its subsidiaries [including Stage 3 Connector Tollways Holding Corporation and subsidiary, Citra Central Expressway Corp., Citra Metro Manila Tollways Corporation and subsidiary, Skyway O&M Corp., MTD Manila Expressways Inc. and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and South Luzon Tollway Corporation]}, SMC Infraventures Inc. and subsidiary, Citra Intercity Tollways, Inc., Intelligent E-Processes Technologies Corp., and San Miguel Aerocity Inc.].

Banking

SMC, through SMPI, made a series of acquisitions of Bank of Commerce ("BOC") shares in 2007 and 2008 and has a current ownership of 39.93%. BOC is a commercial bank licensed to engage in banking operations in the Philippines.

On December 17, 2018, SMC, through SMC Equivest Corporation, acquired 5,258,956 common shares of BOC representing 4.69% ownership interest.

Others

Other major subsidiaries include the following as of December 31, 2019:

San Miguel International Limited and subsidiaries [including San Miguel Holdings Limited and subsidiaries]
SMC Shipping and Lighterage Corporation and subsidiaries
San Miguel Equity Investments Inc. and subsidiaries [including San Miguel Northern Cement, Inc. and First Stronghold Cement Industries Inc.]
SMC Asia Car Distributors Corp. and subsidiary
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
SMC Equivest Corporation

CLARIDEN HOLDINGS, INC.

Clariden is a holding company incorporated in July 2009. It was acquired by the Parent Company as a wholly-owned subsidiary in August 2013.

Clariden holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden's various subsidiaries, include Mineral Production Sharing Agreements ("MPSAs") for the Nonoc Nickel Project and Mt. Cadig Nickel Project, Exploration Permits ("EPs") for certain areas under the Bango Gold Project, and pending Application for Production Sharing Agreement (APSA) and pending Exploration Permit Applications (ExPAs) for other areas of the Bango Gold Project.

Clariden has a diverse portfolio of high quality mineral properties with high earnings potential that are located in mineral producing districts in the Philippines, as follows:

Nonoc Nickel Project [MPSA No. 072-97-XIII (SMR)]

Clariden, through its indirect beneficial ownership in Philnico Industrial Corporation ("PIC"), Pacific Nickel Philippines, Inc. ("PNPI"), and Philnico Processing Corp. ("PPC"), was granted a contract area of approximately 23,877 hectares located in the islands of Nonoc, Hanigad, and Awasan, Surigao City; and Basilisa and Cagdianao, Dinagat Island Province. The project was granted the fifth renewal of the two-year exploration period by the Mines and Geosciences Bureau ("MGB") last February 10, 2017 covering the period of February 25, 2017 to February 24, 2019 subject to the full implementation of the approved Exploration Work Program and Environmental Work Program, as well as the filing of Declaration of Mining Project Feasibility. On February 7, 2019, PNPI filed the request for the renewal of the MPSA's exploration period with the MGB. The request is anchored on (1) the need to complete various technical studies; (2) the need to settle the case between PIC and the Privatization Management Office; and (3) PNPI's satisfactory compliance to the terms and conditions of the fifth renewal of the MPSA's exploration period.

On November 6, 2019, pursuant to the Order of the Department of Environment and Natural Resources approving the Deeds of Assignment between Pacific Nickel Philippines Inc. ("PNPI") and VIL Mines Inc. ("VMI") and PNPI and Prima Lumina Gold Mining Corp ("PLGMC"), PNPI's MPSA-072-97-XIII-SMR was redenominated as:

- MPSA-072-97-XIII-SMR (Amended A) in the name of PNPI covering 10,577.6157 hectares (Nonoc, Awasan, and Hanigad Islands plus Sabang Dam area);
- MPSA-072-97-XIII-SMR (Amended B) in the name of PLGMC covering 7,035 hectares (North Dinagat); and
- MPSA-072-97-XIII-SMR (Amended C) in the name of VMI covering 6,264 hectares (South Dinagat).

Among others, the three companies were mandated to submit an Exploration Work Program or a Declaration of Mining Project Feasibility.

Mt. Cadig Nickel Project (MPSA No. 346-2010-IVA)

Clariden, through VMI (a wholly-owned subsidiary of Clariden) has the exclusive right to conduct exploration, development, and utilization activities for nickel within its 11,126.3576-hectare contract area located in Tagkawayan, Quezon and Labo and Sta. Elena, Camarines Norte pursuant to its MPSA granted on June 25, 2010. In view of the peace and order situation in the contract area, VMI filed with the DENR-MGB a request for suspension of obligations of the MPSA due to *force majeure*. The request was originally granted by the MGB last August 24, 2017 and will be valid for two years or up to August 23, 2019. The suspension was renewed for another two years pursuant to an Order from the MGB dated August 5, 2019. VMI continues to maintain its good relationship with its host community.

Bango Gold Project (EP Nos. 000001-2011-XI and 000002-2011-XI)

Clariden, through PLGMC, is the assignee of the two EPs covering certain areas of Compostela Valley and Davao Oriental. These EPs allow PLGMC to conduct exploration activities for gold to determine its existence, extent, quantity and quality. In July 2016, Prima Lumina filed with the MGB a request for extension of its two-year exploration period under the MPSA and is currently awaiting approval. PLGMC continues to implement community development activities for its host communities.

North Davao Project

In 2009, Asia-Alliance Mining Resources Corp. won the bid conducted by the Philippine Mining Development Corporation (“PMDC”) to undertake the exploration, development, and utilization of North Davao Mining Property’s gold and copper deposits under a Joint Operation Agreement (“JOA”) to be executed between the parties.

Dinagat Nickel-Chromite Project

On January 24, 2006, PPC and the PMDC entered into a JOA designating PPC as the project contractor exclusively authorized to explore, develop, and commercially utilize the nickel deposit within a 3,600 hectare area in the municipalities of Cagdianao and Basilisa in Dinagat Island, Surigao del Norte, adjacent to MPSA No. 072-97-XII (SMR). The JOA was assigned by PPC to PNPI in June 2007. Additional exploration is required to increase the current resources in the area. Discussions between PNPI and PMDC to renegotiate the sharing scheme under the JOA will be re-stated in view of changes in PDMC’s Management.

However, the JOA was cancelled by the PMDC on June 26, 2019 for alleged non-compliance with the terms and conditions of the JOA. PNPI refuted PMDC’s findings on July 9, 2019 but PMDC responded on October 8, 2019 that the June 26, 2019 decision stands and PNPI’s request is denied with finality. In an earlier letter dated October 2, 2019, PNPI informed the PMDC that it can resort to arbitration, per the JOA, and is not waving and has every intent to avail of all remedies under the JOA and the law.

Offshore Sand Project

Two of Clariden’s subsidiaries namely, VMI and PLGMC are currently involved in the Offshore Sand Project.

VMI has three applications for Offshore Exploration Permits (“OEP”) covering parts of the provinces of Cavite, Batangas, Bataan, Pampanga, Bulacan and Metro Manila and an application for a Government Seabed Quarry Permit (“GSQP”) in parts of Cavite province. Pending approval, two of the three OEP applications were each granted with an Authority to Verify Minerals by the MGB, one on February 11, 2019 and the other on June 7, 2019. An Authority to Verify Minerals was also granted to the GSQP-applied area last November 15, 2019.

PLGMC also has two applications for OEP covering parts of Bulacan, Metro Manila and Bataan. The two OEP applications were granted with an Authority to Verify Minerals by the MGB, both on February 11, 2019.

Below is a list of the mining subsidiaries as of December 31, 2019:

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)]

Principal products or services

Top Frontier is primarily established as a holding company with investments in SMC and Clariden. As a holding company, Top Frontier provides no other products or services.

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

Percentage of sales or revenues and net income contributed by foreign sales

The Group's 2019 foreign operations contributed about 23.77% of consolidated sales and 12.23% of consolidated net income. Foreign sales is broken down by market as follows:

	% to Consolidated Sales		
Market	**2019**	**2018**	**2017**
Malaysia	18.51	19.92	18.71
Singapore	2.45	3.92	4.41
Australia	1.06	1.17	1.18
China	0.68	0.68	0.79
Indonesia	0.59	0.60	0.72
Vietnam	0.21	0.19	0.23
Others	0.27	0.26	0.30

Distribution Methods

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

Status of any publicly-announced new product or service

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

Competition

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

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

Food and Beverage

Beverage

a) **Beer and NAB**

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

ABHP 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 the marketing and selling of imported *Heineken* and *Tiger* beer variants (strong, regular, and light) in the country, competing with SMB's premium and mainstream brands, respectively.

ABHP also offers *Tanduay Ice* which is a line of alcopop beverages positioned similar to beer. Competition from imported beers and local craft beers is minimal. These products comprise a small proportion of the market and are primarily found in upscale hotels, bars, restaurants, and supermarkets in Metro Manila and other key cities.

SMB's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum and alcopops which are close substitutes to beer. In the beer industry - and more generally the alcoholic beverage industry - competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences.

In the NAB market, SMB faces competition from established players and brands in ready-to-drink juice and ready-to-drink tea. For example, *Zest-O, Minute Maid,* and *Tropicana Twister* compete with *Magnolia Fruit Drink*, while *C2, Lipton,* and *Nature's Spring Iced Tea* compete with *Magnolia Healthtea*.

In its main international markets, the SMBIL Group competes 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, China), *Yanjing* (China), *Tiger* (Thailand, Vietnam, and Indonesia), *Guinness* (Hong Kong and Indonesia), *Bintang* (Indonesia), *Budweiser* (Hong Kong and China), *Snow* (China), *Singha* and *Asahi* (Thailand), and *Saigon Beer* (Vietnam).

b) **Spirits**

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

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

These major players compete in their development of brand equity, as the industry's consumers generally develop affinities and loyalty to the brands that they patronize.

As the spirits industry matures, major spirits players also compete by adopting to product portfolios that cater to shifting consumer preferences.

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

The spirits industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for fuel alcohol since the implementation of the Biofuel Act of 2006 has resulted in a shortage of supply for beverage alcohol production. This has led to diversification of alcohol supply in order to manage costs.

Spirits manufacturers also compete in terms of production efficiencies, as the price-sensitive nature of the industry's consumers makes them more reliant on cost improvements than on price increases to brace against profit squeezes from an inflationary operating environment.

Manufacturers compete in the breadth of their distribution network.

Food

a) **Prepared and Packaged Food**

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

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

b) **Animal Nutrition and Health**

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

c) **Protein**

Major competitors under the Protein business include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., Gama Foods Corp., and Cobb-Vantress Philippines, Inc. There are also occasional imports from the U.S., Canada, and Brazil.

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

d) **Others**

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

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

Petron Corporation

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

San Miguel Properties, Inc.

Among SMPI's major competitors in the South are the Ayala West Grove Heights and Nuvali by Ayala Land/Ayala Land Premier, Bali Mansion, Phuket Mansion and Stanford by Cathay Land, Solen Residences by Greenfield Properties, and Eton City by Eton Properties.

SMPI's competitors in Metro Manila are Ortigas & Company's Veridian Greenhills, Federal Land's One Wilson Square, Wee Comm's Baron Residences, SYU Groups' Torii Residences, and Shang Properties' One Shang.

For the properties of SMPI generating lease income located in the Ortigas area, its competitors include the One Corporate Center, Philippine Stock Exchange Tower, Taipan Place, Wynsum Corporate Plaza, Orient Square, Robinsons Equitable Tower and Cyberspace Gamma, and Rockwell Business Center.

SMC Global Power Holdings Corp.

SMC Global Power's main competitors are the Lopez Group and the Aboitiz Group. The Lopez Group holds significant interests in First Gen Corporation and Energy Development Corporation, while the Aboitiz Group holds interests in Aboitiz Power Corporation and Hedcor, Inc., among others.

Sources and Availability of Raw Materials and Supplies

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

Among the Group’s third party supplier of major raw materials in 2019 are as follows:

FOOD AND BEVERAGE

Beer and NAB Segment

Malt and Hops	Boortmalt N.V. Cargill Malt Asia Pacific Cargill Nv Cofco Malt (Dalian) Co., Ltd. GDH Supertime Guangzhou Malting Company Limited John Haas, Inc. Malt Europ (Baoding) Malting Co., Ltd Simon H. Steiner, Hopfen ges Mit Beschrae Taiwan Hon Chuan Enterprise Co., Ltd.
Corn Grits/Tapioca/Rice/Sugar/Starch	All Asian Countertrade Inc. Cagayan Corn Products Corp. Chaodee Starch (2004) Co., Ltd. Eiamheng Tapioca Starch Foshan Guangming Food & Oil Co. Ltd. Guangzhou Yuhua Cereals and Oils Co., Ltd HeFei Longjie Food & Oil Co. Ltd. Lambayong MNLF Multi-Purpose Limketkai Manufacturing Corporation Maicerias Españolas, S.A. Ninh Tuan Co. Ltd PT Sinar Unigrain Indonesia RJJ Enterprises Shandong Zhonggu Starch & Sugar Co., Ltd. Sinar Pematang Mulia Southern Mindanao Commodities Toan Dao Private Enterprise TPK Advance Starch Co., Ltd
Packaging Materials	Ball Asia Pacific (Foshan) Metal Bangkok Can Manufacturing Co., Ltd. Baosteel Can Making Vietnam Co Ltd Crown Beverage Can (Heshan) Co., Ltd. Crown Beverage Cans Hong Kong Double Paper Product Industries Filtration Solutions, Inc. Guandong Huaxing Glass Co., Ltd. Guandong Mancheong Mchann Muenden Germ PT Tristar Makmur Ka T.C.P. Industry Co., Ltd Westrock MWV Hong Kong Limited Zhangzhou Shengxing Pacific Packing Co. Ltd.
Fuel	Shell Hong Kong Ltd. The Shell Company of Thailand Limited

Spirits Segment

Sugar	All Asian Countertrade, Inc.
Flavoring	Symrise Asia Pacific PTE LTD PT Mane Indonesia LTD Givaudan Singapore PTE LTD Firmenich Asia PTE LTD Anstie Distillers International Limited.

Food Segment

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

PACKAGING

Glass Business

Silica Sand	Tochu Corp.
Soda Ash	Mitsui & Co., Ltd Connell Bros Company Pilipinas, Inc. Alchemco Philippines, Inc.
Cullet	Yassel Corporation Agate Enterprises
Limestone	C&B Marble Ecorock Industrial Carmen Limestone

Molds

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

Plastics Business

Colorants/Pigments	Esta Fine Colour Corp. Masterbatch Philippines, Inc.
Inks	MCR Industries, Inc. Union Inks and Graphics Philippines, Inc.
HDPE Resin	JG Summit Petrochemical Corporation Dow Chemical Pacific (Singapore) Pte. Ltd GC Marketing Solutions Company Limited Lotte Chemical Titan Corporation Sdn. Bhd.
Regrinds	Toyo Ink Compounds Corporation Octaplas Industrial Services Inc.

Metal Business

Plate, TFS	Nippon Steel & Sumikin Bussan Corporation Macro-Lite Korea Corporation Perstima (Vietnam) Co. Ltd. Jiangsu Xutao Supplies Co., Ltd. Toyota Tsusho Corporation
Aluminum Coil	Toyota Tsusho Corporation Novelis Mea Ltd. Shinko Shoji Singapore Pte. Ltd. Sumitomo Corporation Asia & Oceania Pte. Ltd.
Lubricants	Elasco Int'l Corp. Pneumatic Technologies Inc.

Laminates Business

PET/CPP/OPP and Other Films	Cofta Mouldings Corp. - Quezon City Pt Kolon Polyplex Thailand Ltd. Flexible Packaging Products Corporation Thai Toray Synthetics, Ltd.
PE Films	Cofta Mouldings Corporation Flexible Packaging Products Corp.

Aluminum Foil	SNTO International Trade Limited Dongwon Systems Corp. Eastern Valley Co., Ltd. Flexible Packaging Products Corp. Shofusion Inc. Yantai Jintai International Trade Hangzhou Dingsheng Import and Export Co. Ltd.
Resins	Dow Chemicals Pacific, Ltd. JG Summit Petrochemical Corporation Trans World Trading Company, Incorporated
Inks	Tokyo Inc [Philippines] Co., Inc.
PET Business	
PET Resin	Indorama Polymers Public Co., Limited Shinkong Synthetic Fibers Corporation Far Eastern Polychem Industries Limited Jiangyin Xingyu New Material Co. Ltd.
PP Resin	Basell Asia Pacific Limited
CO2	Air Liquide Philippines, Inc. Pacific Carbonic Corporation
Paper Business	
Kraft Paper	Visy Trading Singapore Pte. Ltd. American Paper Export Klabin Trade Oji Fibre Solutions (NZ) Inc.
FUEL AND OIL	
Crude	Saudi Arabian Oil Company Kuwait Petroleum Corporation ExxonMobil Exploration and Production Malaysia, Inc.
Finished Product	Trafigura Pte. Ltd. Petco Trading Labuan Company Ltd.
ENERGY	
Coal	Banpu Baramulti Group PT Bayan Resources Tbk PT Kaltim Prima Coal PT Arutmin Indonesia Vitol Asia Pte Ltd.
Other Consumables	Connel Bros. Co. Pilipinas, Inc. SI Resources Corporation Solid North Mineral Corporation Philippine Mining Services Corporation

Electricity	Philippines Electricity Market Corporation
Equipment/ Construction Materials/ Services	Formosa Heavy Industries Boom Access Investments Ltd. Liebherr-Werk Nenzing GmbH MHPS (Philippines), Inc. True North Manufacturing Services Corporation Velca Equipment and Engineered Products, Inc.

Dependency upon a single customer or a few customers

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

Transactions with and/or dependence on related parties

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

Registered Trademarks/Patents, Etc.

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

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

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

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

Government Approvals and Compliance with Environmental Laws

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

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

Government Regulation

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

Research and Development

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

Food and Beverage

Beer and NAB

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

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

SMB also has a central analytical laboratory which is equipped with modern equipment necessary for strategic raw materials analysis and validation, beer and NAB evaluation, and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyzer, and laboratory scale mashing/milling system for malt analysis. Analytical methods and validation procedures are constantly enhanced and standardized across all of the laboratories of SMB. The central analytical laboratory likewise runs proficiency tests for brewery laboratories and suppliers to ascertain continuous reliability and quality of analytical test results. It is also tasked with ensuring compliance of all systems with international standards, specifically ISO 17025-2005.

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

Spirits

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

Food

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

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

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

Packaging

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

Fuel and Oil

To enhance productivity, efficiency, reduce costs and strengthen its competitiveness, Petron engages in research and development to identify improvements that can be made to its production processes. The development, reformulation and testing of new products are continuing business activities of Petron.

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

Petron products are regularly tested by third party testing institutes to secure stringent certifications and approvals from accredited global industry certifying bodies and original equipment manufacturers (OEMs). These approvals serve as a testimony that its products are certified world class. For 2019, Petron was able to secure OEM approval for diesel engine oil that meets the LDF-3 quality of Scania for Rev-X Fully Synthetic SAE 10W-40. This is on top of the renewal of licenses and approvals from industry standards such as API (American Petroleum Institute), ACEA (Association des Constructeurs Européens d’Automobiles / Association European Automobile Manufacturers Association), NMMA (National Marine Manufacturers Association), and OEM approvals from BMW, Mercedes-Benz, Porsche, Cummins, MAN, MTU, Volvo, Mack, and Renault.

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

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

Energy

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

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

SMC Global Power's expansion projects under construction include the Unit 3 (335 MW) of the Masinloc Power Plant which is expected to commence commercial operations in 2020. As of December 31, 2019, SMC Global Power also owns 89.5% of the equity interests in MPGC, which is developing and constructing a 600 MW coal-fired power plant and associated facilities in Mariveles, Bataan. SMC Global Power will also expand its power portfolio through the development and construction of new power plants located in Pagbilao, Quezon, with a planned total installed capacity of 600 MW, and the expansion of the Masinloc Power Plant (Unit 4) with an installed capacity of 335 MW.

In addition to power generating plants, SMC Global Power is rolling out grid-wide BESS projects in addition to its existing BESS facilities in Masinloc, Zambales. SMC Global Power is expanding its BESS portfolio nationwide with a capacity of up to 1000 MWh through its subsidiaries UPSI, MPPCL, and SMCGP Philippines Energy, which have executed turnkey contracts with world-leading battery Engineering, Procurement and Construction contractors.

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

Infrastructure

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

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

	2019	2018	2017
Research and Development	P509	P499	P456
Percentage to Net Income	1.05%	1.11%	0.86%

Cost of Compliance with Environmental Laws

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

Human Resources and Labor Matters

As of December 31, 2019, the Group has about 44,079 employees and has entered into 35 collective bargaining agreements (“CBA”). Of the 35 CBAs, 9 will be expiring in 2020.

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

Major Business Risks

The major business risks facing the Group are as follows:

a) Competition Risks

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

b) Operational Risks

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

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

c) Legal and Regulatory Risks

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

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

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

d) Social and Cultural Risks

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

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

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

e) Raw Materials Sourcing Risks

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

Movements in the supply of global crops may affect prices of raw materials, such as wheat, malted barley, adjuncts, and molasses for the beverage and food businesses. The Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations or policies.

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

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

f) Financial Risks

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

1. Interest Rate Risk

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

2. Foreign Currency Risk

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

3. Liquidity Risk

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

4. Credit Risk

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

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

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

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

Please refer to Note 40 of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "B"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

Item 2. Properties

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

The Parent Company does not hold any real property of material value. Its present office is at the 5th Floor, ENZO Building, No. 399 Sen. Gil J. Puyat Avenue, Makati City.

The Parent Company and its significant subsidiaries have no principal properties that are subject to a lien or mortgage. There are no imminent acquisitions of any material property that cannot be funded by working capital of the Group.

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

Item 3. Legal Proceedings

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

For further details on pending legal proceedings of the Group, please refer to Note 44 of the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

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

There are no matters which were submitted to a vote of the Parent Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2019.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

On October 17, 2013, the Board of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of the Parent Company to the SMC common shareholders of record as of November 5, 2013, which dividend declaration was approved by the SEC on November 19, 2013. The Certificate Authorizing Registration was issued by the Bureau of Internal Revenue on December 26, 2013 and the physical distribution of the property dividends commenced on January 02, 2014.

The 490,196,200 common shares of the Parent Company, composing the total issued common shares, were listed by way of introduction in the PSE on January 13, 2014. The percentage of public ownership of the Parent Company as of December 31, 2019 is 11.98%.

The high and low closing prices of the common shares of the Parent Company for each quarter within the last two fiscal years and for the first quarter of 2020 are as follows:

	2020		**2019**		**2018**	
	Common		**Common**		**Common**	
	High	Low	High	Low	High	Low
1st Quarter	P214.00	P125.00	P289.60	P232.00	P288.20	P260.00
2nd Quarter	-	-	P276.00	P260.40	P280.00	P252.00
3rd Quarter	-	-	P267.00	P216.20	P320.00	P251.00
4th Quarter	-	-	P246.80	P201.20	P281.00	P247.00

The closing price as of December 27, 2019, the latest practicable trading date for the year ended 2019, is P214.00 per common share.

The closing price as of March 30, 2020 is P152.00 per common share.

The approximate number of shareholders of the Parent Company as of December 31, 2019 is 31,352.

The top 20 common stockholders of the Parent Company as of December 31, 2019 is attached hereto as **Annex "G".**

The Board of Directors of the Parent Company approved the declaration and payment of the following cash dividends to preferred stockholder as follows:

2019

Date of Declaration	**Date of Record**	**Date of Payment**	**Dividend per Share**
March 14, 2019	March 14, 2019	March 15, 2019	P279.00
May 9, 2019	May 9, 2019	May 10, 2019	279.00
August 8, 2019	August 8, 2019	August 9, 2019	139.50
November 7, 2019	November 7, 2019	November 8, 2019	279.00

2018

Date of Declaration	Date of Record	Date of Payment	Dividend per Share
March 15, 2018	March 15, 2018	March 16, 2018	P279.00
August 9, 2018	August 9, 2018	August 10, 2018	279.00
November 13, 2018	November 13, 2018	November 14, 2018	418.50

There were no cash dividends declared and paid by the Parent Company for common shares in 2019 and 2018.

On March 12, 2020, the BOD of the Company declared cash dividends at P279.00 per share to preferred shareholders of record as at March 12, 2020 to be paid on March 13, 2020.

Description of the securities of the Parent Company may be found in Note 24, Equity, of the 2019 Audited Consolidated Financial Statements, attached herein as **Annex "B"**.

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

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

(A) Management Discussion and Analysis

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

(B) Information on Independent Accountant and Other Related Matters

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

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

The Parent Company paid the external auditor the amount of P1.8 million in 2019 and 2018, for its services rendered in both years.

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

Item 7. Financial Statements

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

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

The overall management and supervision of Top Frontier is undertaken by the Board of Directors. The Board is composed of seven (7) members of the Board, three (3) of whom are independent directors. Pursuant to the By-Laws of Top Frontier, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. The term of a director is one (1) year from date of election and until their successors are elected and qualified.

As of December 31, 2019, the composition of the Board of Directors of Top Frontier is as follows:

Name	Age	Citizenship	Position	Year Position was Assumed
Iñigo U. Zobel	63	Filipino	Chairman	2008
Ramon S. Ang	65	Filipino	Director	2010
Ferdinand K. Constantino	68	Filipino	Director	2010
Aurora T. Calderon	65	Filipino	Director	2013
Consuelo M. Ynares-Santiago	80	Filipino	Independent Director	2013
Minita V. Chico-Nazario	80	Filipino	Independent Director	2014
Teresita J. Leonardo-De Castro	71	Filipino	Independent Director	2019

As of December 31, 2019, the following are the executive officers of Top Frontier:

Name	Age	Citizenship	Position	Year Position was Assumed
Ramon S. Ang	65	Filipino	President and Chief Executive Officer	2013
Aurora T. Calderon	65	Filipino	Treasurer	2010
Bella O. Navarra	59	Filipino	Chief Finance Officer	2013
Virgilio S. Jacinto	63	Filipino	Corporate Secretary and Compliance Officer	2010 2013
Irene M. Cipriano	45	Filipino	Assistant Corporate Secretary	2013
Maria. Rosario B. Balanza	57	Filipino	Investment Relations Officer and Data Protection Officer	2014 2017
Ramon R. Bantigue	58	Filipino	Internal Audit Group Head	2017

The following discussion presents a brief description of the business experience of each of the directors and executive officers of Top Frontier over the past five (5) years.

Iñigo U. Zobel

Mr. Zobel is the Chairman of Top Frontier (since 2008). He is also the Chairman and President of E. Zobel, Inc. (since 1983), IZ Investment Holdings, Inc. (since 2013) and Zygnet Prime Holdings Inc. (since 2015); Director of San Miguel Corporation (since 2009); Chairman (2015-2016), Vice Chairman (since 2016) and President (2015-2017) of Manila North Harbour Port, Inc.; and a Director of E. Zobel Foundation, Inc., Calatagan Golf Club, Inc., Calatagan Bay Realty, Inc., Hacienda Bigaa, Inc., MERMAC, Inc., among others. He was formerly an Independent Director of San Miguel Corporation (1999-2009), San Miguel Brewery Inc. (2007-2010), San Miguel Pure Foods Company, Inc. (2006-2009), San Miguel Properties, Inc. (2009-2010), and Ginebra San Miguel, Inc. (2004-2010); President and Chief Operating Officer of Air Philippines Corporation (2012-2014); and Director of PAL Holdings, Inc. (2012-2014) and Philippine Airlines, Inc. (2012-2014). He attended Santa Barbara College, California, U.S.A.

Ramon S. Ang

Mr. Ang is the Director (since 2010) and President and Chief Executive Officer (since 2013) of Top Frontier. He was a member of the Corporate Governance Committee, and the Chairman of the Executive Compensation Committee of Top Frontier (2013-2017). Mr. Ang is the Vice Chairman (since 1999), President and Chief Operating Officer of San Miguel Corporation (since 2002); Chairman and Chief Executive Officer (since 2010) and President and Chief Operating Officer (since 2017) of SMC Global Power Holdings Corp.; Chairman of San Miguel Brewery Inc. (since 2007), San Miguel Brewery Hong Kong Limited (since 2005), Sea Refinery Corporation (since 2011), San Miguel Foods, Inc. (since 2006), San Miguel Yamamura Packaging Corporation (since 2006), Anchor Insurance Brokerage Corporation (since 2001), Clariden Holdings, Inc. (since 2012) and Manila North Harbour Port, Inc. (since 2016); Vice Chairman (since 2010), Director (since 2000) and President (since 2017) of Ginebra San Miguel, Inc.; Vice Chairman (since 2011), Director (since 2001) and President and Chief Executive Officer (since 2018) of San Miguel Food and Beverage, Inc. (formerly, San Miguel Pure Foods Company, Inc.); President and Chief Executive Officer of Petron Corporation (since 2015), and Integrated Geo Solutions, Inc. (since 2009); President and Chief Executive Officer of Northern Cement Corporation(since 2012); Chairman (since 2002) and President (since 2010) of San Miguel Properties, Inc.; Chairman, President and Chief Executive Officer of Far East Cement Corporation (since 2016); Chairman and President of San Miguel Holdings Corp. (since 2010) and San Miguel Equity Investments Inc. (since 2011); and Chairman of Philippine Diamond Hotel & Resort, Inc. (since 2004). He is also the sole director and shareholder of Master Year Limited (since 2012) and the Chairman of Privado Holdings, Corp (since 2010). He was formerly the Chairman of Liberty Telecoms Holdings Inc. (2008-2016); President and Chief Operating Officer of PAL Holdings, Inc. (2012-2014) and Philippine Airlines, Inc. (2012-2014); Vice Chairman and Director of Manila Electric Company (2009-2014); and Director of Air Philippines Corporation (2012-2014). Mr. Ang holds directorships in various subsidiaries of San Miguel Corporation. He holds a degree in B.S. Mechanical Engineering from the Far Eastern University.

Ferdinand K. Constantino

Mr. Constantino is a Director of Top Frontier (since 2010). He is a member of the Audit and Risk Oversight Committee, Related Party Transaction Committee (since 2017), and Corporate Governance Committee (since 2013). He was the Chairman of the Nomination and Hearing Committee and a member of the Audit Committee (2013-2017). He is also the Senior Vice President, Chief Finance Officer and Treasurer (since 2001) and Director (2010-2018) of San Miguel Corporation; President of Anchor Insurance Brokerage Corporation (since 2002); Vice Chairman of SMC Global Power Holdings Corp. (since 2011); a Director and Treasurer of San Miguel Food and Beverage, Inc. (formerly, San Miguel Pure Foods Company, Inc.) (since 2018); Director of San Miguel Brewery Inc. (since 2007), San Miguel Yamamura Packaging Corporation (since 2002), SMC Stock Transfer Service Corporation (since 1993 and Chairman since (2010), San Miguel Holdings Corp. (since 2001), and Clariden Holdings, Inc. (since 2012); and a Director and Treasurer of San Miguel Equity Investments, Inc. (since 2011). Mr. Constantino previously served as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009), San Miguel Properties, Inc. (2001-2009), Bank of Commerce (2008-2010), Ginebra San Miguel, Inc. (2008-2010 and 2012-2015), PAL Holdings, Inc. (2012-2014), Philippine Airlines, Inc. (2012-2014); and Chief Finance Officer of Manila Electric Company (2009). He holds directorships in various subsidiaries of San Miguel Corporation. He holds a degree in A.B. Economics from the University of the Philippines and completed academic requirements for an M.A. Economics degree.

Aurora T. Calderon

Ms. Calderon is a Director of Top Frontier (since 2013), the Treasurer (since 2010) and a member of the Audit and Risk Oversight Committee, and Related Party Transaction Committee (since 2017). She was a member of the Audit Committee and Executive Compensation Committee (2013-2017). She is also the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation (since 2011); a Director of San Miguel Corporation (since 2014), Petron Corporation (since 2010), Petron Marketing Corporation (since 2010), Petron Freeport Corporation (since 2010), Sea Refinery Corporation (since 2010), New Ventures Realty

Corporation (since 2010), Las Lucas Construction and Development Corp. (since 2010), Thai San Miguel Liquor Co. (since 2008), SMC Global Power Holdings Corp. (since 2010), San Miguel Equity Investments Inc. (since 2011), and Clariden Holdings, Inc. (since 2012). She was previously a consultant of San Miguel Corporation reporting directly to the President and Chief Operating Officer (1998-2010) and formerly a Director of Manila Electric Company (2009), PAL Holdings, Inc. (2012-2014), Philippine Airlines, Inc. (2012-2014) and Air Philippines Corporation (2012-2014). Ms. Calderon holds directorships in various subsidiaries of San Miguel Corporation. She graduated magna cum laude from the University of the East with a degree in B.S. Business Administration, Major in Accountancy. Ms. Calderon is a Certified Public Accountant.

Consuelo M. Ynares-Santiago

Justice Santiago is an Independent Director of Top Frontier (since 2013), the Chairperson of the Corporate Governance Committee (since 2013) and of the Related Party Transaction Committee (since 2017), and a member of the Audit and Risk Oversight Committee (since 2017). She was a member of the Audit Committee and the Executive Compensation Committee (2013-2017). She is also an Independent Director of SMC Global Power Holdings Corp. (since 2011), Anchor Insurance Brokerage Corporation (since 2012), South Luzon Tollway Corporation (since 2015) and Phoenix Petroleum Phil. Inc. (since 2013). She was formerly an Associate Justice of the Supreme Court (1999-2009), an Associate Justice of the Court of Appeals (1990-1999), and a Regional Trial Court Judge of Makati City (1986-1990). Justice Santiago obtained her Bachelor of Laws degree from the University of the Philippines, College of Law.

Minita V. Chico-Nazario

Justice Nazario is an Independent Director of Top Frontier (since 2014), the Chairperson of the Audit and Risk Oversight Committee (since 2017), a member of the Related Party Transaction Committee (since 2017) and Corporate Governance Committee (since 2017), and the Lead Independent Director (since 2018). She was the Chairperson of the Audit Committee and a member of the Nomination and Hearing Committee (2014-2017). She is also an Independent Director of San Miguel Properties, Inc. (since 2012), Ginebra San Miguel Inc. (since 2012) and San Miguel Food and Beverage, Inc. (formerly, San Miguel Pure Foods Company, Inc.) (since 2015). She is also currently the Dean of the College of Law of the University of Perpetual Help System DALTA in Las Pinas City (since 2011), Chairperson of Philippine Grain International Corp (since 2010), a Director of Mariveles Grains Corp. (since 2012), and a Legal Consultant of the United Coconut Planters Bank (since 2014). Justice Nazario is formerly an Associate Justice of the Supreme Court (2004-2009), the Presiding Justice of the Sandiganbayan (2003-2004) and the Chairman of the Board (2010) and Director (2010-2011) of the PNOC Exploration Corporation. Justice Nazario obtained her Bachelor of Laws degree from the University of the Philippines, College of Law.

Teresita J. Leonardo-De Castro

Justice De Castro has been nominated for election as an Independent Director of Top Frontier at the Annual Stockholders' Meeting. Justice De Castro served as Chief Justice of the Supreme Court of the Philippines (2018), Associate Justice of the Supreme Court of the Philippines (2007-2008), Presiding Justice of the Sandiganbayan (2004-2007), and Associate Justice of the Sandiganbayan (1997-2004). Justice De Castro obtained her Bachelor of Laws degree from the University of the Philippines, College of Law.

Bella O. Navarra

Ms. Navarra is the Chief Finance Officer of Top Frontier (since 2013) and the Vice President, Comptrollership of San Miguel Corporation (since 2000). She is a Director and the Treasurer of Clariden Holdings, Inc. (since 2012) and various subsidiaries of San Miguel Corporation; and a Director of San Miguel Holdings Corp. (since 2007), San Miguel Equity Investments Inc. (since 2011), and SMC Stock Transfer Service Corporation (since 2001). She holds directorships in various subsidiaries of San Miguel Corporation. She is a Certified Public Accountant and holds a degree in B.S. in Business Administration, Major in Accounting from the University of the East.

Virgilio S. Jacinto

Atty. Jacinto is the Corporate Secretary of Top Frontier (since 2010), Compliance Officer (since 2013) and a member of the Corporate Governance Committee (since 2013). He is the Corporate Secretary, Senior Vice-President, General Counsel and Compliance Officer of San Miguel Corporation (since 2010). He is also the Corporate Secretary and Compliance Officer of Ginebra San Miguel, Inc. and a Director of Petron Corporation (since 2010); President of SMC Stock Transfer Service Corporation (since 2011); a Director and Corporate Secretary of SMC Global Power Holdings Corp. (since 2010); and Corporate Secretary of San Miguel Holdings Corp. (since 2010) and various subsidiaries of San Miguel Corporation. He is also an Associate Professor at the University of the Philippines, College of Law (since 1993). Atty. Jacinto was formerly the Vice President and First Deputy General Counsel of San Miguel Corporation (2006-2010). He holds directorships in various subsidiaries of San Miguel Corporation. He is an Associate professor at the University of the Philippines, College of Law. Atty. Jacinto is the class salutatorian and graduated cum laude from the College of Law of the University of the Philippines, and placed 6th in the 1981 Bar Examinations. He also holds a Master of Laws degree from the Harvard Law School.

Irene M. Cipriano

Atty. Cipriano is the Assistant Corporate Secretary of Top Frontier (since 2013) and an Assistant Vice President and Associate General Counsel of San Miguel Corporation. She is also the Corporate Secretary of San Miguel Equity Investments Inc. (since 2011), the Assistant Corporate Secretary of SMC Global Power Holdings Corp. (since 2010), and of various subsidiaries of San Miguel Corporation. Atty. Cipriano was formerly the Assistant Corporate Secretary of PAL Holdings, Inc. (2012-2014) and Philippine Airlines, Inc. (2012-2014). She is a Certified Public Accountant and holds a degree in B.S. Accountancy from De La Salle University. Atty. Cipriano holds a degree in Bachelor of Laws from the San Beda College of Law.

Maria Rosario B. Balanza

Ms. Balanza is the Investment Relations Officer of Top Frontier (since 2014) and serves as its Data Protection Officer (since 2017). She is also the Assistant Vice President for the Planning and Research Services Department, Corporate Finance of San Miguel Corporation (since 2007). She was formerly the Assistant Vice President for Research and Information Management, Corporate Planning of San Miguel Corporation (2004–2007). Ms. Balanza holds a degree in A.B. Economics from the University of the Philippines and has completed the Post Graduate Program in Development Economics from the University of the Philippines. She obtained her Master of Management from the Australian National University.

Ramon R. Bantigue

Mr. Bantigue is the Internal Audit Group Head of Top Frontier (since 2017). He is also a Vice President and Head of the San Miguel Corporation Group Audit (since 2007). Mr. Bantigue is Certified Internal Auditor. He is Certified Public Accountant and holds a degree in Bachelor of Commerce, Major in Accountancy from the University of Sto. Tomas. Mr. Bantigue completed the Management Development Program at the Asian Institute of Management.

SIGNIFICANT EMPLOYEES

While all employees are expected to make a significant contribution to Top Frontier, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of Top Frontier on his own.

FAMILY RELATIONSHIP

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors and executive officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

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

Item 10. Executive Compensation

The Board may provide, in its discretion, an allowance or per diem to each member of the Board during each regular meeting of the Board, provided that the said director participates in the said meeting. Pursuant thereto, Top Frontier provides each director, who are not officers of SMC, with reasonable per diem of P20,000 and P10,000 for each Board and Committee meeting attended, respectively. Additionally, the By-Laws of Top Frontier provides that as compensation of the directors, the Board at its discretion shall receive and allocate yearly an amount of not more than 10% of the net income before income tax of Top Frontier during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The By-Laws of Top Frontier further provides that the officers shall receive such remuneration as the Board may determine. A director shall not be precluded from serving Top Frontier in any other capacity as an officer, agent or otherwise, and receiving compensation therefore.

Compensation to executive officers currently comprising of the Chairman, the President and Chief Executive Officer, the Treasurer, the Chief Finance Officer, the Corporate Secretary and Compliance Officer, the Assistant Corporate Secretary, the Investment Relations Officer and Data Protection Officer, and the Internal Audit Group Head amounted to nil for the years ended 2019, 2018 and 2017.

There were no other compensation paid to the directors for the periods indicated.

Employment Contract between the Parent Company and Executive Officers

There are no special employment contracts between Top Frontier and its named executive officers.

Warrants and Options Held by the Executive Officers and Directors

As of December 31, 2019, none of the directors and executive officers of Top Frontier hold any warrants or options in Top Frontier.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the directors and executive officers of Top Frontier were compensated, or is to be compensated, directly or indirectly since the incorporation of Top Frontier on March 11, 2008.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Beneficial owners of more than 5% of the voting securities of Top Frontier as of December 31, 2019 are as follows:

Title of Class	Name of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees)	% of Total Outstanding Common Shares
Common	Iñigo U. Zobel (Chairman of the Board) Aurora T. Calderon (Director and Treasurer)	Iñigo U. Zobel Nominee-director of Mr. Zobel in the Board	Filipino Filipino	199,601,517 100 Total: 199,601,617	59.96%
Common	Master Year Limited Ramon S. Ang (President and CEO) Ferdinand K. Constantino (Director)	Master Year Limited (MYL) Sole director / shareholder of MYL and Nominee-director of MYL in the Board Nominee-director of MYL in the Board	Caymanian Filipino Filipino	49,799,800 100 100 Total: 49,800,000	14.96 %
Common	Privado Holdings, Corp.	Ramon S. Ang, as 100% beneficial owner of Privado Holdings, Corp.	Filipino	36,814,051 44,500 [in PCD Nominee Corporation (Filipino)] Total: 36,858,551	11.07%
Common	PCD Nominee Corporation (Filipino)	Various individual/ entities	Filipino	25,837,309 [inclusive of the 44,500 shares of Privado Holdings, Corp.]	7.76%

As regards security ownership of management, the table below sets out the details of the voting securities in the name of the directors and executive officers of Top Frontier as of December 31, 2019:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Total No. of Shares	% of Total Outstan-ding Common Shares
Common	Iñigo U. Zobel	Chairman of the Board	Iñigo U. Zobel	Filipino	199,601,517	59.96%
Common	Aurora T. Calderon	Director and Treasurer	Iñigo U. Zobel; Nominee-director Aurora T. Calderon	Filipino Filipino	100 2,260	0% 0%
Common	Ramon S. Ang	President and CEO	MYL; Nominee-director Ramon S. Ang	MYL - Caymanian Filipino	100 75,787	0% 0.02%
Common	Ferdinand K. Constantino	Director	MYL; Nominee-director Ferdinand K. Constantino	MYL - Caymanian Filipino	100 14,750	0% 0%
Common	Consuelo M. Ynares-Santiago	Independent Director	Consuelo M. Ynares-Santiago	Filipino	100	0%
Common	Minita V. Chico-Nazario	Independent Director	Minita V. Chico-Nazario	Filipino	100	0%
Common	Teresita J. Leonardo-De Castro	Independent Director	Teresita J. Leonardo-De Castro	Filipino	100	0%
Common	Bella O. Navarra	Chief Finance Officer	Bella O. Navarra	Filipino	10,260	0%
Common	Virgilio S. Jacinto	Corporate Secretary and Compliance Officer	Virgilio S. Jacinto	Filipino	2,562	0%
Common	Irene M. Cipriano	Assistant Corporate Secretary	Irene M. Cipriano	Filipino	1,000	0%
Common	Ma. Rosario B. Balanza	Investment Relations Officer and Data Protection Officer	Ma. Rosario B. Balanza	Filipino	1,307	0%

VOTING TRUST

None of the stockholders holding more than 5% of the voting securities of Top Frontier are under a voting trust or similar agreement.

CHANGE IN CONTROL

Top Frontier is not aware of any change in control or arrangements that may result in a change in control of Top Frontier.

FOREIGN OWNERSHIP

As of December 31, 2019, the following is the foreign ownership of the voting shares of stock of the Company:

Share Class	Foreign Shares	Percentage of Foreign Ownership	Local Shares/ Shares held by Filipinos	Percentage of Filipino Ownership	Total Common Shares Outstanding
Common	52,824,530	15.87%	280,061,637	84.13%	332,886,167

Item 12. Certain Relationships and Related Transactions

See Note 33, Related Party Disclosures, of the Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Top Frontier's Integrated Annual Corporate Governance Report (I-ACGR) for 2019 shall be filed with the Commission in accordance with SEC Memorandum Circular No. 15, Series of 2017, on or before July 30, 2020 pursuant to SEC CGFD Notice, dated April 22, 2020, which is the extended period allowed by the Commission for the filing thereof in the light of the enhanced community quarantine ("ECQ") being implemented during the state of public health emergency due to the COVID-19 outbreak.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

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

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed during the year 2019 is attached as **Annex "H"**.

(c) Sustainability Report

Top Frontier **hereto submits** its 2019 Sustainability Report, **attached as Annex "I"** to **this** Amended 2019 Annual Report (SEC Form 17-A), **within** the extended period granted by the Commission in view of the ECQ being implemented due to the COVID-19 outbreak, in accordance with SEC Memorandum Circular No. 13, Series of 2020.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on JUN 30 2020.

By:

RAMON S. ANG
President and Chief Executive Officer

AURORA T. CALDERON
Treasurer

BELLA O. NAVARRA
Chief Finance Officer

VIRGILIO S. JACINTO
Corporate Secretary and Compliance Officer

SUBSCRIBED AND SWORN to before me this JUN 30 2020 at Mandaluyong City, the following persons with their competent IDs, as follows:

Name	Passport No.	Date of issue	Place of Issue
Ramon S. Ang	P2247867B	May 22, 2019	DFA Manila
Aurora T. Calderon	P3888910B	November 19, 2019	DFA NCR East
Bella O. Navarra	P1969090A	February 18, 2017	DFA NCR East
Virgilio S. Jacinto	P3157226B	September 12, 2019	DFA NCR East

Doc. No.: 190;
Page No.: 39;
Book No.: IV;
Series of 2020.

PAULA KATHERINA A. GAN
Commission No. 0308-19
Notary Public for Mandaluyong City
Until December 31, 2020
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 55988
PTR No. 4324707;01/07/20; Mandaluyong City
IBP Lifetime Member No. 013353; 02/05/15, QC
MCLE Compliance No. VI-0019930; ~~03/20/19;~~ 04/14/22 Pasig City

PAULA KATHERINA A. GAN
NOTARY PUBLIC
ROLL NO. 55988
MANDALUYONG CITY, PHILS.

Annex "A"

TOP FRONTIER
INVESTMENT HOLDINGS, INC.

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of Top Frontier Investment Holdings, Inc. ("Top Frontier" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2019. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2019 and the financial performance and cash flows for the year ended December 31, 2019 and for all the other periods presented, have been made.

I. 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 issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

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	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.

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 New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

The Group has adopted the following PFRS starting January 1, 2019 and accordingly, changed its accounting policies in the following areas:

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  The Group has adopted PFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019. Accordingly, the comparative information has not been restated and is presented, as previously reported, under PAS 17 and related interpretations.

  As a lessee, the Group recognized right-of-use assets and lease liabilities for leases classified as operating leases under PAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets are measured based on the carrying amount as if PFRS 16 had always been applied, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rates ranging from 3.9% to 10.3% as at January 1, 2019.

  The Group used the following practical expedients for leases previously classified as operating leases under PAS 17:

  - applied the exemption not to recognize right-of-use assets and liabilities for leases with lease term that ends within 12 months at the date of initial application;

  - excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

  - used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases previously classified as finance leases, the Group determined the carrying amount of the lease assets and lease liabilities immediately before the transition as the carrying amount of the right-of-use assets and lease liabilities at the date of initial application.

Right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within investment property.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes,* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Long-term Interests (LTI) in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendments require the application of PFRS 9, *Financial Instruments,* to other financial instruments in an associate or joint venture to which the equity method is not applied. These include LTI that, in substance, form part of the entity's net investment in an associate or joint venture.

  The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

- Prepayment Features with Negative Compensation (Amendment to PFRS 9). The amendment covers the following areas:

  - *Prepayment Features with Negative Compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or FVOCI irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

  - *Modification of Financial Liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset – i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in the consolidated statements of income.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- Annual Improvements to PFRS Cycles 2015 - 2017 contain changes to four standards:

  - Previously Held Interest in a Joint Operation (Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*). The amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. If an entity maintains (or obtains) joint control, the previously held interest is not remeasured. If an entity obtains control, the transaction is a business combination achieved in stages and the acquiring entity remeasures the previously held interest at fair value.

  - Income Tax Consequences of Payments on Financial Instrument Classified as Equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.

  - Borrowing Costs Eligible for Capitalization (Amendments to PAS 23, *Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

- IFRIC Agenda Decision on Over Time Transfer for Constructed Goods (PAS 23) for the Real Estate Industry. In 2019, the IFRIC published an agenda decision on the eligibility of capitalization of borrowing costs in relation to the construction of residential multi-unit real estate development for entities which recognize revenue over time. The IFRIC concluded that inventory for unsold units under construction, which is ready for its intended sale in its current condition, is not a qualifying asset based on the definition provided by PAS 23. Accordingly, any incurred borrowing costs related to the construction of real estate inventories are not capitalized as part of real estate inventories and are to be recognized directly as expense in the consolidated statements of income.

  Prior to 2019, the Group capitalized borrowing costs from interest-bearing loans and borrowings specifically obtained for the construction of its real estate projects.

Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

Additional disclosures required by the amended standards were included in the consolidated financial statements, where applicable.

II. FINANCIAL PERFORMANCE

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

	Years Ended December 31		
	2019	2018	2017
		(In Millions)	
Sales	**P1,020,480**	P1,024,915	P826,058
Cost of Sales	**819,855**	827,343	646,010
Gross Profit	**200,625**	197,572	180,048
Selling and Administrative Expenses	**(86,523)**	(82,908)	(71,575)
Operating Income	**114,102**	114,664	108,473
Financing Charges - net	**(43,042)**	(35,555)	(27,973)
Equity in Net Earnings (Losses) of Associates and Joint Ventures	**106**	(289)	297
Gain (Loss) on Sale of Investments and Property and Equipment	**(237)**	252	879
Other Income (Charges) – net	**6,551**	(9,497)	(1,360)
Net Income	**48,571**	44,860	53,250
Net Income Attributable to Equity Holders of the Parent Company	**9,604**	7,000	12,318
Net Income Attributable to Non-controlling interests	**38,967**	37,860	40,932

2019 vs. 2018

The Group's consolidated sales revenue for the year 2019 amounted to P1,020,480 million, at par versus 2018. Higher volumes from SMC Global Power Corp. (SMC Global) and San Miguel Food and Beverage, Inc. (SMFB) continue to drive revenue growth, but was moderated by the decline in the sales performance of Petron Corporation (Petron).

Cost of sales amounted to P819,855 million, slightly lower than 2018 at P827,343 million. The decrease primarily was the result of lower average crude prices and sales volume of Petron. This was reduced by the increase in: (a) full year operations of Masinloc Power Plant Units 1 and 2, Malita Power Plant Unit 2, and Limay Power Plant Unit 3, alongside Limay Power Plant Unit 4 which started operations in July 2019, (b) higher power purchase costs of Sual, Ilijan and San Roque Power Plants, (c) higher energy fees of Sual and Ilijan Power Plants, and (d) volume growth of SMFB and higher broiler cost, processing cost and major raw materials of the Food division.

Selling and administrative expenses increased mainly due to (a) higher personnel expenses, logistics costs, contracted services costs and marketing expenses of SMFB, and (b) higher operating expenses of Masinloc entities' full year operations. The increase was partly offset by lower employee costs, provision for bad debts and advertising expenses of Petron.

The Group's consolidated operating income amounted to P114,102 million, at par versus 2018, weighed down by Petron and SMFB - Food division. This was partly offset by SMFB's Beer and Spirits divisions and the Energy business which delivered strong results during the period.

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

The higher interest income was primarily due to higher interest rate and average balance of cash and money market placements.

The increase in equity in net earnings mainly represents the share of San Miguel Properties, Inc. (SMPI) on Bank of Commerce (BOC) higher earnings and the share of San Miguel Holdings Corp. (SMHC) on the earnings of Manila North Harbour Port Inc. (MNHPI) for the period May to December 2019, net of the share in higher net losses of the Group's Joint Ventures.

The loss on sale of investments and property and equipment in 2019 pertains mainly to the disposal and retirement by San Miguel Yamamura Packaging Corporation (SMYPC) of its Cebu Beverage Packaging Plant.

Other income - net in 2019 was primarily due to the appreciation of the Philippine Peso by P1.945 versus other charges - net in 2018 where the Philippine Peso depreciated by P2.65 in 2018. This resulted to a foreign exchange gain of P6,984 million in 2019 compared to a foreign exchange loss of P11,723 million in 2018.

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

Consolidated net income amounted to P48,571 million, at par from last year.

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

1. FOOD AND BEVERAGE

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

Net income rose 6% over the previous year to P32,279 million.

a. Beer and Non-Alcoholic Beverages (NAB) Division

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

Domestic Operations
Domestic operations sold 275.3 million cases, up 7% from the previous year. This was mainly the result of engaging brand and trade activations coupled with sustained economic expansion, low inflation, election-related spending, and better employment conditions. Red Horse and San Miguel Pale Pilsen maintained their position as the top selling beer brands. Both benefitted from nationwide activations and consumer promo

events such as "*Pasiklaban*", "*4Kicks*", "*Rocker Chicks*" and "*Astig*" for Red Horse and "*Logiclub*" for San Miguel Pale Pilsen, alongside other volume-generating programs.

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

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

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

b. Spirits Division

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

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

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

c. Food Division

SMFB's Food division generated consolidated revenues of P139,459 million, 5% higher than last year, on the back of higher volumes, better selling prices, and an improved product mix across most of business segments.

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

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

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

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

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

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

2. PACKAGING

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

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

3. ENERGY

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

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

4. FUEL AND OIL

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

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

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

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

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

5. INFRASTRUCTURE

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

Construction of our major infrastructure projects remain on going. This however was temporarily suspended starting on March 17, 2020 when the Enhanced Community Quarantine (ECQ) was implemented in Luzon by the Philippine government to control the spread of the Coronavirus Disease 2019 (COVID-19). Construction activities gradually resumed after the restrictions in construction activities were partially allowed in some area until it was totally lifted on May 15, 2020.

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

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

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

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

SLEX – Toll Road 4 (SLEX-TR4), the 56.862-kilometer extension of the SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province has started construction. Works from Alaminos, Laguna and Tiaong, Quezon is currently ongoing.

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

Meanwhile, the Concession Agreement for the New Manila International Airport was signed last September 18, 2019. A game-changing infrastructure project, its detail technical design and requirements for its financial close is currently on-going.

<u>2018 vs. 2017</u>

The Group's consolidated sales revenue reached P1,024,915 million in 2018, 24% higher than 2017 mainly driven by higher volumes and favorable selling prices across all major businesses.

Cost of sales increased by 28% to P827,343 million mainly due to the: (a) increase in crude prices and effect of excise tax of Petron, (b) higher sales volume of Beer and Food divisions under SMFB, (c) increase in excise tax by 4% per case of the domestic operations of SMB, and (d) operations of the newly acquired Masinloc Power Partners Co. Ltd. (MPPCL) and the new Greenfield Power Plants in Bataan and Davao.

Selling and administrative expenses increased mainly due to higher personnel expenses, distribution costs, contracted services costs and advertising and promotions.

Consolidated operating income increased by 6% at P114,664 million. This growth was however partly softened by higher raw material costs that impacted Petron and the Food businesses.

The higher net financing costs was mainly due to the higher level of loans payable and long-term debt in 2018 compared to 2017.

The decrease in equity in net earnings in 2018 primarily represents the share of SMC Global on the higher net loss of Angat Hydropower Corporation and share of SMPI on the lower earnings of BOC.

The gain on sale of investments and property and equipment in 2018 pertains mainly to the sale by SMPI of its investment in Legacy Homes, Inc.

The increase in other charges was primarily due to the higher foreign exchange loss on the translation of the foreign currency denominated long-term debt and finance lease liabilities, partly offset by the higher gain on the translation of foreign currency denominated cash and cash equivalents with the peso depreciating by P2.65 from P49.93 in December 2017 to P52.58 in December 2018.

Consolidated recurring net income, excluding the effect of foreign exchange translation, amounted to P53,164 million in 2018, lower than P53,254 million recorded in 2017. Growth was tempered by the sharp decline in crude oil prices which affected Petron during the fourth quarter of 2018. Consolidated net income as a result, amounted to P44,860 million.

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

1. FOOD AND BEVERAGE

In 2018, SMC completed the consolidation of its Beer and NAB, Spirits and Food businesses through SMFB.

SMFB delivered a strong performance in 2018, posting consolidated revenues of P286,378 million, 14% higher than the P251,589 million recorded in 2017. This was driven by higher volumes and revenues across the Beer and NAB, Spirits, and Food divisions. Consolidated operating income and net income both increased 8% to P45,950 million and P30,533 million, respectively over 2017.

a) Beer and NAB Division

SMB reported revenues amounting to P129,249 million, 14% higher from 2017, as volumes increased 10% to 284.6 million cases. Consolidated operating income rose 13% to P35,285 million while net income grew 15% to P23,836 million.

Domestic Operations
SMB’s domestic operations continued to be robust, with volumes growing 11% year-on-year as consumption across the country remained strong. Red Horse Beer and San Miguel Pale Pilsen maintained their position as SMB's top selling brands. Its performance was boosted by consumption-generating initiatives and defense programs which further strengthened the equity of SMB brands.

With facilities nearing full utilization, SMB is currently building a new brewery in Tagoloan, Misamis Oriental in Mindanao and converting its Sta. Rosa Bottling plant into a full brewery. This will add four million hectoliters to its total current capacity and help strengthen its distribution networks in Mindanao and Southern Luzon which will result to savings on logistics.

International Operations
SMB’s International Operations benefitted from volume growth in its South China and Indonesia operations as well as Exports, and better sales mix. As such, despite continuing challenges in the business environment in North China, Hong Kong, Vietnam, and Thailand, SMB International registered double-digit growth in operating income.

b) Spirits Division

GSMI recorded a banner year in 2018, sustaining strong sales volume which reached 31.4 million cases, 13% better than 2017. Flagship brand Ginebra San Miguel continued to drive growth, driven by its nationwide “*Ginebra Ako*” campaign, various on-ground activities and trade promotions. Vino Kulafu, its Chinese wine brand, also continued to post strong growth. The brand got a boost from its “*Dosenang Lakas, May Instant Pa-Buenas*” under-the-cap promo and tactical consumer activities in Visayas and Mindanao regions.

All these translated to revenues of P24,835 million, 19% higher than 2017. Operating income surged 40% to P1,832 million, due to strong volumes and lower operating costs, while net income increased 75% to P1,053 million.

c) Food Division

Food division posted consolidated revenues of P132,299 million, 13% higher than 2017, on account of the strong performance of the Animal Nutrition and Health, Protein, and Prepared and Packaged Food segments. Most of the food business segments registered double-digit revenue growth, resulting from increased sales volumes and better selling prices.

Revenues from the Animal Nutrition and Health segment, comprising the feeds and vetmed, posted a revenue growth of 14%. The Protein segment, which includes the poultry and fresh meats, grew by 11%, while the Prepared and Packaged Food segment expanded by 15%.

The rising costs of major raw materials, intense competition and the additional impact of peso depreciation, however, pulled Food division's operating income, down 7% to P9,182 million compared to the same period in 2017.

Net income fell 15% to P5,885 million, affected by a weaker peso, start-up and pre-operating expenses of the new facilities, and higher interest expenses related to its expansion projects.

Food division made significant strides in its ongoing expansion in 2018, completing new facilities that will provide much-needed additional capacities to serve the growing demand and changing preferences of consumers. These include feedmills in Bulacan and Bataan, and one hotdog plant in Cavite. Ongoing projects include additional feedmill facilities in Davao, Cebu and Cagayan de Oro, a flour mill in Mabini, Batangas and its first ready-to-eat facility in Sta. Rosa, Laguna that will cater to the growing demand for convenient, pre-prepared and pre-cooked meals.

2. PACKAGING

The Packaging business completed two acquisitions in 2018. In June, it acquired through San Miguel Yamamura Packaging International Ltd., JMP Holdings, a supplier of packaging products for various industries, including retail packaging, cargo protection, and materials handling. In January 2019, through San Miguel Yamamura Woven Products Ltd., it acquired INSA Alliance Sdn Bhd, a Malaysian manufacturer of high quality bulk bags. The acquisition complements its existing woven bags plant in Malaysia.

Sales revenues for the year 2018 amounted to P37,325 million, 16% higher than 2017, as all business segments delivered solid results. Glass set record deliveries to SMB and GSMI; Metals benefited from a favorable sale mix for crowns; deliveries of Plastic crates and pallets were sustained; and logistics operations delivered significant growth with the increase in demand for rented pallets and trucking services.

The Packaging business' Australian operations continued to contribute significantly to overall growth, registering strong sales across the different operations.

With the implementation of stringent fixed cost management measures and further improvements in productivity, operating income grew 11% to P3,311 million.

3. ENERGY

SMC Global's consolidated off-take volume for 2018 reached 23,864 Gwh, 39% higher than 2017. Much of this growth was attributed to the start of commercial operations of Units 2 and

3 of the Malita and Limay Greenfield Power Plants in February and March 2018, respectively. Together, these new units have brought online 300 megawatts (MW) of fresh capacity. With the acquisition of the Masinloc Power Plant in March 2018 which added a combined capacity of 684 MW, total installed capacity reached 4,197 MW in 2018.

With higher off-take volumes and average realization price, consolidated revenues rose 45% to P120,103 million from P82,791 million in 2017. This was mainly driven by the additional revenues from the new Greenfield Power Plants, the Masinloc Power Plant and higher average prices from the Sual and Ilijan bilateral and spot offtake volumes. Operating income reached P33,174 million, 37% higher while net income amounted to P8,300 million, 1% higher from 2017, which was offset by the effect of forex movements.

4. FUEL AND OIL

Petron reported consolidated revenues of P557,386 million for 2018, 28% higher than the P434,624 million in 2017 which was mainly driven by strong domestic sales of high-margin products such as gasoline, Jet-A1, and liquefied petroleum gas, on the account of higher prices of crude oil and finished products.

Petron's consolidated volume reached 108.5 million barrels, slightly higher than the 107.8 million barrels sold in 2017, led by strong retail sales in Malaysia.

During the fourth quarter of 2018, the oil industry has been challenged by increase in global oil production supply which saw crude prices falling sharply starting second half of October until December. Benchmark Dubai crude averaged at US$79.4 per barrel in October which fell to US$57.3 per barrel in December, a US$ 22.1 per barrel drop by year-end of 2018. This was also combined with substantially weak gasoline refining margins on the supply side factors.

Consolidated operating income and net income stood at P18,921 million and P7,069 million, 32% and 50% decline from 2017, respectively as a result of inventory losses incurred in November and December.

Petron's Bataan refinery utilization in 2018 hit 95%, an all-time high for the refinery, enabling it to produce even more high-value fuels and petrochemicals. Petrochemical and polypropylene sales grew by 3% and 28%, respectively, driving the export volume growth by 7%.

Petron stations continue to grow in the Philippines and Malaysia which is now over 2,400 and 640 stations, respectively.

5. INFRASTRUCTURE

The Infrastructure business reported in 2018 revenues of P24,530 million, a 9% increase from 2017, mainly driven by continuous growth in vehicular volume from all operating toll roads. As a result, operating income reached P11,828 million, 13% growth from 2017.

Construction of ongoing projects is on track. The 14.82-kilometer Skyway Stage 3 Project is in the advanced stages of construction. The 88.82-kilometer TPLEX is now operational up to the Pozzorubio exit. The last phase from Pozzorubio to Rosario, La Union, is currently under construction.

Construction of the 22-kilometer MRT 7 Project, is progressing well. Work on the stretch from Quezon Memorial Circle to Quirino Highway traversing Commonwealth Avenue and Regalado Avenue in Quezon City, is partially complete.

Phase 1 of the Bulacan Bulk Water Supply Project was completed end of 2018. It has started supplying potable water to six Bulacan municipalities in the first quarter of 2019.

Preparations for the start of construction of SLEX-TR4 which held its groundbreaking on March 26, 2019 and Skyway Stage 4 are underway.

III. FINANCIAL POSITION

A. The following are the major developments in 2019:

<u>INVESTMENT IN SUBSIDIARIES</u>

- **Deconsolidation of MNHPI**

  On March 14 and April 26, 2019, respectively, the Philippine Competition Commission (PCC) and the Philippine Ports Authority approved the transfer of equivalent to 15.17% shareholdings in MNHPI to International Container Terminal Services, Inc. (ICTSI). With the approval of the additional ownership in MNHPI, the total equity interest of ICTSI increased from 34.83% to 50%, while SMHC's shares remained at 43.33%.

  As a result, MNHPI ceased to be a subsidiary of SMHC. The Group derecognized the assets (including goodwill) and liabilities of MNHPI, and the carrying amount of non-controlling interest as at April 26, 2019, and recognized the investment at fair market value amounting to P2,600 million. The Group recognized a gain amounting to P727 million, included as part of "Other income (charges) - net" account, in the consolidated statements of income.

  In December 2019, SMHC acquired for a total of P1,061 million additional 1,950,000 and 50,000 common shares of stock of MNHPI from IZ Investment Holdings, Inc. and Petron, respectively. With the acquisition of the additional shares, SMHC increased its equity interest in MNHPI from 43.33% to 50%.

For 2019, the Group has undertaken various financing activities, the significant transactions are as follows:

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

PESO TERM LOANS

- **INFRA GROUP**

  Atlantic Aurum Investments Philippines Corporation (AAIPC)

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

Private Infra Dev Corporation (PIDC)

On December 19, 2019, PIDC drew P12,000 million from its P42,000 million Second Amendment to the Omnibus Loan and Security Agreement (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 TPLEX project. The loan is subject to fixed interest rate and payable in 39 quarterly installments up to September 19, 2029.

- **SAN MIGUEL FOOD AND BEVERAGE**

SMB

On December 26, 2019, SMB availed of a P10,000 million five-year term loan. The loan is subject to fixed interest rate payable quarterly. The proceeds were used for general corporate purposes.

San Miguel Foods Inc. (SMFI)

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

San Miguel Mills Inc. (SMMI)

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

- **SMC**

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

FOREIGN CURRENCY DENOMINATED LOANS

- **Petron**

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

- **MPPCL**

In 2019, MPPCL availed a total of US$75 million loan from the Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335MW coal-fired power plant within the existing facilities of MPPCL. The loan is divided into a fixed interest tranche and a floating interest tranche, with maturities up to December 2030.

- **SMC**

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

- **Others**

San Miguel Yamamura Australasia Pty. Ltd. (SMYA)

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

ISSUANCE AND REDEMPTION OF BONDS

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

On March 29, 2019, the Philippine Securities and Exchange Commission (SEC) approved the shelf registration of up to P60,000 million worth of fixed-rate Peso-denominated bonds of SMC Global.

On April 24, 2019, SMC Global issued and listed in the Philippine Dealing & Exchange Corp. (PDEx) the first tranche of the fixed-rate Peso-denominated bonds amounting to P30,000 million.

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

The proceeds were used for payment of maturing long-term debt and short-term loan, in investments in power-related assets and payment of transaction-related expenses.

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

On October 4, 2019, the Parent Company issued fixed-rate peso-denominated Series H Bonds. The five-year Series H Bonds due in 2024 have fixed interest rate per annum of 5.5500%. Interest is payable every 4th of January, April, July and October of each year.

The net proceeds were used to fund the bridge financing loan for the redemption of the outstanding Series "2" Preferred Shares – Subseries B and additional investment in SMHC for New Manila International Project.

Redemption of Fixed-Rate Peso-Denominated Bonds by SMB

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

PAYMENT OF MATURING OBLIGATIONS

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

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

ISSUANCE AND REDEMPTION OF EQUITY

SMC Global Issuance of US$1,300 Million Senior Perpetual Capital Securities (SPCS)

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

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

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

Proceeds from SPCS were used for the redemption of US$300 million Undated Subordinated Capital Securities (USCS), and for general corporate purposes, including capital expenditures and investments in power-related assets.
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The US$1,300 million SPCS are all listed in the Singapore Stock Exchange.

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

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

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

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

Petron redemption of Series 2A Preferred Shares (PRF2A Preferred Shares)

On November 4, 2019, Petron redeemed 7,122,320 PRF2A Preferred Shares at a redemption price of P1,000.00 per share. Petron paid P7,122 million to the holders of PRF2A Preferred Shares.

SMC redemption of Series “2’’ Preferred Shares - Subseries “2-B” (SMC2B Preferred Shares)

On September 23, 2019, SMC redeemed 90,428,200 SMC2B Preferred Shares at a redemption price of P75.00 per share. SMC paid P6,782 million to the holders of SMC2B Preferred Shares. SMC initially obtained a short-term bridge financing loan to redeem the SMC2B Preferred Shares.

The bridge financing loan was paid using the proceeds of the P10,000 million worth of fixed rate Peso-denominated bonds issued by SMC on October 4, 2019.

B. The following are the major developments in 2018:

<u>INVESTMENT IN SUBSIDIARIES</u>

Food and Beverage

- **Consolidation of Food and Beverage Businesses**

On November 3, 2017, the Board of Directors (BOD) of SMC approved the internal restructuring to consolidate its food and beverage businesses under SMFB. The corporate reorganization is expected to: (a) result in synergies in the food and beverage business units of the Group; (b) unlock greater shareholder value by providing a sizeable consumer vertical market under SMC; and (c) provide investors direct access to the consumer business of the Group through SMFB. On the same day, the BOD of SMC approved the subscription to additional 4,242,549,130 common shares of stock of SMFB.

On March 23, 2018, the SEC approved the amendment to the Articles of Incorporation of San Miguel Pure Foods Company Inc. (SMPFC) consisting of (a) change of the corporate name from SMPFC to SMFB, (b) change in the primary purpose to include engaging in the beverage business, (c) change in the par value of the common shares of SMFB from P10.00 per share to P1.00 per share, and (d) denial of preemptive rights to issuances or dispositions of any and all common shares.

On April 5, 2018, SMC and SMFB signed the Deed of Exchange of Shares pursuant to which SMC will transfer to SMFB, SMC’s 7,859,319,270 common shares of the capital stock of SMB and 216,972,000 common shares of the capital stock of GSMI (collectively, the “Exchange Shares”) at the total transfer value of P336,349 million. As consideration for its acquisition of the Exchange Shares, SMFB shall issue in favor of SMC 4,242,549,130 common shares of the capital stock of SMFB (the “New SMFB Shares”). The New SMFB Shares will be issued out of the increase in the authorized capital stock of SMFB from P2,460 million divided into 2,060,000,000 common shares with par value of P1.00 per share and 40,000,000 preferred shares with par value of

P10.00 per share to P12,000 million divided into 11,600,000,000 common shares with par value of P1.00 per share and 40,000,000 preferred shares with par value of P10.00 per share which has been duly approved by the BOD and shareholders of SMFB.

On June 29, 2018, the SEC approved the increase in authorized capital stock of SMFB by virtue of the issuance to SMFB of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation.

On June 29, 2018, pursuant to the Deed of Exchange of Shares, the share swap was completed and resulted to an increase of SMC's ownership in SMFB common shares from 85.37% to 95.87% and the consolidation of the food and beverage business operations of the San Miguel Group under SMFB.

With the approval of the increase in the authorized capital stock of SMFB, the SEC consequently accepted and approved the transfer value of the Exchange Shares amounting to P336,349 million, the investment value of SMFB in SMB and GSMI.

On October 12, 2018, the Bureau of Internal Revenue (BIR) issued BIR Certification No. SN: 010-2018 which confirmed the tax-free transfer by SMC of the Exchange Shares, in consideration for the New SMFB Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration covering this transaction. The Exchange Shares were issued and registered in the name of SMFB on November 5, 2018.

- **Follow-on Offering of SMFB Shares**

  On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC (the "Offer Shares") in a secondary sale transaction at an offer price of P85.00 per share.

  In 2018, SMC completed the follow-on offering of SMFB common shares. A total of 420,259,360 common shares were sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total net cash proceeds of P35,083 million.

  With the completion of the follow-on offering, the total number of common shares held by SMC in SMFB is 5,245,082,440 shares, equivalent to 88.76% of the total outstanding common shares of SMFB. SMFB remains compliant with the 10% minimum public float requirement of the PSE.

Energy

- **Acquisition of the Masinloc Group**

  On March 20, 2018, SMC Global acquired 51% and 49% equity interests in MAPL from AES Phil Investment Pte. Ltd. (AES Phil) and Gen Plus B.V., respectively, for a total amount of US$1,900 million (P98,990 million). MAPL indirectly owns, through its subsidiaries, MPPCL and SMCGP Philippines Energy Storage Co. Ltd. (formerly, AES Philippines Energy Storage Co. Ltd.) ("SMCGP Philippines Energy"). MPPCL owns, operates and maintains the 1 x 330 MW and 1 x 344 MW coal-fired power plant (Units 1 and 2), the under-construction project expansion of 335 MW unit known as Unit 3, and the 10 MW battery energy storage system project, all located in Masinloc, Zambales, Philippines (collectively, the "MPPCL Assets"), while SMCGP Philippines

Energy plans to construct the 2 x 20 MW battery energy storage facility in Kabankalan, Negros Occidental. The MPPCL Assets add 684 MW capacity to the existing portfolio of SMC Global.

As part of the acquisition, SMC Global also acquired AES Transpower Private Ltd. (ATPL) and AES Philippines, Inc. (API). ATPL was a subsidiary of The AES Corporation which provides corporate support services to MPPCL through its Philippine Regional Operating Headquarters, while API was a wholly-owned subsidiary of AES Phil and provides energy marketing services to MPPCL.

The Masinloc Group was consolidated by SMC Global effective March 20, 2018.

API changed its name to SMCGP Philippines Inc. on May 22, 2018.

On May 30, 2018, MAPL and ATPL changed its name to SMCGP Masin Pte. Ltd. and SMCGP Transpower Pte. Ltd., respectively.

The transaction was financed through the following:

a) Availment by SMC Global of a US$500 million term loan and a US$700 million term loan on March 15, 2018 and March 16, 2018, respectively.

   In 2018, SMC Global partially paid US$350 million of the US$500 million term loan.

b) Availment by SMC of a total of US$400 million floating interest rate term loan maturing on March 13, 2023 and a total of US$400 million long-term loans.

   SMC subscribed to US$650 million Redeemable Perpetual Securities issued by SMC Global and made a US$150 million advance to SMC Global.

   On August 17, 2018, SMC Global paid the US$150 million advance from SMC.

LONG-TERM DEBT

- **REFINANCING OF LOANS**

a) Availment of Loans

SMC

Availment of US$300 Million Term Loan

In 2018, SMC availed of a US$300 million five-year Term Facility subject to a floating interest rate of LIBOR plus margin.

The proceeds were used to refinance existing US dollar-denominated obligations and/or for general corporate requirements.

Availment of US$200 Million Term Loan

On November 21, 2018 SMC availed of a US$200 million term loan which is subject to a floating interest rate of LIBOR plus margin.

The proceeds were used to refinance existing US dollar-denominated obligations.

GSMI

Availment of P1,000 Million Term Loan

On September 24, 2018, GSMI drew P1,000 million from a five-year credit facility with a local bank to refinance its existing short-term obligations. The loan is carried at amortized cost and is subject to a fixed interest rate, and equal quarterly installments commencing in September 2019.

b) Redemption of US$750 Million USCS

Petron

On January 22, 2018, Petron redeemed US$402 million of its US$750 million USCS from the proceeds of the issuance of the US$500 million SPCS. The SPCS were listed with the Singapore Exchange Securities Trading Ltd. on January 22, 2018.

The remaining balance of US$348 million of the USCS was redeemed from the proceeds of the issuance of the P20,000 million peso-denominated fixed rate bonds out of its P40,000 million shelf registered Peso bonds.

The bonds are comprised of the six-year Series C Bonds, due in 2024 with an interest rate of 7.8183% per annum and seven-year Series D Bonds, due in 2025 with an interest rate of 8.0551%.

- **REDENOMINATION OF FOREIGN CURRENCY LOANS**

In 2018, the Group redenominated certain foreign currency loans to reduce exposure to changes in the peso-dollar exchange rates.

SMC

Issuance of P20,000 Million Fixed Rate Peso-denominated Bonds

On March 19, 2018, SMC issued and listed in the PDEx P20,000 million peso-denominated fixed rate bonds out of the P60,000 million shelf registered Peso bonds of the Parent Company.

The bonds are comprised of the five-year Series E Bonds due in 2023, seven-year Series F Bonds due in 2025 and ten-year Series G Bonds due in 2028.

The Series E, F and G Bonds have fixed interest rate equivalent to 6.2500% per annum, 6.6250% per annum and 7.1250% per annum, respectively.

The proceeds from the issuance were used for the payment of the US dollar-denominated short-term loan and long-term debt.

Issuance of P10,000 Million Fixed Rate Peso-denominated Notes

On May 25, 2018, SMC issued and listed with the PDEx peso-denominated Fixed-Rate Notes (the “Fixed-Rate Notes”) amounting to P10,000 million. The Fixed-Rate Notes have interest rate equivalent to 5.25% per annum due in 2020.

Proceeds from the Fixed-Rate Notes were used to partially refinance various loans and partially invest in existing businesses of the subsidiaries of SMC.

SMC Global

On August 17, 2018, SMC Global issued and listed with the PDEx the second tranche of the P35,000 million shelf registered fixed rate bonds amounting to P15,000 million. The Bonds have interest rate equivalent to 6.75% per annum due in 2023.

Proceeds from the issuance were used to refinance the outstanding shareholder advance and partially refinance existing US dollar-denominated loan obligations and payment of transaction-related expenses.

- **AVAILMENT OF LOANS TO FINANCE CAPEX/PROJECTS/INVESTMENT**

SMC Consolidated Power Corporation (SCPC)

On January 31, 2018, SCPC drew P2,000 million from the P44,000 million OLSA with various local banks dated June 22, 2017 to finance the ongoing construction of the 2x150 MW Limay Coal-fired Power Plant Phase II, comprising of Unit 3 and Unit 4.

Luzon Clean Water Development Corporation (LCWDC)

On various dates in 2018, LCWDC drew a total of P4,200 million from the P5,400 million OLSA with various local banks dated September 16, 2016. The loans are subject to a floating interest rate.

Proceeds of the loan were used for the Bulacan Bulk Water Supply Project.

Citra Central Expressway Corp. (CCEC)

On various dates in 2018, CCEC drew a total of P18,100 million from the P31,000 million OLSA with various local banks dated December 15, 2014 for the project cost of the Skyway Stage 3.

SMC

On June 26, 2018, SMC availed of a US$300 million five-year Facility Agreement to fund general corporate requirements and/or additional investments. The loan is subject to a floating interest rate.

MPPCL

On July 6, 2018 and October 8, 2018, MPPCL drew a total of US$120 million from the Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335MW (gross; Unit 3) coal-fired plant within the existing facilities of MPPCL. The loan is divided into a fixed interest tranche and a floating interest tranche, with maturities up to December 2030.

San Miguel Consolidated Power Corporation (SMCPC)

On August 17, 2018, SMCPC drew P20,322 million from the P21,300 million OLSA with various local banks dated August 9, 2018, to fund the design, construction and operations of the Malita Power Plant.

San Miguel Yamamura Asia Corporation (SMYAC)

On various dates in 2018, SMYAC drew a total of P3,300 million from its P4,000 million term loan facility to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project and for general funding requirements. The loan is subject to a floating interest rate with maturities up to July 2023.

- **PAYMENT OF MATURING OBLIGATIONS**

Infrastructure Group
In 2018, the SMC Infrastructure Group paid a total of P10,512 million of its maturing long-term debt.

Energy Group
In 2018, the Energy Group paid a total of P3,226 million of its maturing long-term debt.

Other Subsidiaries
In 2018, Petron, SMYPC, SMYAC, East Pacific Star Bottlers Phils Inc., and Can Asia, Inc. paid their maturing long-term debt amounting to P7,514 million.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2019 vs. 2018

Consolidated total assets as at December 31, 2019 amounted to about P1,931,177 million, P139,985 million higher than December 31, 2018. The increase was primarily due to the increase in cash and cash equivalents and the recognition of right-of-use assets with the adoption of PFRS 16 effective January 1, 2019.

The increase in cash and cash equivalents in 2019 by P43,132 million is mainly due to the issuance of SPCS by SMC Global, preferred shares of Petron and loan availment of SMC.

The increase in trade and other receivables by P7,865 million is mainly due to Petron's higher fuel prices and excise tax of fuel products, higher revenue of the Beer and Food divisions under SMFB, SCPC and MPPCL, partly offset by the decrease in Petron Malaysia's government subsidy receivable.

The increase in inventories by P8,516 million is mainly due to Petron's higher volume of finished product and price of crude and the incremental excise tax-imposed beginning 2019.

The decrease in prepaid expenses and other current assets by P5,458 million was primarily due to the: (a) decrease in Petron's input tax, goods and services tax and other prepaid taxes as a result of collection of input tax claim from the government and also utilization of input tax for the period, and (b) decrease in CCEC's restricted cash balance. The decrease was partly offset by Tax Credit Certificate (TCC) received by SMB for the San Mig Light tax cases, and increase in Infrastructure Group's input taxes.

The decrease in property, plant and equipment by P155,594 million and corresponding increase in right-of-use assets by P197,245 million, primarily represents the reclassification to right-of-use assets of the power plants as a result of the adoption of PFRS 16.

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

The decrease in deferred tax assets was mainly due to derecognized deferred tax on NOLCO of SMC which expired in 2019.

The increase in other noncurrent assets by P21,757 million was mainly due to the: (a) advances to suppliers and contractors for the construction of the Mariveles Power Plant and battery energy storage system project, (b) purchase of new containers by SMB, and (c) capitalized costs on the construction of MRT 7 and Section 3A-2 (Binalonan to Pozzorubio) of the TPLEX project.

The decrease in loans payable by P14,461 million was mainly due to net payment of Petron and deconsolidation of MNHPI.

The increase in accounts payable and accrued expenses by P25,731 million was mainly due to Petron's higher liabilities for crude and petroleum products on account of higher prices and more outstanding shipments as of end-2019 versus 2018, and higher outstanding payable to contractors of Infrastructure Group and MPGC.

The increase in lease liabilities - current portion pertains to the recognition of current lease liabilities for right-of-use assets as a result of the adoption of PFRS 16 and the reclassification from noncurrent to current of the lease liabilities under Independent Power Producer Administration agreements due up to December 31, 2020 by the Energy business.

The increase in income and other taxes payable was mainly due to SMB's higher taxable income.

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

The decrease in finance lease liabilities-net of current portion by P7,544 million was mainly due to payments, net of interest, reclassification to current portion and the effect of foreign exchange rate changes.

The decrease in other noncurrent liabilities was mainly due to the deconsolidation of MNHPI.

The decrease in equity reserves by P4,522 million pertains to (1) Equity reserve from the redemption of USCS by SMC Global; (2) the currency translation adjustments for the period resulting from the appreciation of Peso against the US Dollar; and (3) the equity reserve for retirement plan.

The decrease in the group's appropriated retained earnings by P10,645 million is attributable to the reversals made by Energy Group for the portion of paid fixed monthly payments to PSALM by SPPC, SMEC, and SPDC.

The increase in unappropriated retained earnings by P18,815 million was primarily due to the net reversal of appropriations and net income for the period net of cash dividends.

The increase in non-controlling interests by P61,280 million pertains to the (1) issuance of SPCS by SMC Global; (2) issuance of Preferred Shares by Petron; and (3) share of non-controlling interests on the group's net earnings net of dividend for the period, the increase was offset by: (1) redemption of USCS by SMC Global; (2) redemption of Preferred Shares by Petron; and (3) the effect of deconsolidation of MNHPI.

Equity

The increase in equity in 2019 is due to:

(In millions)	2019
Net addition to non-controlling interests and others	P53,108
Net income during the period	48,571
Cash dividends and distributions	(28,523)
Other comprehensive loss	(5,806)
Adjustments due to PFRS 16 and others	(2,422)
	P64,928

2018 vs. 2017

The Group's consolidated total assets as of December 31, 2018 amounted to P1,791,192 million, P290,660 million higher than 2017. The increase was primarily due to the increase in cash and cash equivalents, inventories, the consolidation of Masinloc Power assets, and the recognition of goodwill on the consolidation.

The increase in cash and cash equivalents by P36,989 million was mainly due to proceeds from the follow-on offering of SMFB common shares in November 2018.

The increase in trade and other receivables by P13,672 million was mainly attributable to the higher revenue of SMC Global, Petron and Food segment, consolidation of Masinloc Group and increase in Petron Malaysia's government subsidy receivable.

Inventories increased primarily due to the: (a) higher prices and volume of crude oil and finished products including excise taxes of Petron, (b) consolidation of the materials and supplies of MPPCL, and (c) increase in Food segment's inventory to meet forecasted peak season sales and to maintain safety inventory levels.

Biological assets increased by P972 million mainly due to Poultry's expansion of farm capacities to support increasing supply requirement and higher growing cost due to increase in importation cost of parent stocks.

The increase in prepaid expenses and other current assets was primarily due to the net increase in restricted cash balance of CCEC and SMCPC, consolidation of Masinloc Group's prepaid expenses and higher prepaid taxes, mainly from input tax, of Petron, SMC Global, and SMHC.

Investments and advances increased by P14,986 million mainly due to the advances for investment made by San Miguel Holdings Limited to Bryce Canyon Investments Limited and acquisition by SMC Equivest Corporation of 4.69% equity interest in BOC.

The increase of P68,842 million in property, plant, and equipment was primarily due to the consolidation of the power plant and properties of the Masinloc Group.

The increase in investment property was due to the reclassification of various property, plant and equipment of Petron to investment property to reflect the usage of properties being leased out to its dealers, and acquisitions during 2018.

The increase in goodwill mainly represents the goodwill recognized as a result of the consolidation of the Masinloc Group.

Other intangible assets increased mainly due to the costs of various infrastructure projects of the Infrastructure Group net of amortization during the period.

The increase in other noncurrent assets by P15,488 million was mainly due to the: (a) reclassification of advances to contractors of Universal LRT Corporation (BVI) Limited from current to noncurrent due to delay in MRT 7 Project completion, (b) capitalized expenditures on the construction of MRT 7 Project, (c) purchase of new containers by SMB, and (d) the consolidation of the Masinloc Group's other noncurrent assets.

The increase in loans payable by P34,904 million was mainly due to net availment of loans for working capital and general corporate purposes by Petron, the Food division under SMFB and SMC.

Accounts payable and accrued expenses increased by P9,476 million mainly due to the consolidation of the balances of Masinloc entities.

The increase in the current portion of finance lease liabilities mainly represents the reclassification from noncurrent portion to current portion of finance lease liabilities due in 2019 of Energy Group.

The P3,268 million increase in income and other taxes payable was mainly due to the higher excise tax of Petron and the contributed income tax and other payables of the Masinloc entities.

Dividends payable decreased primarily due to dividend payments made by Citra Metro Manila Tollways Corp and SMYAC.

The increase in current maturities of long-term debt was mainly due to the reclassification to current liability of the amounts due in 2019.

The higher amount of long-term debt resulted from the: (a) loan availments made by SMC Global and SMC, and the issuance of fixed rate bonds by SMC Global to finance the acquisition of Masinloc Power, (b) consolidation of the long-term debt of MPPCL, (c) loan availments of SMC Parent for investment and general corporate purposes, and (d) loan availments by the Energy Group and the Infrastructure Group to finance capital expenditures.

The decrease in finance lease liabilities by P15,849 million was mainly due to payments, net of interest and the effect of foreign exchange rate changes.

Equity reserves increased by P17,134 million mainly due to the effect of SMFB's share swap and the gain from the follow on offering of SMFB common shares, net of the redemption of USCS of Petron.

The increase in appropriated retained earnings by P3,913 million was mainly due to appropriations by SMFB net of the reversals of SMC Global, SMITS, Infrastructure Group, SMC Shipping and Lighterage Corporation and SMYAC.

Equity
The increase in equity in 2018 is due to:

(In millions)	2018
Income during the period	P44,860
Net addition to non-controlling interests and others	20,638
Other comprehensive income	718
Adjustments due to PFRS 9 and 15	6
Cash dividends and distributions	(27,119)
	P39,103

IV. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2019	2018	2017
		(In Millions)	
Net cash flows provided by operating activities	**P91,050**	P58,961	P78,963
Net cash flows used in investing activities	**(113,585)**	(198,206)	(55,531)
Net cash flows provided by (used) in financing activities	**69,272**	176,630	(19,824)

Net cash from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows used in investing activities are as follows:

	December 31		
	2019	2018	2017
		(In Millions)	
Additions to property, plant and equipment	**(P66,819)**	(P47,325)	(P38,694)
Increase in other noncurrent assets and others	**(54,231)**	(40,541)	(30,603)
Additions to investments and advances and investment in debt instruments	**(1,959)**	(20,024)	(2,911)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**(1,408)**	(98,057)	(2,568)
Cash and cash equivalents of a deconsolidated subsidiary	**(626)**	-	-
Interest received	**10,560**	6,556	4,269
Proceeds from sale of investments and property and equipment	**871**	1,139	1,930
Dividends received	**27**	46	26
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	**-**	-	13,020

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

	December 31		
	2019	2018	2017
		(In Millions)	
Net proceeds from issuance of senior perpetual capital securities and preferred shares of subsidiaries	**P85,733**	P24,881	P -
Net proceeds from long-term borrowings	**72,778**	176,814	67,739
Redemption of undated subordinated capital securities of a subsidiary	**(29,087)**	(39,769)	-
Cash dividends and distribution paid	**(28,450)**	(27,503)	(24,820)
Payments of lease liabilities	**(20,673)**	(25,698)	(24,924)
Net proceeds from (payments of) short-term borrowings	**(10,218)**	32,717	(39,699)
Increase (decrease) in non-controlling interests and others	**(811)**	105	1,880
Proceeds from follow-on offering of common shares of a subsidiary	**-**	35,083	-

The effect of exchange rate changes on cash and cash equivalents amounted to (P3,605) million, (P396) million and (P298) million on December 31, 2019, 2018 and 2017, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Group include the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Financial Performance" of the MD&A for the discussion of certain Key Performance Indicators.

	December 31	
	2019	2018
Liquidity:		
Current Ratio	**1.38**	1.28
Quick Ratio	**0.91**	0.81
Solvency:		
Debt to Equity Ratio	**2.21**	2.33
Asset to Equity Ratio	**3.21**	3.33
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**5.98%**	4.76%
Interest Rate Coverage Ratio	**2.44**	2.63
Return on Assets	**2.52%**	2.50%
Operating Efficiency:		
Volume Growth	**3%**	8%
Revenue Growth	**0%**	24%
Operating Margin	**11%**	11%

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	$\dfrac{\text{Current Assets – Inventory – Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\dfrac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Asset to Equity Ratio	$\dfrac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
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	$\dfrac{\text{Net Income}}{\text{Total Assets}}$
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	$\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VII. OTHER MATTERS

Consent Solicitation

On July 11, 2019, the BOD of SMC approved the conduct of a consent solicitation process for the holders of the US$800 million 4.875% Notes due in 2023, of which US$516 million are currently outstanding, and to the holders of record as at November 14, 2019 of the following debt securities namely: (i) 4.8243% Series A Bonds due in 2022, 5.2840% Series B Bonds due in 2024, 5.7613% Series C Bonds due in 2027; (ii) 5.1923% Series D Bonds due in 2022; (iii) 6.2500% Series E Bonds due in 2023, 6.625% Series F Bonds due in 2025, 7.1250% Series G Bonds due in 2028; and (iv) 5.2500% Fixed Rate Notes due in 2020, to the amendments to certain terms and conditions in the respective trust agreements.

The objective of the consent solicitation is to align the covenants and provisions of the Debt Securities with the relevant covenants and provisions of: (i) the recently issued P10,000 million retail bond of SMC listed on October 4, 2019; and (ii) the recently signed US$2,000 million Syndication Agreement dated December 18, 2019 relating to the US$1,750 million Facility Agreement dated September 27, 2019, respectively.

SMC obtained the consents in connection with the consent solicitation for its Corporate Notes and Fixed Rate Corporate Bonds held from November 5 to December 18, 2019.

The supplemental trust agreements amending the trust agreements covering the Series A, B, C bonds, Series D bonds, Series E, F, G bonds and the two-year Fixed-rate Corporate Notes were executed by SMC and the respective trustees of the said bonds on December 26, 2019.

On November 28, 2019, majority of the holders of the US$800 million 4.875% Notes due in 2023, of which US$516 million are currently outstanding, passed the Extraordinary Resolution amending certain terms and conditions of the Notes and in the Trust Deed of the Notes in order to align the covenants and provisions of the Notes with the relevant covenants and provisions of: (i) the recently issued P10,000 million retail bond of SMC listed on October 4, 2019; and (ii) the recently contracted US$1,750 million syndicated term loan facility.

The Supplemental Trust Deed amending certain terms and conditions of the Notes and the Trust Deed has been executed on November 29, 2019.

Deferment of the Issuance and Listing of the P60,000 Million Commercial Papers Program

On February 6, 2020, SMC filed with the SEC, a registration statement, together with the prospectus, for the planned P60,000 million Commercial Papers Program, with an initial offer of P15,000 million Series A Commercial Papers with an over subscription option of up to P5,000 million.

SMC on March 20, 2020, submitted a Letter-Advise to the Market and Securities Regulations Department of the SEC to inform the Commission that, upon careful consideration, SMC will defer the processing of the Registration Statement and the issuance and listing of the P60,000 million commercial papers until such time that conditions stabilize, taking into consideration the COVID-19 outbreak and following the adoption by the Philippine Government of ECQ over the entire island of Luzon effective March 17, 2020 until April 12, 2020.

Acquisition of Holcim Philippines, Inc.

On May 10, 2019, SMC, through First Stronghold Cement Industries, Inc., (FSCII) a subsidiary of San Miguel Equity Investments, Inc., signed a definitive agreement to acquire a controlling interest in Holcim Philippines, Inc. (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, SMC disclosed to the Philippine Stock Exchange, that the agreement to acquire the 85.73% shares of HPI, between and among FSCII, SMC, 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 SMC 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.

- 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.

  a. 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 case remains pending with the SEC to date.

b. Treasury Shares of SMC

A portion of the total treasury shares of SMC came from 25,450,000 common shares with an acquisition cost of P481 million, [net of the cost of the 1,000,000 shares paid to the Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] which were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by SMC with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the common shares of SMC under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan Resolution requiring SMC to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares (the "Sandiganbayan Resolution").

On October 10, 2000, SMC filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than SMC, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote SMC to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan Resolution upheld by the Supreme Court. SMC referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering "with and without due compensation" scenarios, and applying different rates of return to the original amount paid by SMC. The financial advisor stated that if SMC is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2,100 million; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that: (a) the compromise shares had not been validly sequestered; (b) no timely direct action was filed to nullify the transaction; (c) no rescission can be effected without a return of consideration; and (d) more importantly, requiring SMC to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which SMC is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that SMC has "legal and equitable grounds to challenge the enforcement" of the Sandiganbayan Resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that SMC should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Civil Case No. 0033-F), the forfeiture case brought by the Government involving the so-called CIIF block of SMC shares of stock of which the treasury shares were no longer a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of SMC shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of SMC unanimously decided to: (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of SMC and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed SMC's intervention, the Sandiganbayan's disposition of the so-called CIIF block of SMC shares in favor of the Government cannot bind SMC, and that SMC remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions: (i) recognized SMC's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that SMC and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation.

The Executive Committee of SMC approved the recommendation of external legal counsel on January 18, 2008 which was ratified by the BOD on March 6, 2008.

On July 23, 2009, the stockholders of SMC approved the amendment of the Articles of Incorporation to issue Series "1" preferred shares, and the offer to exchange common shares to Series "1" preferred shares. The PCGG, with the approval of the Supreme Court in its Resolution dated September 17, 2009, converted the sequestered common shares in SMC in the name of the CIIF Holding Companies, equivalent to 24% of the outstanding capital stock, into Series "1" preferred shares.

On February 11, 2010, the Supreme Court, amending its Resolution dated September 17, 2009, authorized the PCGG to exercise discretion in depositing in escrow, the net dividend earnings on, and/or redemption proceeds from, the Series "1" preferred shares of SMC, either with the Development Bank of the Philippines/Land Bank of the Philippines or with the UCPB. All dividends accruing to the Series "1" preferred shares are remitted to the escrow account established with UCPB.

On October 5, 2012, SMC redeemed all Series "1" preferred shares including those Series "1" preferred shares in the name of the CIIF Holding Companies. Proceeds of such redemption with respect to Series "1" preferred shares in the name of the CIIF Holding Companies, including all accumulated dividends were paid to the National Treasury. As at October 5, 2012, CIIF Holding Companies are no longer stockholders of SMC.

On June 30, 2011, the PCGG filed with the Supreme Court an Urgent Motion to Direct SMC to comply with the Sandiganbayan Resolution (the "Urgent Motion"). On March 30, 2012, SMC filed a Comment on the Urgent Motion in compliance with the Supreme Court's Resolution dated December 13, 2011 in G.R. Nos. 180705, 177857-

58 and 178193, which was received by SMC on February 22, 2012, directing SMC to file its Comment on the Urgent Motion. The Supreme Court, in the Resolution of April 24, 2012 noted the comment of SMC.

Thereafter, the PCGG filed in G.R. Nos. 177857-58 and 178193 a “Manifestation and Omnibus Motion 1) 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; and 2) To Direct SMC to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan Which Were Affirmed by the Honorable Court in G.R. Nos. 104637-38” (“Manifestation and Omnibus Motion”).

The Supreme Court, in the Resolution of November 20, 2012 in G.R. Nos. 177857-58 and 178193, required SMC to comment on COCOFED, et al.’s “Manifestation” dated October 4, 2012 and PCGG’s “Manifestation and Omnibus Motion.” Atty. Estelito P. Mendoza, counsel for Eduardo M. Cojuangco, Jr. in G.R. No. 180705, who is a party in that case, filed a “Manifestation Re: ‘Resolution’ dated November 20, 2012,” dated December 17, 2012, alleging that (a) Mr. Cojuangco, Jr. is not a party in G.R. Nos. 177857-58 and 178193 and he has not appeared as counsel for any party in those cases; (b) SMC is likewise not a party in those cases, and if SMC is indeed being required to comment on the pleadings in the Resolution of November 20, 2012, a copy of the Resolution be furnished to SMC; and (c) the Supreme Court had already resolved the motion for reconsideration in G.R. Nos. 177857-58 and 178193 and stated that “no further pleadings shall be entertained, thus, any motion filed in the said cases thereafter would appear to be in violation of the Supreme Court’s directive”.

In its Resolution of June 4, 2013 in G.R. Nos. 177857-58 and 178193, the Supreme Court required SMC to file its comment on the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor General for respondent Republic of the Philippines, as required in the Supreme Court Resolution, dated November 20, 2012, within ten (10) days from notice thereof.

In the Resolution, dated September 10, 2013, the Supreme Court directed SMC, through its counsel or representative, to immediately secure from the Office of the Clerk of Court of the Supreme Court *En Banc* photocopies of the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor, and granted SMC’s motion for a period of thirty (30) days from receipt of the pleadings within which to file the required comment per resolutions dated November 20, 2012 and June 4, 2013.

SMC, through external counsel, filed the following comments required in the Supreme Court Resolution of June 4, 2013 in G.R. Nos. 177857-58; (a) “Comment of San Miguel Corporation on the ‘Manifestation’ of Petitioners COCOFED, et al., Dated October 4, 2012” on November 6, 2013; and (b) “Comment of San Miguel Corporation on the ‘Manifestation and Omnibus Motion…’ Dated October 12, 2012 of the Respondent Republic” on December 3, 2013.

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 G.R. No. 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.

In the meantime, SMC has available cash and shares of stock for the dividends payable on the treasury shares, in the event of an unfavorable ruling by the Supreme Court.

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 SMC to the 25,450,000 treasury shares of SMC. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the Republic of the Philippines.

c. Deficiency Excise Tax/Excess Excise Tax Payments

Filed by SMC

In 2004, SMC was assessed by the BIR of excise taxes on "San Mig Light" which at that time was one of its products. These assessments were contested by SMC but nonetheless made the corresponding payments. Consequently, SMC filed three 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, SMC 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 SMC, 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 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.

A motion for reconsideration filed by the BIR Commissioner on the aforesaid decision was denied and the Commissioner elevated the decision to CTA *En Banc* for review, which was docketed as CTA EB No. 873, the same was dismissed in a Decision dated October 24, 2012. The subsequent Motion for Reconsideration filed by the Commissioner was likewise denied. The CTA *En Banc* Decision was later elevated by the Office of the Solicitor General 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.

In a Resolution dated July 21, 2014, a copy of which was received by SMC's counsel on August 27, 2014, the Third Division of the Supreme Court required the parties to submit memoranda. Both SMC's counsel and the BIR Commissioner, through the Office of the Solicitor General, filed their respective memorandum.

On January 25, 2017, the Supreme Court 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 million for the period of December 1, 2005 to July 31, 2007, and P782 million for the period of February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Cases Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 million representing refund of excess taxes erroneously collected for the period of February 2, 2004 to November 30, 2005; and another and separate motion for execution in CTA Case No. 7708 on the final judgment of P926 million for the period of December 1, 2005 to July 31, 2007. 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.

As of March 12, 2020, the application for the issuance of tax credit certificate was already completed and ready for submission to the BIR.

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 SMC'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 SMC in the amount of P926 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 Supreme Court a Petition for Review which was docketed as G.R. No. 205045.

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 SMC and SMB by the CTA Third Division, ordering the BIR to refund to them the joint amount of P934 million.

Filed by SMB

SMB filed eleven (11) 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); and

(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 6, 2019).

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 P828 million and the amount of P106 million 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 P828 million. SMB filed an application for the issuance of a Tax Credit Certification with the BIR on August 22, 2019.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731 million. The case was not appealed by the BIR within the prescribed period, thus, the decision was deemed final and executory. The First Division granted SMB's Motion for Execution, while the BIR filed a petition for certiorari before the Supreme Court, where it was docketed as G.R. No. 221790. The petition was dismissed by the Supreme Court with finality but the BIR still filed an urgent motion for clarification. Subsequently, SMB, through counsel, 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. SMB filed an application for the issuance of a Tax Credit Certificate in the amount of P731 million. On November 6, 2019, the BIR issued a Tax Credit Certificate No. TCC201600000202 in favor of SMB.

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA *En Banc*, ordering the BIR to refund the amount of P699 million. The BIR filed a motion for reconsideration, which the CTA *En Banc* denied. Subsequently, the BIR elevated the decision of the CTA *En Banc* to the Supreme Court by way of petition for review, where it was docketed as G.R. No. 226768. On March 20, 2017, the Supreme Court denied the petition for review, thereby affirming the CTA *En Banc* decision. The Office of the Solicitor General filed a motion for reconsideration, which was denied on July 24, 2017. On January 23, 2019, after the Supreme Court remanded the case to the CTA, SMB filed a motion for execution with the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 million in favor of SMB. SMB filed an application for Tax Credit Certificate on August 5, 2019. The BIR issued Tax Credit Certificate No. TCC201600000204 in favor of SMB on November 13, 2019.

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 million. 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 million on November 13, 2019. SMB filed an application for Tax Credit Certificate with the BIR in January 2020.

In CTA Case No. 8748, the Second Division rendered a decision on June 9, 2017, granting SMB's claim for refund of P761 million, which was appealed by the BIR to the CTA *En Banc*. On October 11, 2018, the CTA *En Banc* rendered its decision in this case denying the CIR's petition for review and affirming the decision of the CTA Second Division. On November 5, 2018, the CIR filed a motion for reconsideration, to which SMB filed an opposition. On March 8, 2019, the CTA *En Banc* denied the Commissioner's Motion for Reconsideration on its Decision dated October 11, 2018. Subsequently, on June 6, 2019, the Commissioner appealed to the Supreme Court by way of a Petition for Review the Decision dated October 11, 2018 and Resolution dated March 8, 2019 of the CTA *En Banc*. The case is still pending in the Supreme Court.

The petition for review in CTA Case No. 8955 was denied by the Third Division on the ground that the same involves a collateral attack on issuances of the BIR, the court ruling that the petition should have been filed in the Regional Trial Court (RTC). 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. In a resolution dated January 5, 2018, the Third Division denied the motion for reconsideration. On February 14, 2018, SMB appealed the decision of the CTA Third Division denying its petition for review to the CTA *En Banc* by way of a petition for review. On September 19, 2018, the CTA *En Banc* issued its decision in this case, which reversed and set aside the decision of the CTA Third Division denying SMB's petition for review and remanded the case to the said Division for the resolution of the case on the merits. On October 10, 2019, the Commissioner filed a motion for reconsideration on the aforesaid decision which was denied. Subsequently, on March 25, 2019, the BIR Commissioner filed with the Supreme Court a Motion for Extension of Time to file a Petition for Review on the Decision dated September 19, 2018 and Resolution dated January 24, 2019 of the CTA *En Banc.* On May 16, 2019, the Commissioner filed a Manifestation with the Supreme Court that he opted not to file a Petition for Review on Certiorari but will pursue the case in the CTA Third Division to which it was ordered remanded by the CTA *En Banc.* On the basis of the Commissioner’s aforesaid Manifestation, the Supreme Court, in a Resolution dated January 9, 2020, declared the case before it closed and terminated. SMB will now pursue CTA Case No. 8955 in the CTA Third Division to which it was remanded by the CTA *En Banc.*

In CTA Case No. 9223, the CTA Third Division, on April 11, 2019, rendered its Decision partially granting SMB's Claim for Refund to the extent of P56 million but disallowing and denying its Claim for Refund of excess excise taxes paid on “San Mig Light” (SML) in kegs in the amount of P5 million. On May 10, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P5 million, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P5 million in addition to, and apart from, the amount of P56 million which was ordered refunded to it. The aforesaid Motion for Partial New Trial is still pending in the CTA Third Division.

In CTA Case No. 9513, the CTA Second Division rendered its Decision on June 13, 2019, partially granting SMB's Claim for Refund to the extent of P44 million but disallowing and denying its Claim for Refund of excess excise taxes paid on SML in kegs in the amount of P4 million. On June 26, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P4 million, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P4 million in addition to, and apart from, the amount of P44 million which was ordered refunded to it. On September 17, 2019, the CTA Second Division issued a Resolution denying SMB's Motion for Partial New Trial. On October 15, 2019, SMB elevated the Decision dated June 13, 2019 and Resolution dated September 17, 2019 of the CTA Second Division to the CTA *En Banc* by way of a Petition for Review. In the meantime, on October 24, 2019, the Commissioner also filed with the CTA *En Banc* a Petition for Review on the same Decision of the CTA Second Division. The Petitions for Review of SMB and the Commissioner are presently pending in the CTA *En Banc*.

On October 14, 2019, in CTA Case No. 9743, the CTA First Division rendered its Decision partially granting SMB's Claim for Refund to the extent of P28 million but disallowing and denying its Claim for Refund of excess excise taxes paid on SML in kegs in the amount of P3 million. On October 29, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P3 million, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P3 million in addition to, and apart from, the amount of P28 million which was ordered refunded to it. The aforesaid Motion for Partial New Trial is still pending in the CTA First Division.

In CTA Case No. 10000, on March 15, 2019, the BIR Commissioner filed his Answer to the Petition for Review. The case was scheduled for pre-trial conference on June 25, 2019, and thereafter, the presentation of SMB's witnesses was held on August 15, 2019 and September 17, 2019. On September 25, 2019, SMB submitted its Formal Offer of Evidence. The aforesaid Formal Offer of Evidence is still under consideration by the Court.

On February 20, 2020, the BIR Commissioner filed his Answer to the Petition for Review in CTA Case No. 10223. Thereafter, the case was set for Pre-Trial on March 26, 2020.

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 amount of P582 million in Case No. 8953, and P133 million in Case No. 8954, or in the total amount of P715 million, 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. The CTA admitted all of GSMI’s evidence while the BIR’s Formal Offer of Evidence and GSMI’s Comment thereto are still under consideration of the CTA.

    These cases are still pending with the CTA.

(b) CTA Case No. 9059: This case pertains to GSMI’s Claim for Refund with the BIR, in the total amount of P26 million, 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, 2019, the CTA denied the GSMI’s Claim for Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said decision, which is still pending resolution.

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.

d. Deficiency Tax Liabilities

Iconic Beverages, Inc. (IBI)

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 million 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 Certiorari 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.

On September 3, 2019, IBI filed a Motion to Consolidate G.R. Nos. 241147-48 and G.R. Nos. 240651 and 240665.

On October 3, 2019, IBI received a Resolution dated June 26, 2019 denying its Motion for Reconsideration. IBI also filed a Manifestation on October 21, 2019 informing the Court that in view of its payment of P270 million on August 26, 2016, IBI shall be deemed to have fully satisfied the judgment award in accordance with the CTA First Division's Decision dated August 14, 2015.

On February 4, 2020, the IBI received a Resolution dated October 4, 2019 denying its Motion to Consolidate.

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 October 21, 2019, IBI filed a Manifestation informing the Supreme Court that the issuance of its Resolution dated June 26, 2019 in G.R. Nos. 241147-48 rendered the BIR's Petition as moot and academic. The case is still pending with the Supreme Court for resolution.

In its Manifestation and Motion dated January 28, 2020 filed before the Supreme Court, the BIR confirmed the execution of a Compromise Agreement in connection with its pending Petition for Review and sought permission to be allowed to withdraw its Petition docketed as G.R. Nos. 240651 and 250665.

The case is still pending with the Supreme Court for resolution.

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 deficiency tax, in the amount of P110 million, 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 million for failure to attach certain requirements relating to the application for abatement; thus IBI was ordered to pay a modified amount of P501 million 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. As at December 31, 2018 the Group recognized a provision amounting to P52 million.

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 filed by the BIR and partially granting the Motion for Reconsideration filed by IBI of said CTA *En Banc* Division.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

IBI filed a Manifestation and Motion on November 27, 2019 praying for the deferment of the resolution of the consolidated Petitions in view of the pending compromise settlement of the parties. On December 4, 2019, IBI received the BIR's Manifestation informing the Supreme Court that it received a Proposal for Compromise/Amicable Settlement from IBI.

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. The case is still pending with the Supreme Court for resolution.

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 the 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 million.

SMFI

i. SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. CIR CTA Case 9046, First Division.

   In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a 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 with the CIR on February 6, 2015. On April 21, 2015, SMFI received a letter from the CIR informing SMFI of the CIR's denial of the request for reconsideration.

   The Petition for Review was filed with the CTA First Division on May 15, 2015 and docketed as CTA Case No. 9046.

   The CTA First Division, on February 12, 2018, 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.

On March 1, 2018, the BIR filed a Motion for Reconsideration with the CTA First Division, which SMFI opposed. On March 16, 2018, SMFI, through external counsel, filed an Opposition to the Motion for Reconsideration filed by the BIR.

On June 4, 2018, the CTA First Division denied the BIR's Motion for Reconsideration. BIR filed the Petition for Review before the CTA *En Banc* on July 13, 2018.

On August 17, 2018, SMFI filed Comment on the Petition for Review filed by the BIR. Per Resolution of the CTA *En Banc* dated September 7, 2018, the Petition for Review is deemed submitted for decision by the Court.

On August 6, 2019, the CTA *En Banc* denied Petition for Review filed by the BIR. The Decision affirmed the withdrawal and cancellation of the assessment issued against SMFI covering the period January 1, 2010 to August 31, 2010.

The BIR filed a Motion for Reconsideration of the decision of the CTA *En Banc* on September 6, 2019. SMFI's Comment on the Motion for Reconsideration of the BIR was filed on October 18, 2019.

In a Resolution dated January 7, 2020, the CTA *En Banc* has denied the Motion for Reconsideration filed by the BIR. A Petition for Review on Certiorari dated March 2, 2020 was filed by the BIR with the Supreme Court.

ii. SMFI vs. CIR CTA Case No. 9241, First Division

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.

On January 14, 2016, SMFI filed a Petition for Review before the CTA First Division and docketed as CTA Case No. 9241. On September 2, 2016, Judicial Affidavits for SMFI witnesses were submitted to the CTA and said witnesses were presented for cross examination on July 25 and August 22, 2017, respectively. On May 10, 2018, witness for the BIR was presented before the Court for cross examination.

On September 28, 2018, the case was transferred to the Third Division of the CTA pursuant to Administrative Circular No. 02-2018.

On October 2, 2019, the CTA Third Division rendered decision granting SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR.

On November 4, 2019, the BIR filed a Motion for Reconsideration of the decision of the CTA Third Division. SMFI filed a Comment on the Motion for Reconsideration on November 29, 2019.

On a Resolution dated March 2, 2020, the CTA Third Division has denied Motion for Reconsideration filed by the BIR.

iii. SMFI vs. Office of the City Treasurer, City of Davao

On August 23, 2018, SMFI filed Petition for Review with the CTA Second Division docketed as CTA Case AC No. 209. On November 12, 2018, the Company filed Petition for Review with the CTA Second Division docketed as CTA Case AC No. 210. Both petitions were filed to appeal the joint decision of the RTC of Davao City dismissing SMFI's appeal from the denial and inaction of the Office of the City Treasurer of Davao City on the protest against the assessment of permit fee to slaughter.

SMFI protested the assessment of the City Treasurer of Davao City imposing permit fee to slaughter against its dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

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 dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses is 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.

By the order of CTA dated September 24, 2018, Case CTA AC No. 209 was transferred to the First Division of the CTA. In a resolution dated October 25, 2018 CTA First Division resolved to give due course to SMFI's Petition for Review. SMFI submitted the required memorandum on December 19, 2018. And on March 28, 2019, CTA declared Case AC No. 209 as submitted for decision.

In a resolution dated February 1, 2019 on SMFI's Petition for Review on CTA Case AC No. 210, the CTA First Division required the parties to submit the respective Memorandum on this case. On May 7, 2019, SMFI submitted the required Memorandum, awaiting the court's decision.

e. Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to its use of P659 million worth of Tax Credit Certificates (TCCs) to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the Court of Appeals in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on certiorari dated December 5, 2012. On July 9, 2018, the Supreme Court rendered a decision in favor of Petron denying the petition for review filed by the BIR and affirming the decision of the Court of Appeals. No motion for reconsideration for such decision relating to Petron was filed by the BIR. The Supreme Court issued its Entry of Judgment declaring that its decision dated July 9, 2018 in Petron's favor already attained finality on April 1, 2019. This case would now be considered closed and terminated.

f. 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 million. The cases were pending as at December 31, 2019. 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, which, on January 9, 2020 issued a Resolution ordering Petron to file its comment on plaintiffs' petition within 10 days. Petron filed a motion for reconsideration of said Resolution, which remains pending. In the meantime, proceedings before the trial court continue.

g. Lease Agreements with Philippine National Oil Company (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 million, 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. The motions for reconsideration were pending as at March 12, 2020.

Following the trial court's denial of PNOC's motion for reconsideration, PNOC filed a notice of appeal to the Court of Appeals, a copy of which was received by Petron on March 9, 2020.

h. Swakaya Sdn. Bhd. (Swakaya) Dispute

In 2015, a disputed trade receivable balance of RM25 million (P307 million) 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 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. This arrangement commenced. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) and the power plants operator was placed under an obligation to SDB 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 to POMSB once POMSB establishes that the payment was for a direct supply to the power plants operator, refused and utilized the moneys to set off against Swakaya's debt to the bank. The sum involved was RM25 million (P307 million). POMSB sued Swakaya and SDB 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 the POMSB and a judgment sum inclusive of interest amounting to RM28 million (P343 million) 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 million (P0.20 million) 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 is exploring the possibility of a review of the said Federal Court decision.

Considering the length of time of litigation matters, a discount of RM8 million (P95 million) was computed based on the original effective interest rate. Part of the discount, amounting to RM2 million (P20 million) was unwound this year and recognized as interest income.

The balance amounting to RM23 million (P282 million) was provided full impairment in 2019.

i. Generation Payments to PSALM

SPPC and PSALM are parties to the Ilijan Independent Power Producer (IPP) Administration (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 the 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 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 Total 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 the Manila Electric Company (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 Illijan IPPA Agreement while the case is pending; (2) Motion for Reconsideration of the order, 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 Illijan 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 ("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. 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 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 this Court's discretionary appellate jurisdiction. The motion for reconsideration file 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 Temporary Restraining Order 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 "First CA Resolution"), the Court of Appeals subsequently granted the Motion for Reconsideration filed by PSALM in response to the First CA Resolution.

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 2022.

j. Intellectual Property Rights

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 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.

This case is still pending with the Supreme Court *En Banc*.

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 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.) Notice of 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" had 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 TDI's Petition for Review on Certiorari.

These consolidated cases are still pending with the Supreme Court.

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 Comments on TDI's Petition for Review on Certiorari.

This case is still pending with the Supreme Court.

k. Imported Industrial Fuel Oil

SL Harbor Bulk Terminal Corporation (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 million. 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 million or one and one-half times of the assessed amount of P82 million 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.

By Order dated September 25, 2018, the case was transferred to the CTA First Division. SLHBTC's presentation of evidence is set on May 23, 2019.

As at December 31, 2019, the case is still pending with the CTA.

l. 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 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 million. 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 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.

m. 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 Option”). 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.

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. To date, the said motion is still pending resolution.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case. Due to this refusal, the resolution of the Motion for Reconsideration is pending to date.

Further related thereto, on December 1, 2016, SMEC received a copy of a Complaint filed by TPEC and TeaM Sual Corporation with the Energy Regulatory Commission (ERC) against SMEC and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the above mentioned 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, 2019 and 2018, the total amount consigned with the RTC Pasig is P491 million.

n. 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.

o. ERC 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, SPI and MPPCL filed various pleadings requesting ERC for the reconsideration of the ERC order. Other generators also requested the Supreme Court to stop the implementation of the ERC order.

On June 26, 2014, SMEC, SPPC, SPDC and SPI 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, 2014, March 27, 2014 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, granted the Petition for Review filed by SMEC, SPPC, SPDC, SPI 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 Court of Appeals denied the aforesaid motions. On 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 and SPPC filed Consolidated Opposition to said Motions for Reconsideration on July 27, 2018.

On March 29, 2019, the Court of Appeals issued an Omnibus Resolution affirming its decision dated November 7, 2017 and resolution dated March 22, 2018.

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.

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 million, plus interest.

- Electric Power Industry Reform Act (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 the Group was selected winning bidder of the IPPA Agreements.

  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, 2019.

- Commitments

  The outstanding purchase commitments of the Group amounted to P113,517 million as at December 31, 2019.

  Amount authorized but not yet disbursed for capital projects is approximately P221,507 million as at December 31, 2019.

- Foreign Exchange Rates

  The foreign exchange rates used in translating the US Dollar accounts of foreign subsidiaries and associates and joint ventures to Philippine peso were closing rates of P50.64 and P52.58 in 2019 and 2018, respectively, for consolidated statements of financial position accounts; and average rates of P51.79, P52.69 and P50.40 in 2019, 2018 and 2017, respectively, for income and expense accounts.

- 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.

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for "Contingencies" of Section VII above that remain outstanding as at December 31, 2019.

- The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period December 31, 2019.

Annex "B"
Annex "B-1"

C O V E R S H E E T

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200803939

COMPANY NAME

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

5th Floor, ENZO Building
399 Sen. Gil J. Puyat AvEnue
Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	8632-3000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
31,352	Second Tuesday of July	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Bella O. Navarra	N/A	8632-3000	N/A

CONTACT PERSON's ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017

With Independent Auditor's Report

TOP FRONTIER
INVESTMENT HOLDINGS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

IÑIGO U. ZOBEL
Chairman of the Board

RAMON S. ANG
President and Chief Executive Officer

BELLA O. NAVARRA
Chief Finance Officer

Signed this 12th day of March 2020.

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

Opinion

We have audited the consolidated financial statements of Top Frontier Investment Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019, 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 audit 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 (P1,020,480 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 (P120,392 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 (P255,836 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, 2019, 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, 2019 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, related safeguards.

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 Wilfredo Z. Palad.

R.G. MANABAT & CO.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-5, Group A, valid until September 17, 2021
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-006-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 8116777
Issued January 2, 2020 at Makati City

March 12, 2020
Makati City, Metro Manila

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(In Millions)

	Note	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 5, 7, 40, 41*	**P286,677**	P243,545
Trade and other receivables - net	*4, 5, 8, 33, 35, 40, 41*	**132,907**	125,042
Inventories	*4, 5, 9*	**127,468**	118,952
Current portion of biological assets - net	*4, 16*	**4,151**	4,245
Prepaid expenses and other current assets	*4, 5, 10, 12, 33, 34, 40, 41*	**86,803**	92,261
Total Current Assets		**638,006**	584,045
Noncurrent Assets			
Investments and advances - net	*4, 5, 11*	**52,886**	50,754
Investments in equity and debt instruments	*4, 12, 40, 41*	**6,101**	6,069
Property, plant and equipment - net	*4, 5, 13, 34*	**495,814**	651,408
Right-of-use assets - net	*4, 14*	**197,245**	-
Investment property - net	*4, 15*	**53,528**	33,635
Biological assets - net of current portion	*4, 16*	**2,808**	2,844
Goodwill	*4, 5, 17, 38*	**120,392**	120,867
Other intangible assets - net	*4, 5, 17*	**255,836**	253,534
Deferred tax assets	*4, 5, 23*	**18,431**	19,663
Other noncurrent assets - net	*4, 5, 18, 33, 34, 35, 40, 41*	**90,130**	68,373
Total Noncurrent Assets		**1,293,171**	1,207,147
		P1,931,177	P1,791,192
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*5, 19, 30, 33, 38, 40, 41*	**P178,507**	P192,968
Accounts payable and accrued expenses	*4, 5, 20, 33, 34, 35, 40, 41*	**188,166**	162,435
Lease liabilities - current portion	*4, 5, 30, 34, 38, 40, 41*	**27,371**	22,529
Income and other taxes payable	*5*	**21,239**	19,937
Dividends payable	*33, 36, 38*	**3,566**	3,491
Current maturities of long-term debt - net of debt issue costs	*5, 21, 30, 33, 38, 40, 41*	**43,913**	55,872
Total Current Liabilities		**462,762**	457,232
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*5, 21, 30, 33, 38, 40, 41*	**638,748**	561,673
Deferred tax liabilities	*5, 23*	**68,016**	65,297
Lease liabilities - net of current portion	*4, 5, 30, 34, 38, 40, 41*	**122,466**	130,010
Other noncurrent liabilities	*4, 5, 22, 33, 34, 35, 40, 41*	**37,125**	39,848
Total Noncurrent Liabilities		**866,355**	796,828

Forward

	Note	2019	2018
Equity	*24, 36, 37, 39*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common		**P490**	P490
Capital stock - preferred		**260**	260
Additional paid-in capital		**120,501**	120,501
Convertible perpetual securities		**25,158**	25,158
Equity reserves	*5*	**6,401**	10,923
Retained earnings:			
Appropriated		**19,010**	29,655
Unappropriated		**67,398**	48,583
Treasury stock		**(76,780)**	(76,780)
		162,438	158,790
Non-controlling Interests	*2, 5*	**439,622**	378,342
Total Equity		**602,060**	537,132
		P1,931,177	P1,791,192

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions, Except Per Share Data)

	Note	**2019**	2018	2017
SALES	*6, 25, 33*	**P1,020,480**	P1,024,915	P826,058
COST OF SALES	*26, 34*	**819,855**	827,343	646,010
GROSS PROFIT		**200,625**	197,572	180,048
SELLING AND ADMINISTRATIVE EXPENSES	*27, 34*	**(86,523)**	(82,908)	(71,575)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*19, 21, 30, 33, 34*	**(53,730)**	(42,766)	(32,505)
INTEREST INCOME	*31, 33, 35*	**10,688**	7,211	4,532
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES	*11*	**106**	(289)	297
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*5, 11, 12, 13, 15, 18*	**(237)**	252	879
OTHER INCOME (CHARGES) - Net	*5, 32, 40, 41*	**6,551**	(9,497)	(1,360)
INCOME BEFORE INCOME TAX		**77,480**	69,575	80,316
INCOME TAX EXPENSE	*23, 43*	**28,909**	24,715	27,066
NET INCOME		**P48,571**	P44,860	P53,250
Attributable to:				
Equity holders of the Parent Company		**P9,604**	P7,000	P12,318
Non-controlling interests	*5*	**38,967**	37,860	40,932
		P48,571	P44,860	P53,250
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	*37*	**P24.18**	P16.29	P32.39

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions)

	Note	**2019**	2018	2017
NET INCOME		**P48,571**	P44,860	P53,250
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*35*	**(3,382)**	(540)	(1,720)
Income tax benefit		**971**	170	510
Net gain on financial assets at fair value through other comprehensive income	*12*	**58**	136	-
Income tax expense		**(9)**	(2)	-
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	**(25)**	2	44
		(2,387)	(234)	(1,166)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		**(2,942)**	1,157	3,731
Net gain (loss) on financial assets at fair value through other comprehensive income	*12*	**11**	(9)	-
Income tax expense		**(1)**	-	-
Net gain on available-for-sale financial assets	*12*	**-**	-	26
Income tax benefit		**-**	-	1
Net loss on cash flow hedges	*41*	**(679)**	(280)	-
Income tax benefit		**192**	84	-
		(3,419)	952	3,758
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(5,806)**	718	2,592
TOTAL COMPREHENSIVE INCOME - Net of tax		**P42,765**	P45,578	P55,842
Attributable to:				
Equity holders of the Parent Company		**P6,890**	P6,684	P12,847
Non-controlling interests	*5*	**35,875**	38,894	42,995
		P42,765	P45,578	P55,842

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company															
						Equity Reserves											
		Capital Stock		Additional Paid-in Capital	Convertible Perpetual Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock			Non-controlling Interests	Total Equity
	Note	Common	Preferred								Appro-priated	Unappro-priated	Common	Preferred	Total		
As at January 1, 2019, As previously reported (Audited)		**P490**	**P260**	**P120,501**	**P25,158**	**(P1,899)**	**(P114)**	**P1,444**	**(P1,662)**	**P13,154**	**P29,655**	**P48,583**	**(P28,457)**	**(P48,323)**	**P158,790**	**P378,342**	**P537,132**
Adjustments due to Philippine Financial Reporting Standards (PFRS) 16 and others	*3*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,048)**	**-**	**-**	**(1,048)**	**(1,374)**	**(2,422)**
As at January 1, 2019, As adjusted		**490**	**260**	**120,501**	**25,158**	**(1,899)**	**(114)**	**1,444**	**(1,662)**	**13,154**	**29,655**	**47,535**	**(28,457)**	**(48,323)**	**157,742**	**376,968**	**534,710**
Loss on exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,308)**	**-**	**-**	**-**	**-**	**-**	**(1,308)**	**(1,634)**	**(2,942)**
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	**-**	**-**	**-**	**-**	**(78)**	**-**	**50**	**4**	**-**	**-**	**-**	**-**	**-**	**(24)**	**(1)**	**(25)**
Net loss on cash flow hedges	*41*	**-**	**-**	**-**	**-**	**-**	**(291)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(291)**	**(196)**	**(487)**
Net gain on financial assets at fair value through other comprehensive income	*12*	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**20**	**59**
Equity reserve for retirement plan	*35*	**-**	**-**	**-**	**-**	**(1,130)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,130)**	**(1,281)**	**(2,411)**
Other comprehensive income (loss)		**-**	**-**	**-**	**-**	**(1,208)**	**(291)**	**89**	**(1,304)**	**-**	**-**	**-**	**-**	**-**	**(2,714)**	**(3,092)**	**(5,806)**
Net income		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,604**	**-**	**-**	**9,604**	**38,967**	**48,571**
Total comprehensive income (loss)		**-**	**-**	**-**	**-**	**(1,208)**	**(291)**	**89**	**(1,304)**	**-**	**-**	**9,604**	**-**	**-**	**6,890**	**35,875**	**42,765**
Net addition (reduction) to non-controlling interests and others	*5, 11*	**-**	**-**	**-**	**-**	**(21)**	**-**	**-**	**-**	**(1,787)**	**129**	**(515)**	**-**	**-**	**(2,194)**	**55,302**	**53,108**
Reversal of appropriations - net	*24*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,774)**	**10,774**	**-**	**-**	**-**	**-**	**-**
Cash dividends and distributions:	*36*																
Common		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,297)**	**(12,297)**
Preferred		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,613)**	**(9,613)**
Undated subordinated capital securities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,183)**	**(3,183)**
Senior perpetual capital securities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,430)**	**(3,430)**
As at December 31, 2019	*24*	**P490**	**P260**	**P120,501**	**P25,158**	**(P3,128)**	**(P405)**	**P1,533**	**(P2,966)**	**P11,367**	**P19,010**	**P67,398**	**(P28,457)**	**(P48,323)**	**P162,438**	**P439,622**	**P602,060**

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company – Capital Stock – Common	Capital Stock – Preferred	Additional Paid-in Capital	Convertible Perpetual Securities	Equity Reserves – Reserve for Retirement Plan	Equity Reserves – Hedging Reserve	Equity Reserves – Fair Value Reserve	Equity Reserves – Translation Reserve	Equity Reserves – Other Equity Reserve	Retained Earnings – Appro-priated	Retained Earnings – Unappro-priated	Treasury Stock – Common	Treasury Stock – Preferred	Total	Non-controlling Interests	Total Equity
As at January 1, 2018, As adjusted		P490	P260	P120,501	P25,158	(P1,685)	P -	P1,395	(P1,693)	(P4,059)	P25,742	P46,262	(P28,457)	(P48,323)	P135,591	P362,444	P498,035
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	38	-	-	-	-	-	38	1,119	1,157
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	-	-	-	-	6	-	(35)	14	-	-	-	-	-	(15)	17	2
Net loss on cash flow hedges	*41*	-	-	-	-	-	(114)	-	-	-	-	-	-	-	(114)	(82)	(196)
Net gain on financial assets at fair value through other comprehensive income	*12*	-	-	-	-	-	-	84	-	-	-	-	-	-	84	41	125
Equity reserve for retirement plan	*35*	-	-	-	-	(309)	-	-	-	-	-	-	-	-	(309)	(61)	(370)
Other comprehensive income (loss)		-	-	-	-	(303)	(114)	49	52	-	-	-	-	-	(316)	1,034	718
Net income		-	-	-	-	-	-	-	-	-	-	7,000	-	-	7,000	37,860	44,860
Total comprehensive income (loss)		-	-	-	-	(303)	(114)	49	52	-	-	7,000	-	-	6,684	38,894	45,578
Net addition (reduction) to non-controlling interests and others	*5, 11*	-	-	-	-	89	-	-	(21)	17,213	(863)	97	-	-	16,515	4,123	20,638
Appropriations - net	*24*	-	-	-	-	-	-	-	-	-	4,776	(4,776)	-	-	-	-	-
Cash dividends and distributions:	*36*																
Common		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,252)	(11,252)
Preferred		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,812)	(8,812)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,177)	(6,177)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(878)	(878)
As at December 31, 2018	*24*	P490	P260	P120,501	P25,158	(P1,899)	(P114)	P1,444	(P1,662)	P13,154	P29,655	P48,583	(P28,457)	(P48,323)	P158,790	P378,342	P537,132

Forward

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in	Convertible Perpetual	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	Common	Preferred	Capital	Securities	Plan	Reserve	Reserve	Reserve	Appro-priated	Unappro-Priated	Common	Preferred	Total	Interests	Equity
As at January 1, 2017		P490	P260	P120,501	P25,158	(P1,086)	P1,225	(P2,820)	(P4,599)	P19,148	P40,908	(P28,457)	(P48,323)	P122,405	P341,572	P463,977
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	1,090	-	-	-	-	-	1,090	2,641	3,731
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	-	-	-	-	(3)	(17)	37	-	-	-	-	-	17	27	44
Net gain on available-for-sale financial assets	*12*	-	-	-	-	-	18	-	-	-	-	-	-	18	9	27
Equity reserve for retirement plan	*35*	-	-	-	-	(596)	-	-	-	-	-	-	-	(596)	(614)	(1,210)
Other comprehensive income (loss)		-	-	-	-	(599)	1	1,127	-	-	-	-	-	529	2,063	2,592
Net income		-	-	-	-	-	-	-	-	-	12,318	-	-	12,318	40,932	53,250
Total comprehensive income (loss)		-	-	-	-	(599)	1	1,127	-	-	12,318	-	-	12,847	42,995	55,842
Net addition (reduction) to non-controlling interests and others	*5, 11*	-	-	-	-	-	-	-	540	-	(158)	-	-	382	3,086	3,468
Appropriations - net	*24*	-	-	-	-	-	-	-	-	6,594	(6,594)	-	-	-	-	-
Cash dividends and distributions:	*36*						-									
Common		-	-	-	-	-	-	-	-	-	-	-	-	-	(9,348)	(9,348)
Preferred		-	-	-	-	-	-	-	-	-	-	-	-	-	(8,812)	(8,812)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	(7,098)	(7,098)
As at December 31, 2017	*24*	P490	P260	P120,501	P25,158	(P1,685)	P1,226	(P1,693)	(P4,059)	P25,742	P46,474	(P28,457)	(P48,323)	P135,634	P362,395	P498,029

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions)

	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P77,480**	P69,575	P80,316
Adjustments for:				
Interest expense and other financing charges	*30*	**53,730**	42,766	32,505
Depreciation, amortization and others - net	*28*	**38,157**	55,129	37,649
Loss (gain) on sale of investments and property and equipment	*5, 11, 12, 13, 15, 18*	**237**	(252)	(879)
Interest income	*31*	**(10,688)**	(7,211)	(4,532)
Equity in net losses (earnings) of associates and joint ventures	*11*	**(106)**	289	(297)
Operating income before working capital changes		**158,810**	160,296	144,762
Changes in noncash current assets, certain current liabilities and others	*38*	**13,552**	(39,344)	(18,857)
Cash generated from operations		**172,362**	120,952	125,905
Interest and other financing charges paid		**(59,439)**	(39,008)	(26,842)
Income taxes paid		**(21,873)**	(22,983)	(20,100)
Net cash flows provided by operating activities		**91,050**	58,961	78,963
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	*13*	**(66,819)**	(47,325)	(38,694)
Increase in other noncurrent assets and others		**(54,231)**	(40,541)	(30,603)
Additions to investments and advances and investment in debt instruments	*11, 12*	**(1,959)**	(20,024)	(2,911)
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	*38*	**(1,408)**	(98,057)	(2,568)
Cash and cash equivalents of a deconsolidated subsidiary	*5*	**(626)**	-	-
Interest received		**10,560**	6,556	4,269
Proceeds from sale of investments and property and equipment	*5, 11, 12, 13, 15, 18*	**871**	1,139	1,930
Dividends received	*11, 12*	**27**	46	26
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of		**-**	-	13,020
Net cash flows used in investing activities		**(113,585)**	(198,206)	(55,531)

Forward

	Note	**2019**	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**P1,435,706**	P1,032,344	P881,046
Long-term borrowings		**158,746**	242,405	203,714
Payments of:				
Short-term borrowings		**(1,445,924)**	(999,627)	(920,745)
Long-term borrowings		**(85,968)**	(65,591)	(135,975)
Redemption of undated subordinated capital securities and preferred shares of subsidiaries	*5*	**(29,087)**	(39,769)	-
Cash dividends and distributions paid to non-controlling shareholders		**(28,450)**	(27,503)	(24,820)
Payments of lease liabilities		**(20,673)**	(25,698)	(24,924)
Increase (decrease) in non-controlling interests and others		**(811)**	105	1,880
Net proceeds from issuance of senior perpetual capital securities and preferred shares of subsidiaries	*5*	**85,733**	24,881	-
Proceeds from follow-on offering of common shares of a subsidiary	*5*	**-**	35,083	-
Net cash flows provided by (used in) financing activities		**69,272**	176,630	(19,824)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(3,605)**	(396)	(298)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**43,132**	36,989	3,310
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**243,545**	206,556	203,246
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P286,677**	P243,545	P206,556

See Notes to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data and Number of Shares)

1. Reporting Entity

Top Frontier Investment Holdings, Inc. (Top Frontier or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 2008. On December 18, 2013, the Philippine Stock Exchange, Inc. (PSE) approved the application for the listing by way of introduction of all the common shares of Top Frontier. The shares were listed on the PSE on January 13, 2014.

On February 20, 2019, the President of the Philippines signed into law the Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless the articles of incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stock, notifies the SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on February 23, 2019.

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the Group) and the interests in associates and joint ventures.

The Group is engaged in various businesses, including food and beverage, packaging, energy, mining, fuel and oil, infrastructure and real estate property management and development.

The registered office address of the Parent Company is 5th Floor, ENZO Building, 399 Sen. Gil J. Puyat Avenue, Makati 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 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 Board of Directors (BOD) on March 12, 2020.

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 Interest Held by the				
	Parent Company	**Subsidiaries**	Parent Company	Subsidiaries	Country of Incorporation
	2019		2018		
San Miguel Corporation (SMC) and subsidiaries, namely:	**65.99**		65.99		Philippines
Food and Beverage Business:					
San Miguel Food and Beverage, Inc. (SMFB) [(b)] (formerly San Miguel Pure Foods Company Inc. (SMPFC)) 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 (formerly PT San Miguel Pure Foods Indonesia), San Miguel Super Coffeemix Co., Inc., The Purefoods-Hormel Company, Inc. (PF-Hormel), and San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary, San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary and San Miguel Pure Foods (VN) Co., Ltd.]		**88.76**		88.76	Philippines

Forward

	Percentage of Ownership Interest Held by the				
	Parent Company	**Subsidiaries**	Parent Company	Subsidiaries	Country of
	2019		2018		Incorporation
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 [(a)]}]					
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]					
Packaging Business:					
San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries [including SMC Yamamura Fuso Molds Corporation and Can Asia, Inc. (CAI) [(c)]]		**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 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, San Miguel Yamamura Plastic Films Sdn. Bhd., and San Miguel Yamamura Australasia Pty Ltd (SMYA) and subsidiaries {including SMYC Pty Ltd (formerly Cospak Pty Limited) 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 (SMYJ)[(d)] and Wine Brothers Australian Pty Ltd}].		**65.00**		65.00	British Virgin Islands (BVI)
Mindanao Corrugated Fibreboard, Inc.		**100.00**		100.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC) [(e)]		**65.00**		60.00	Philippines

Forward

	Percentage of Ownership Interest Held by the				
	Parent Company	**Subsidiaries**	Parent Company	Subsidiaries	Country of
	2019		2018		Incorporation
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. (SPI), Universal Power Solutions, Inc. (UPSI, formerly Limay Power Generation Corporation), SMC Consolidated Power Corporation (SCPC), San Miguel Consolidated Power Corporation (SMCPC), Central Luzon Premiere Power Corp., Lumiere Energy Technologies, Inc. (LETI, formerly Limay Premiere Power Corp. {LPPC}), PowerOne Ventures Energy Inc. (PVEI), SMCGP Masin Pte. Ltd. (formerly Masin-AES Pte. Ltd. {MAPL}) and subsidiaries [f], Masinloc Power Partners Co. Ltd. (MPPCL) and subsidiary, Albay Power and Energy Corp. (APEC) and Mariveles Power Generation Corporation (MPGC) [g]]		**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, Petrogen Insurance Corporation (Petrogen), Overseas Ventures Insurance Corporation Ltd. (Ovincor) [a], Petrofuel Logistics, Inc. (formerly Limay Energen Corporation), 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 Interest Held by the				
	Parent Company	**Subsidiaries**	Parent Company	Subsidiaries	Country of
	2019		2018		Incorporation
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. (formerly Rapid Thoroughfares Inc.) and subsidiary, Private Infra Dev Corporation (PIDC), TPLEX Operations & Maintenance Corp., Trans Aire Development Holdings Corp. (TADHC), Vertex Tollways Devt. Inc. (Vertex), Universal LRT Corporation (BVI) Limited (ULC BVI), SMC Mass Rail Transit 7 Inc. (SMC MRT 7), ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, 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 Atlantic Aurum Investments Philippines Corporation (AAIPC) and subsidiaries {including Stage 3 Connector Tollways Holding Corporation (S3HC) and subsidiary, Citra Central Expressway Corp. (CCEC) and Citra Metro Manila Tollways Corporation (CMMTC) and subsidiary, Skyway O&M Corporation (SOMCO), MTD Manila Expressways Inc. (MTDME) and subsidiaries, Alloy Manila Toll Expressways, Inc. (AMTEX), Manila Toll Expressway Systems, Inc. (MATES) and South Luzon Tollway Corporation (SLTC)} and San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport "(SMAI)]		**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.]		**99.95**		99.94	Philippines
Davana Heights Development Corporation (DHDC) and subsidiaries		**100.00**		100.00	Philippines

Forward

	Percentage of Ownership Interest Held by the				
	Parent Company	**Subsidiaries**	Parent Company	Subsidiaries	Country of Incorporation
	2019		2018		
Others:					
San Miguel International Limited and subsidiaries [including San Miguel Holdings Limited (SMHL) and subsidiaries {including SMYPIL}]		**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 Equity Investments Inc. (SMEII) and subsidiaries [(a)], San Miguel Northern Cement, Inc. (SMNCI) and First Stronghold Cement Industries Inc.(FSCII)]		**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
San Miguel Integrated Logistics Services, Inc. (SMILSI)		**100.00**		100.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC) [(a)]		**58.33**		58.33	Philippines
SMC Asia Car Distributors Corp. (SMCACDC) and subsidiary [(a)]		**65.00**		65.00	Philippines
Mining Business:					
Clariden Holdings, Inc. (Clariden) and subsidiaries, namely:	**100.00**		100.00		Philippines
V.I.L. Mines, Incorporated (VMI), Asia-Alliance Mining Resources Corp. (AAMRC), Prima Lumina Gold Mining Corp. (PLGMC), Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited[(a)] and subsidiaries [including Pacific Nickel Philippines, Inc. (PNPI), Philnico Industrial Corporation (PIC) and Philnico Processing Corp. (PPC) (collectively the Philnico Group)]					

(a) The financial statements of these subsidiaries were audited by other auditors.
(b) SMB and GSMI were consolidated to SMFB effective June 29, 2018 (Note 5).
(c) Incorporated on July 12, 2018 (Note 5).
(d) Consolidated to SMYPIL effective June 1, 2018 (Note 5).
(e) Merged to SMYPC effective March 1, 2020 (Note 5).
(f) Consolidated to SMC Global effective March 20, 2018 (Note 5).
(g) Consolidated to SMC Global effective January 25, 2019 as an asset acquisition (Note 11).

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 SMC, and its subsidiaries as follows: SMFB, SMYPC, SMYPIL, SMYAC, Petron, PIDC, TADHC, AMTEX, AAIBV, SMPI, SMCSLC, AIBC, SMNCI and SMCACDC in 2019 and 2018 and Manila North Harbour Port, Inc. (MNHPI) in 2018 (Note 5) and Clariden's subsidiaries: PPC and AAMRC in 2019 and 2018.

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 New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

The Group has adopted the following PFRS starting January 1, 2019 and accordingly, changed its accounting policies in the following areas:

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sublease guidance and new disclosure requirements.

Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

The Group has adopted PFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019. Accordingly, the comparative information has not been restated and is presented, as previously reported, under PAS 17 and related interpretations.

As a lessee, the Group recognized right-of-use assets and lease liabilities for leases classified as operating leases under PAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets are measured based on the carrying amount as if PFRS 16 had always been applied, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rates ranging from 3.9% to 10.3% as at January 1, 2019.

The Group used the following practical expedients for leases previously classified as operating leases under PAS 17:

- applied the exemption not to recognize right-of-use assets and liabilities for leases with lease term that ends within 12 months at the date of initial application;

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For leases previously classified as finance leases, the Group determined the carrying amount of the lease assets and lease liabilities immediately before the transition as the carrying amount of the right-of-use assets and lease liabilities at the date of initial application.

Right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within investment property.

The impact of the adoption of PFRS 16 as at January 1, 2019 is as follows:

	Note	
ASSETS		
Trade and other receivables - net		**P85**
Prepaid expenses and other current assets		**(974)**
Property, plant and equipment - net	*13*	**(194,390)**
Right-of-use assets - net	*14*	**205,362**
Investment property - net	*15*	**11,168**
Other intangible assets - net	*17*	**(1,114)**
Deferred tax assets		**1,158**
Other noncurrent assets - net		**(2,553)**
		P18,742

LIABILITIES AND EQUITY	
Accounts payable and accrued expenses	**(P858)**
Lease liabilities - current portion	**1,784**
Lease liabilities - net of current portion	**20,362**
Deferred tax liabilities	**(36)**
Other noncurrent liabilities	**(126)**
Total Liabilities	**21,126**
Retained Earnings	**(1,023)**
Non-controlling Interests	**(1,361)**
Total Equity	**(2,384)**
	P18,742

The reconciliation of operating lease commitments as at December 31, 2018 to the recognized lease liabilities as at January 1, 2019 are as follows:

Operating lease commitments as at December 31, 2018	P34,166
Recognition exemption for short-term leases	(270)
Extension and termination options reasonably certain to be exercised	2,677
Effect of discounting at the incremental borrowing rate as at January 1, 2019	(14,427)
Lease liabilities recognized based on the initial application of PFRS 16 as at January 1, 2019	22,146
Finance lease liabilities recognized as at December 31, 2018	152,539
Lease liabilities recognized as at January 1, 2019	P174,685

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Long-term Interests (LTI) in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendments require the application of PFRS 9, *Financial Instruments*, to other financial instruments in an associate or joint venture to which the equity method is not applied. These include LTI that, in substance, form part of the entity's net investment in an associate or joint venture.

  The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

- Prepayment Features with Negative Compensation (Amendment to PFRS 9). The amendment covers the following areas:

  - *Prepayment Features with Negative Compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or FVOCI irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

  - *Modification of Financial Liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in the consolidated statements of income.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- Annual Improvements to PFRS Cycles 2015 - 2017 contain changes to four standards:

  - Previously Held Interest in a Joint Operation (Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements*). The amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. If an entity maintains (or obtains) joint control, the previously held interest is not remeasured. If an entity obtains control, the transaction is a business combination achieved in stages and the acquiring entity remeasures the previously held interest at fair value.

  - Income Tax Consequences of Payments on Financial Instrument Classified as Equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.

  - Borrowing Costs Eligible for Capitalization (Amendments to PAS 23, *Borrowing Costs*). The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

- IFRIC Agenda Decision on Over Time Transfer for Constructed Goods (PAS 23) for the Real Estate Industry. In 2019, the IFRIC published an agenda decision on the eligibility of capitalization of borrowing costs in relation to the construction of residential multi-unit real estate development for entities which recognize revenue over time. The IFRIC concluded that inventory for unsold units under construction, which is ready for its intended sale in its current condition, is not a qualifying asset based on the definition provided by PAS 23. Accordingly, any incurred borrowing costs related to the construction of real estate inventories are not capitalized as part of real estate inventories and are to be recognized directly as expense in the consolidated statements of income.

  Prior to 2019, the Group capitalized borrowing costs from interest-bearing loans and borrowings specifically obtained for the construction of its real estate projects. The Group made adjustment on its retained earnings and non-controlling interest by P25 and P13, respectively, as at January 1, 2019.

Except as otherwise indicated, the adoption of the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

<u>New and Amended Standards and Framework Not Yet Adopted</u>

A number of new and amended standards and framework are effective for annual periods beginning after January 1, 2019 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards and framework on the respective effective dates:

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  The amendments are effective for annual periods beginning on or after January 1, 2020.

- Definition of a Business (Amendments to PFRS 3). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

  The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020, with early application permitted.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence'; (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020, with early application permitted.

- Interest Rate Benchmark Reform (Amendments to PFRS 9, PAS 39*, Financial Instruments: Recognition and Measurement* and PFRS 7*, Financial Instruments: Disclosures)*. The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

  - *The Highly Probable Requirement*. When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

  - *Prospective Assessments*. When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

  - *PAS 39 Retrospective Assessment*. An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.

  - *Separately Identifiable Risk Components*. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

The amendments apply for annual reporting periods beginning on or after January 1, 2020, with early application permitted.

The amendments are still subject to the approval by the FRSC.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, 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.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2023. 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. 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: 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, 40 and 41).

Cash includes cash on hand and in banks which are stated at face value. 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, 40 and 41).

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, 40 and 41).

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, 40 and 41).

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 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, 40 and 41).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) 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.

Classification of Financial Instruments between Liability and Equity
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.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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, 2019 and 2018 (Note 41).

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, 2019 and 2018 (Note 41).

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 moving-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, if any, of write-down of inventories arising from an increase in net realizable value 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.

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.

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.

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 in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than the passage of time. 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	10 - 43
Refinery and plant equipment	4 - 33
Service stations and other equipment	2 - 33
Equipment, furniture and fixtures	2 - 50
Leasehold improvements	2 - 50 or term of the lease, whichever is shorter
Mine and mining properties	5 - 30

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.

Leases

Policy Applicable from January 1, 2019

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 - 10
Power plants	28 - 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.

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.

Policy Applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Finance Lease
Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease
Group as Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

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.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Toll road concession rights	26 - 36 or unit of usage
Airport concession rights	25 - 50
Power concession right	25
Water concession right	30
Leasehold and land use rights	20 - 50 or term of the lease, whichever is shorter
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, *Provisions, Contingent Liabilities and Contingent Assets*, 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 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*. The Group's airport concession rights pertain to the rights granted by the Republic of the Philippines (ROP) to TADHC and SMAI: (i) to operate the Caticlan Airport (the Airport Project or the Boracay Airport) and the New Manila International Airport, respectively; (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 - 50 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 rights are 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 rights are 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.

- *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.

- *Port Concession Right*. The Group's port concession right pertains to the right granted by the Philippine Ports Authority (PPA) to MNHPI to manage, operate, develop and maintain the Manila North Harbor for 25 years reckoning on the first day of the commencement of operations renewable for another 25 years under such terms and conditions as the parties may agree. This includes the present value of the annual franchise fee, as defined in the Concession Agreement, payable to the PPA over 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 MNHPI as the project progresses. Port concession right is recognized initially at cost. Following initial recognition, the port concession right is carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures related to port facility arising from the concession contracts or that increase future revenues are recognized as additions to the intangible asset and are stated at cost.

  The port concession right is amortized using the capacity-based amortization over the concession period and assessed for impairment whenever there is an indication that the asset may be impaired.

  The port 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 port 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.

- *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.

- *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 the units of production method utilizing only recoverable coal reserves as the depletion base. In applying the units of production 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 amortization of mining rights will commence upon commercial operations.

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’ deposit” 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 80% to 85% 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.

Convertible Perpetual Securities (CPS)
CPS 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 liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of CPS are recognized as a deduction from equity, net of tax. The proceeds received, net of any directly attributable transaction costs, are credited to CPS.

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.

Share-based Payment Transactions

Under SMC's Long-term Incentive Plan for Stock Options (LTIP) and the Group's Employee Stock Purchase Plan (ESPP), executives and employees of SMC and certain subsidiaries receive remuneration in the form of share-based payment transactions, whereby the executives and employees render services as consideration for equity instruments of the Group. Such transactions are handled centrally by SMC.

Share-based transactions in which SMC grants option rights to its equity instruments directly to the employees of SMC and certain subsidiaries are accounted for as equity-settled transactions.

The cost of LTIP is measured by reference to the option fair value at the date when the options are granted. The fair value is determined using Black-Scholes option pricing model. In valuing LTIP transactions, any performance conditions are not taken into account, other than conditions linked to the price of the shares of SMC. ESPP is measured by reference to the market price at the time of the grant less subscription price.

The cost of share-based payment transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award (the vesting date). The cumulative expenses recognized for share-based payment transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and SMC's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

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.

<u>Research and Development Costs</u>
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.

<u>Employee Benefits</u>
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.

<u>Non-cash Distribution to Equity Holders of the Parent Company and Assets Held for Sale</u>
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. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

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 distribution to holders of CPS, 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. All inter-segment transfers are carried out at arm's length prices.

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 (Upon the Adoption of PFRS 16). 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.

Determining whether an Arrangement Contains a Lease (Prior to the Adoption of PFRS 16). The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the customers.

Finance Lease - Group as Lessee (Prior to the Adoption of PFRS 16). In accounting for its Independent Power Producer Administration (IPPA) Agreements with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group's management has made a judgment that the IPPA Agreements are agreements that contain a lease.

MNHPI and MPPCL also entered into leases of equipment and land, respectively, needed for business operations.

The Group's management has made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants, land and equipment. Accordingly, the Group accounted for the agreements as finance lease and recognized the power plants, land and equipment and lease liabilities at the present value of the agreed monthly payments (Notes 13 and 34).

Lease liabilities under finance leases recognized in the consolidated statements of financial position amounted to P152,539 as at December 31, 2018 (Note 34).

The combined carrying amounts of power plants, land and equipment classified as finance lease under PAS 17 amounted to P192,787 as at December 31, 2018 (Notes 13 and 34).

Operating Lease Commitments - Group as Lessee (Prior to the Adoption of PFRS 16). The Group has entered into various lease agreements as a lessee. The Group had determined that the significant risks and rewards of property leased from third parties are retained by the lessors.

Rent expense recognized in the consolidated statements of income amounted to P5,253 and P5,002 in 2018 and 2017, respectively (Notes 26, 27 and 34).

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 P1,346, P785 and P1,307 in 2019, 2018 and 2017, respectively (Notes 32 and 34).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee (Upon the Adoption of PFRS 16). 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 (Upon the Adoption of PFRS 16). 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 P149,837 as at December 31, 2019 (Notes 34, 38, 40 and 41).

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.* The Group's airport concession rights consist of: (i) Airport Project cost; (ii) present value of infrastructure retirement obligation (IRO); and (iii) present value of total franchise fees over 25 - 50 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.

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; and (v) STAR.

   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. *Port Concession Right.* The Group's port concession right represents the right to manage, operate, develop and maintain the Manila North Harbor in 2018 (Note 5).

d. *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.

e. *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.

f. *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 "Other noncurrent liabilities" account in the consolidated statements of financial position (Note 22).

Evaluating Control over its Investees. Determining whether the Group has control in an investee requires significant judgment. Although the Group had less than 50% of the voting rights of MNHPI in 2018, management has determined that the Group has control in this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee. In 2019, management assessed that the Group has lost its control over MNHPI through the increase in the shareholdings of non-controlling interest (Note 5).

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 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 41.

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 44).

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 P570 and P56 in 2019 and 2018, respectively (Note 8). The allowance for impairment losses on trade receivables amounted to P4,239 and P4,637 as at December 31, 2019 and 2018, respectively. The carrying amount of trade receivables amounted to P83,832 and P72,846 as at December 31, 2019 and 2018, 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 2018. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2019**	2018
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	*7*	**P283,727**	P240,014
Other current receivables - net (included under "Trade and other receivables - net" account)	*8*	**49,075**	52,196
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	*18*	**25,748**	19,221

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 P8,476 and P724, respectively, as at December 31, 2019, and P8,586 and P493, respectively, as at December 31, 2018 (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 41.

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 P2,141 and P2,369 as at December 31, 2019 and 2018, respectively (Note 9).

The carrying amount of inventories amounted to P127,468 and P118,952 as at December 31, 2019 and 2018, 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.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P508,275 and P663,695 as at December 31, 2019 and 2018, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P215,216 and P268,413 as at December 31, 2019 and 2018, respectively (Note 13).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P197,355 as at December 31, 2019. Accumulated depreciation and amortization of right-of-use assets amounted to P12,220 as at December 31, 2019 (Note 14).

Investment property, net of accumulated depreciation and amortization amounted to P53,536 and P33,643 as at December 31, 2019 and 2018, respectively. Accumulated depreciation and amortization of investment property amounted to P16,013 and P11,454 as at December 31, 2019 and 2018, 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 P20,806 and P18,186 as at December 31, 2019 and 2018, respectively. Accumulated amortization of deferred containers amounted to P11,526 and P10,762 as at December 31, 2019 and 2018, 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 amounted to P161,247 and P159,017 as at December 31, 2019 and 2018, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P39,201 and P37,637 as at December 31, 2019 and 2018, 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, port and water concession rights amounted to P143,847 and P140,560 as at December 31, 2019 and 2018, 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 P120,392 and P120,867 as at December 31, 2019 and 2018, respectively (Note 17).

The combined carrying amounts of licenses and trademarks and brand names amounted to P94,589 and P94,517 as at December 31, 2019 and 2018, 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.

The carrying amount of goodwill arising from business combinations amounted to P53 and P70,384 in 2019 and 2018, respectively (Notes 5, 17 and 38).

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.

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holders and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans. Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revisions once additional information becomes available.

Pursuant to the Philippine Mineral Reporting Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves which was adopted by the PSE and SEC and Department of Environment and Natural Resources (DENR) Administrative Order No. 2010-09 (Providing for the Classification and Reporting Standards of Exploration Results, Mineral Resources and Ore Reserves), all mineral resource and mineral/ore reserves report shall be prepared and signed by a person accredited by the relevant professional organization as a Competent Person.

Exploration activities are currently ongoing in different projects of Clariden. Exploration drilling planned in PNPI aims to upgrade the mineral resource and reserves previously identified, while in other areas, the objective to define the quality and quantity of the mineral deposits.

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 are all in the exploratory stages as at December 31, 2019. 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, 2019 and 2018.

Deferred exploration and development costs included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P1,050 and P1,017 as at December 31, 2019 and 2018, respectively (Notes 18 and 34).

Accrual for Mine Rehabilitation and Decommissioning. The cost of mine rehabilitation and decommissioning is based on the estimated costs of rehabilitating fully mined-out areas at the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as at adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's accretion and obligation for mine rehabilitation.

Accrual for mine rehabilitation and decommissioning costs amounted to P19 as at December 31, 2019 and 2018 (Note 22).

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 P18,431 and P19,663 as at December 31, 2019 and 2018, 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 amounted to P12,579 and P12,295 at December 31, 2019 and 2018, respectively (Notes 13, 14 and 15).

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 P985,982 and P917,439 as at December 31, 2019 and 2018, 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 P33,277 and P32,787 as at December 31, 2019 and 2018, 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 4.165% to 12.64% and 6.659% to 9.055% as at December 31, 2019 and 2018, 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 P2,217 and P3,879 as at December 31, 2019 and 2018, respectively (Note 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, 2019 and 2018 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 at 9% 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 9% internal borrowing rate, included as part of "Airport concession right" under "Other intangible assets - net" account amounted to P144 and P137 as at December 31, 2019 and 2018, 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 P9 and P74 in 2019 and P5 and P74 in 2018, respectively (Notes 20 and 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 P25,386, P23,062 and P18,089 as at December 31, 2019, 2018 and 2017, 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 five to eight years 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 discount rate 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 P566 and P814 as at December 31, 2019 and 2018, respectively (Note 22).

The current portion included as part of "Accounts payable and accrued expenses" account amounted to P178 and P207 as at December 31, 2019 and 2018, respectively (Note 20).

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments:

<u>Food and Beverage</u>

- SMFB

  On November 3, 2017, the BOD of SMC approved the subscription to additional 4,242,549,130 common shares of stock of SMFB.

On March 23, 2018, the SEC approved the amendment to the Articles of Incorporation of SMPFC consisting of the following: (a) change of corporate name from SMPFC to SMFB; (b) change in the primary purpose to include engaging in the beverage business; (c) change in the par value of the common shares of SMFB from P10.00 per share to P1.00 per share; and (d) denial of pre-emptive rights to issuances or dispositions of any and all common shares.

On April 5, 2018, SMC and SMFB signed the Deed of Exchange of Shares pursuant to which SMC will transfer to SMFB, SMC's 7,859,319,270 common shares of the capital stock of SMB and 216,972,000 common shares of the capital stock of GSMI (collectively, the "Exchange Shares") at the total transfer value of P336,349. As consideration for the acquisition of the Exchange Shares, SMFB shall issue in favor of SMC 4,242,549,130 common shares of the capital stock of SMFB (the "New SMFB Shares") out of the increase in authorized capital stock of SMFB. The New SMFB Shares will be issued out of the increase in the authorized capital stock of SMFB from P2,460 divided into 2,060,000,000 common shares with par value of P1.00 per share and 40,000,000 preferred shares with par value of P10.00 per share, to P12,000 divided into 11,600,000,000 common shares with par value of P1.00 per share and 40,000,000 preferred shares with par value of P10.00 per share which has been duly approved by the BOD and shareholders of SMFB.

On June 29, 2018, the SEC approved the increase in authorized capital stock of SMFB by virtue of the issuance to SMFB of the Certificate of Approval of Increase of Capital Stock and Certification of Filing of Amended Articles of Incorporation. In view of the approval of the increase in authorized capital stock, SMFB issued the New SMFB Shares in favor of SMC.

On June 29, 2018, pursuant to the Deed of Exchange of Shares, the share swap was completed and resulted to an increase of SMC's ownership in SMFB common shares from 85.37% to 95.87% and the consolidation of the food and beverage business operations of the San Miguel Group under SMFB. SMC recognized a gain of P328,273 from the exchange of shares, presented as part of "Gain on sale of investments, property and equipment and others" account in the separate statements of income in 2018.

The tax-free exchange between SMFB and SMC was confirmed by the BIR in its Certification No. SN: 010-2018 dated October 12, 2018. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB on November 5, 2018.

In 2018, SMC completed the follow-on offering of SMFB common shares. A total of 420,259,360 common shares were sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total net cash proceeds of P35,083. SMC recognized a gain of P30,429 from the follow-on offering, presented as part of "Gain on sale of investments, property and equipment and others" account in the separate statements of income.

With the completion of the follow-on offering, the total number of common shares held by SMC in SMFB is 5,245,082,440 shares, equivalent to 88.76% of the total outstanding common shares of SMFB. SMFB remains compliant with the 10% minimum public float requirement of the PSE.

<u>Energy</u>

- SMC Global

a) Issuance of Senior Perpetual Capital Securities (SPCS)

SMC Global issued and listed on the Singapore Exchange Securities Trading Ltd. (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	6.5%	100%	US$500	P26,070
July 3, 2019	6.5%	102.052%	300	15,348
November 5, 2019	5.95%	100%	500	25,205
			US$1,300	**P66,623**

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 and are redeemable in whole, but not in part, at the SMC Global's option 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 were used by SMC Global for the redemption of US$300 Undated Subordinated Capital Securities (USCS) in November 2019, and will be applied for the repayment of indebtedness, for general corporate purposes, including capital expenditures and investments in power-related assets and for the development of BESS projects.

On January 21, 2020, SMC Global issued US$600 SPCS (the US$600 SPCS), at an issue price of 100%, with an initial rate of distribution of 5.70% per annum. The US$600 SPCS was listed in the SGX-ST on January 22, 2020. The net proceeds from the issue of the US$600 SPCS will be applied by SMC Global for the funding requirements of the development and completion of its BESS projects and for general corporate purposes.

b) Redemption of USCS

On November 7, 2019 (the "Step-Up Date"), SMC Global completed the redemption of the US$300 USCS issued on May 7, 2014 (the "US$300 USCS") pursuant to the terms and conditions of the securities. The redemption was made after the issuance of a notice to the holders of the US$300 USCS dated September 27, 2019. The redemption price of the US$300 USCS 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 in 2019 amounting to P2,073 was recognized as part of the "Equity Reserves" account in the consolidated statement of financial position as at December 31, 2019.

The US$300 USCS was redeemed using, in part, the proceeds of the US$500 SPCS issued on April 25, 2019.

c) Acquisition of MAPL, SMCGP Transpower Pte. Ltd. (formerly AES Transpower Private Ltd. [ATPL]) and SMCGP Philippines, Inc. (formerly AES Philippines, Inc. [API]) (the "Masinloc Group")

On March 20, 2018, SMC Global acquired 51% and 49% equity interests in MAPL from AES Phil Investment Pte. Ltd. (AES Phil) and Gen Plus B.V., respectively, for a total amount of US$1,900 (P98,990). MAPL indirectly owns, through its subsidiaries, MPPCL and SMCGP Philippines Energy Storage Co. Ltd. (formerly, AES Philippines Energy Storage Co. Ltd. and hereinafter referred to as "SMCGP Philippines Energy"). MPPCL owns, operates and maintains the 1 x 330 megawatts (MW) and 1 x 344 MW coal-fired power plant (Units 1 and 2), the under-construction project expansion of 335 MW unit known as Unit 3, and the 10 MW battery energy storage system (BESS) project, all located in Masinloc, Zambales, Philippines (collectively, the "MPPCL Assets"), while SMCGP Philippines Energy plans to construct the 2 x 20 MW BESS facility in Kabankalan, Negros Occidental. The MPPCL Assets add 684 MW capacity to the existing portfolio of SMC Global.

As part of the acquisition, SMC Global also acquired ATPL and API. ATPL was a subsidiary of The AES Corporation which provides corporate support services to MPPCL through its Philippine Regional Operating Headquarters, while API was a wholly-owned subsidiary of AES Phil and provides energy marketing services to MPPCL.

The Masinloc Group was consolidated by SMC Global effective March 20, 2018.

API changed its name to SMCGP Philippines Inc. on May 22, 2018.

On May 30, 2018, MAPL and ATPL changed its name to SMCGP Masin Pte. Ltd. and SMCGP Transpower Pte. Ltd., respectively.

The following summarizes the recognized amount of assets acquired and liabilities assumed at the acquisition date:

	Note	2018
Assets		
Cash and cash equivalents		P1,656
Trade and other receivables		2,439
Inventories		2,378
Prepaid expenses and other current assets		1,692
Property, plant and equipment	*13*	62,275
Other intangible assets		80
Other noncurrent assets		3,040
Liabilities		
Loans payable		(2,344)
Accounts payable and accrued expenses		(9,591)
Income and other taxes payable		(139)
Lease liabilities (including current portion)		(31)
Long-term debt - net (including current maturities)		(31,952)
Deferred tax liabilities		(55)
Other noncurrent liabilities		(204)
Total Identifiable Net Assets at Fair Value	*38*	P29,244

Goodwill recognized as a result of the acquisition follows:

	Note	2018
Total consideration transferred (cash)		P98,990
Non-controlling interest measured at proportionate interest in identifiable net assets		198
Total identifiable net assets at fair value		(29,244)
Goodwill	*17, 38*	P69,944

SMC Global incurred acquisition-related costs of P286 and P195 in 2018 and 2017, respectively, which have been included under "Selling and administrative expenses" account in the consolidated statements of income.

The fair value of trade and other receivables amounted to P2,439. The gross amount of the receivables is P2,503, of which P64 is expected to be uncollectible as at the acquisition date.

Goodwill arising from the acquisition of Masinloc Group is attributable to the benefit of expected synergies with the Group's energy business, revenue growth, future development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable net assets.

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, 2019.

d) Additional Investment in Alpha Water

On July 13, 2018, Prime Electric Generation Corporation (PEGC), a wholly-owned subsidiary of SMC Global, acquired the remaining equity interest of ALCO Steam Energy Corporation in Alpha Water, representing sixty percent (60%) of the outstanding capital stock of Alpha Water, for a total amount of US$10 (P532). Alpha Water is the owner of the land where the current site of the Masinloc Power Plant Complex in Zambales Province is located.

The transaction is an acquisition of non-controlling interest since the Group already has control over Alpha Water through Masinloc Group prior to the acquisition by PEGC of the 60% share in the outstanding capital stock of Alpha Water.

<u>Fuel and Oil</u>

- Petron

a) Issuance of Series 3 Perpetual Preferred Shares

On May 31, 2019, the SEC issued to Petron a permit for public offering and sale of 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 5,000,000 preferred shares (collectively, the "Series 3 Preferred Shares") at an issue price of P1,000.00 per share.

On June 25, 2019, Petron issued and listed on the PSE, 20,000,000 Series 3 Perpetual Preferred Shares. The net proceeds from the issuance were used for the repayment of Petron's outstanding short-term loans and for general corporate purposes while the remaining balance was allocated for the redemption of the Series 2A Preferred Shares in November 2019.

The Series 3 Perpetual Preferred Shares were issued in two (2) sub-series: (i) 13,403,000 Series 3A Preferred Shares with dividend rate of 6.8713% per annum and first optional redemption date on its 5.5th anniversary from the issuance date; and (ii) 6,597,000 Series 3B Preferred Shares with dividend rate of 7.1383% per annum and first optional redemption date on its 7th anniversary from the issuance date.

b) Redemption of Series 2A Preferred Shares

On November 4, 2019, Petron redeemed its 7,122,320 Series 2A Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 10, 2019. The redemption was approved by the BOD of Petron on March 12, 2019.

c) Redemption of USCS

On January 8, 2018, Petron announced a tender offer to holders of its US$750 USCS with expiration deadline on January 16, 2018. Tenders amounting to US$402 (P21,309) were accepted by Petron and settled on January 22, 2018. The USCS purchased pursuant to the tender offer were cancelled. On August 6, 2018, Petron redeemed the remaining US$348 (P18,460) of the US$750 USCS.

The difference in the settlement amount and the carrying amount of USCS amounting to P4,155 was recognized as part of the "Equity Reserves" account in the consolidated statement of financial position as at December 31, 2018.

d) Issuance of SPCS

On January 19, 2018, Petron issued US$500 SPCS with an issue price of 100% for the partial repurchase and redemption of its existing US$750 USCS, the repayment of indebtedness and general corporate purposes including capital expenditures. The SPCS were listed with the SGX-ST on January 22, 2018.

The SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the Securities Regulation Code was required to be filed with the SEC.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. Petron has a right to defer the distribution under certain conditions.

The SPCS have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at Petron's option on or after July 19, 2023 or on any distribution payment date thereafter or upon the occurrence of certain other events.

e) Additional Investment in NVRC

On December 17, 2018, the SEC approved the increase in authorized capital stock of NVRC. On the same date, Petron acquired additional 2,840,000 common shares of NVRC for a total consideration of P2,840 or P1,000.00 per share, which was effected through debt-to-equity conversion of NVRC's advances from Petron. As a result, the ownership interest of Petron in NVRC increased from 40.00% to 85.55% (Note 4).

- SRC

On December 12, 2018, SRC and SMC executed a Subscription Agreement to subscribe to additional 10,000,000 common shares for a total subscription price of P1,510 or P151.00 per common share. The subscription price was fully paid on December 12, 2018.

Infrastructure

- MNHPI

The Philippine Competition Commission and Philippine Ports Authority approved the transfer of equivalent to 15.17% shareholdings in MNHPI to International Container Terminal Services, Inc. (ICTSI) on March 15 and April 26, 2019, respectively. With the approval of the additional ownership in MNHPI, the total equity interest of ICTSI increased from 34.83% to 50%, while SMHC's shareholdings in MNHPI remain at 43.33%.

As a result, MNHPI ceased to be a subsidiary of SMHC. The Group derecognized the assets (including goodwill) and liabilities of MNHPI, and the carrying amount of non-controlling interest as at April 26, 2019, and recognized the investment at fair market value amounting to P2,600. As a result, the Group recognized a gain amounting to P727, included as part of "Other income (charges) - net" account in the consolidated statements of income (Note 4).

The following summarizes the accounts derecognized at the deconsolidation date:

	Note	2019
Cash and cash equivalents		**P621**
Trade and other receivables - net		**548**
Inventories		**280**
Prepaid expenses and other current assets		**169**
Property, plant and equipment - net		**38**
Goodwill	*17*	**325**
Other intangible assets - net	*17*	**11,214**
Deferred tax assets		**56**
Other noncurrent assets - net		**103**
Loans payable		**(3,568)**
Accounts payable and accrued expenses		**(1,493)**
Income and other taxes payable		**(100)**
Lease liabilities (including current portion)		**(44)**
Long-term debt		**(300)**
Other noncurrent liabilities		**(2,499)**
Non-controlling interest		**(3,061)**
Equity reserves		**(416)**
Total		**P1,873**

- SMHC

  On December 27, 2018, SMC, in a Deed of Subscription executed on the same date, subscribed to an additional 4,635,367 common shares of SMHC for a total subscription price of P6,953 or P1,500.00 per common share. The subscription price was paid in full in 2018.

  On September 24, 2019, SMHC and SMC, executed a Subscription Agreement to subscribe to an additional 13,764,633 common shares for a total subscription price of P20,647 or P1,500.00 per common share. In 2019, SMC paid P16,382.

Packaging

- SMYPC

  On September 19, 2019, 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 31, 2019, SMC and SMYPC executed a subscription agreement whereby SMC agreed to subscribe to 3,901,011 common shares from the increase in authorized capital stock of SMYPC. The said shares will be issued by SMYPC in exchange for the SMYAC shares held by SMC upon the effectivity of the merger between SMYPC and SMYAC on March 1, 2020.

- SMYAC

  On September 12, 2019, the BOD of SMC approved the following: (i) purchase by SMC of 5% of SMYAC, (ii) merger of SMYAC with SMYPC, where SMYPC will be the surviving entity; and (iii) delegation of authority to management to determine the relevant terms and conditions of any deed, agreement or document required to give effect to the proposed transactions.

  On September 19, 2019, the merger was approved by the respective BOD and stockholders of SMYPC and SMYAC.

  On October 23, 2019, SMC executed a Deed of Absolute Sale of Shares with Nihon Yamamura Glass Ltd. (NYG) to acquire 850,000 shares in SMYAC, consisting of 350,000 common shares and 500,000 preferred shares for a total consideration of P300, representing additional 5% ownership interest. SMC paid P300 in cash. As a result of the acquisition, SMC and NYG's equity interest in SMYAC became 65% to 35%, respectively.

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

  On February 24, 2020, the Certificate of Filing of the Articles and Plan of Merger was approved by the SEC.

  As at March 12, 2020, SMYPC is in the process of completing the requirements for the application with the BIR for a tax-free exchange certification/ruling on the merger.

- Wine Brothers Philippines Corporation (WBPC)

  On July 12, 2018, SMC through SMYPC incorporated WBPC, a wholly-owned subsidiary, with an authorized capital stock of P10 divided into 100,000 shares with a par value of P100.00 per share. SMC, through SMYPC, subscribed to the initial authorized capital stock of WBPC for a total subscription price of P10 or P100.00 per share.

  WBPC was incorporated primarily to carry on operations as an importer and distributor of wine products.

- SMYJ

  On June 1, 2018, SMC through SMYA acquired 100% ownership interest in SMYJ, formerly JMP Holdings Pty Ltd., for a total consideration of P590.

  SMYJ is a company engaged in retail packaging products, transport packaging solutions and other products and services based in Victoria, Australia.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2018
Assets		
Cash		P32
Trade and other receivables		165
Inventories		199
Prepaid expenses and other current assets		2
Property, plant and equipment	*13*	15
Deferred tax assets		4
Liabilities		
Accounts payable and accrued expenses		(261)
Other noncurrent liabilities		(6)
Total Identifiable Net Assets at Fair Value	*38*	P150

The fair value of trade and other receivables amounted to P165. None of the receivables has been impaired and the full amount is expected to be collected.

The recognized goodwill amounting to P440 pertains to the excess of the consideration paid over the fair values of assets acquired and liabilities assumed as at the acquisition date.

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, 2019.

Real Estate

- SMPI

  On December 23, 2019, SMPI and SMC executed a Subscription Agreement to subscribe to an additional 57,500,000 common shares of SMPI for a total subscription price of P1,150 or P20.00 per common share. The subscription price was fully paid in 2019.

  On February 19, 2018, SMPI and SMC executed a Subscription Agreement to subscribe to an additional 62,500,000 common shares of SMPI for a total subscription price of P1,250 or P20.00 per common share. The subscription price was fully paid in 2018.

- DHDC

  On January 8, 2019, SMC and DHDC, executed a Subscription Agreement to subscribe to an additional 1,344,950,000 common shares of DHDC for a total subscription price of P2,690 or P2.00 per common share. The subscription price was fully paid in 2019.

Others

- SMC Equivest Corporation (SMCEC)

  On December 10, 2018, SMCEC and SMC executed a Subscription Agreement to subscribe to an additional 75,000,000 common shares of SMCEC for a total subscription price of P113 or P1.50 per common share. The subscription price was fully paid in 2018.

On December 10, 2018, the BOD and stockholders of SMCEC approved the increase in the authorized capital stock from P100 divided into 100,000,000 common shares to P1,100 divided into 1,100,000 common shares, both with a par value of P1.00 per common share. On the same date, SMC in a Subscription Agreement, subscribed to 650,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P975 or P1.50 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 December 21, 2018 and was approved on March 27, 2019. The subscription price was fully paid in 2018.

- SMNCI

  On November 28, 2018, SMEII entered into a Deed of Absolute Sale of Shares with SMYPC covering the sale by the latter of its 35% equity interest in Northern Cement Corporation (NCC) comprising of 104,500,000 common shares for a total consideration of P5,000 (Note 11). Prior to the sale, SMEII and NCC held 70% and 30% ownership interests in SMNCI, respectively. With the sale by SMYPC of its investment in NCC to SMEII, the Group's effective ownership interest in SMNCI increased from 76.825% to 80.5%.

  On various dates in 2019, SMEII and SMNCI executed Subscription Agreements for the subscription of a total additional 4,066,670,000 common shares out of the unissued capital stock of SMNCI for a total subscription price of P6,100 or P1.50 per share. As at December 31, 2019, the Group's effective ownership interest in SMNCI is 92.58%.

- SMHL

  On July 30, 2018, the BOD and stockholders of SMHL resolved and approved to increase its authorized capital stock from US$150 divided into 5,000,000 common shares with par value of US$10.00 per share and 10,000,000 preferred shares with par value of US$10.00 per share to US$700 divided into 5,000,000 common shares with par value of US$10.00 per share and 65,000,000 preferred shares with par value of US$10.00 per share. The application of the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMHL was filed with the BVI Company Registry on December 14, 2018 and was approved on December 17, 2018.

  On December 14, 2018, SMHL issued to SMC an additional 17,800,000 preferred shares from the increase in authorized capital stock, for a total subscription price of US$178 (P9,413) or US$10.00 per preferred share. In 2018, SMC paid US$175 (P9,243), the balance amounting to US$3 (P169) was paid in full in 2019.

  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 divided at the rate of 4% per cent per annum on the par value of the preference shares. In addition, the holders of the preferred shares shall be entitled pari passu with the holders of the common shares to any dividends or distributions which the BOD may from time to time declare.

- SMCSLC

  On July 20, 2018, the BOD and stockholders of SMCSLC resolved and approved the increase in authorized capital stock from P150 divided into 15,000,000 common shares to P5,650 divided into 565,000,000 common shares, both with a par value of P10.00 per share. SMC, in a Subscription Agreement executed on July 23, 2018, subscribed to 245,000,000 common shares for a total subscription price of P3,675 or P15.00 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 August 8, 2018 and was approved on December 19, 2018. The subscription price was paid in full in 2018.

- ArchEn

  On June 28, 2018, the BOD and stockholders of ArchEn approved the increase in the authorized capital stock from P100 divided into 1,000,000 common shares to P300 divided into 3,000,000 common shares, both with a par value of P100.00 per common share. On the same date, SMC in a Subscription Agreement, subscribed to 2,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P200 or P100.00 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 December 5, 2018 and was approved on March 15, 2019. SMC initially paid P50 in 2018 while the remaining balance amounting to P150 was paid in 2019.

- SMILSI

  On June 22, 2018, the BOD and stockholders of SMILSI approved the increase in its authorized capital stock from P20 divided into 20,000,000 common shares to P1,020 divided into 1,020,000,000 common shares, both with a par value of P1.00 per common share. On the same date, SMC in a Subscription Agreement, subscribed to 250,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P375 or P1.50 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 January 21, 2019 and was approved on January 31, 2019. SMC initially paid P227 in 2018 while the remaining balance amounting to P148 was paid in 2019.

  On various dates in 2019, SMILSI and SMC executed Subscription Agreements to subscribe to additional 749,353,800 common shares of SMILSI for a total subscription price of P1,124 or P1.50 per common share. The subscription price was fully paid in 2019.

- SMCACDC

  On August 7, 2017, the BOD and stockholders of SMCACDC resolved and approved the increase in authorized capital stock from P1,000 divided into 10,000,000 common shares with a par value of P100.00 per share to P6,000 divided into 10,000,000 common shares with a par value of P100.00 per common share and 5,000,000 preferred shares with a par value of P1,000.00 per preferred share. Out of the increase in authorized capital stock, SMC subscribed to 3,500,000 preferred shares at the subscription price of P1,000.00 per preferred share or a total subscription amount of P3,500.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 11, 2018 and was approved on January 16, 2019.

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.

The details of the Group's non-controlling interests in SMC are as follows:

	December 31, 2019	December 31, 2018
Percentage of non-controlling interests	**34.01%**	34.01%
Carrying amount of non-controlling interests	**P440,228**	P379,122
Net income attributable to non-controlling interests	**P38,994**	P37,904
Other comprehensive income (loss) attributable to non-controlling interests	**(P3,092)**	P1,034
Dividends paid to non-controlling interests	**P28,523**	P27,119

The following are the audited condensed financial information of SMC:

	December 31, 2019	December 31, 2018
Current assets	**P641,144**	P588,277
Noncurrent assets	**1,176,590**	1,088,365
Current liabilities	**(439,617)**	(433,127)
Noncurrent liabilities	**(803,722)**	(731,568)
Net assets	**P574,395**	P511,947
Sales	**P1,020,502**	P1,024,943
Net income	**P48,574**	P48,648
Other comprehensive income (loss)	**(6,091)**	926
Total comprehensive income	**P42,483**	P49,574
Cash flows provided by operating activities	**P92,195**	P59,772
Cash flows used in investing activities	**(112,040)**	(196,313)
Cash flows provided by financing activities	**66,756**	174,015
Effect of exchange rate changes on cash and cash equivalents	**(3,604)**	(397)
Net increase in cash and cash equivalents	**P43,307**	P37,077

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, infrastructure and mining.

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, (ii) the production and sale of feeds, (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats, 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 (Meralco), electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as airports, roads, highways, toll roads, freeways, skyways, flyovers, viaducts, interchanges and mass rail transit system.

The mining segment is engaged in exploration, development and commercial utilization of nickel, cobalt, chrome, iron, gold and other mineral deposits.

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. Transfer prices between operating segments are set on an arm’s length basis in a manner similar to transactions with third parties. 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			Mining and Others			Eliminations			Consolidated		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Sales																								
External sales	**P310,482**	P286,205	P251,487	**P25,327**	P24,674	P23,191	**P131,580**	P116,933	P80,256	**P508,691**	P551,271	P431,708	**P23,399**	P24,530	P22,497	**P21,001**	P21,302	P16,919	**P -**	P -	P -	**P1,020,480**	P1,024,915	P826,058
Inter-segment sales	**303**	173	102	**12,547**	12,651	8,908	**3,480**	3,170	2,536	**5,671**	6,115	2,916	**7**	-	-	**19,893**	17,286	20,071	**(41,901)**	(39,395)	(34,533)	**-**	-	-
Total sales	**P310,785**	P286,378	P251,589	**P37,874**	P37,325	P32,099	**P135,060**	P120,103	P82,792	**P514,362**	P557,386	P434,624	**P23,406**	P24,530	P22,497	**P40,894**	P38,588	P36,990	**(P41,901)**	(P39,395)	(P34,533)	**P1,020,480**	P1,024,915	P826,058
Result																								
Segment result	**P47,467**	P45,174	P41,472	**P3,597**	P3,047	P2,642	**P35,209**	P32,429	P23,531	**P16,070**	P22,402	P29,432	**P11,340**	P11,724	P10,440	**P575**	P1,578	P1,530	**(P156)**	(P1,690)	(P574)	**P114,102**	P114,664	P108,473
Interest expense and other financing charges																						**(53,730)**	(42,766)	(32,505)
Interest income																						**10,688**	7,211	4,532
Equity in net earnings (losses) of associates and joint ventures																						**106**	(289)	297
Gain (loss) on sale of investments and property and equipment																						**(237)**	252	879
Other income (charges) - net																						**6,551**	(9,497)	(1,360)
Income tax expense																						**(28,909)**	(24,715)	(27,066)
Net Income																						**P48,571**	P44,860	P53,250
Attributable to:																								
Equity holders of the Parent Company																						**P9,604**	P7,000	P12,318
Non-controlling interests																						**38,967**	37,860	40,932
Net Income																						**P48,571**	P44,860	P53,250

Forward

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Mining and Others			Eliminations			Consolidated		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Other Information																								
Segment assets	**P236,948**	P209,533	P176,855	**P59,747**	P52,434	P41,510	**P498,781**	P435,138	P357,472	**P389,134**	P352,323	P332,529	**P232,258**	P215,083	P192,277	**P342,718**	P342,920	P295,334	**(P117,695)**	(P105,133)	(P101,237)	**P1,641,891**	P1,502,298	P1,294,740
Investments in and advances to associates and joint ventures	**58**	280	346	**-**	-	4,418	**11,001**	12,148	16,621	**12**	10	11	**3,968**	745	745	**192,998**	192,507	168,563	**(155,151)**	(154,936)	(154,936)	**52,886**	50,754	35,768
Goodwill and trademarks and brand names																						**211,109**	211,587	141,146
Other assets																						**6,860**	6,890	6,279
Deferred tax assets																						**18,431**	19,663	18,866
Consolidated Total Assets																						**P1,931,177**	P1,791,192	P1,496,799
Segment liabilities	**P50,773**	P44,373	P35,992	**P10,343**	P11,207	P10,107	**P28,129**	P23,700	P25,633	**P71,831**	P57,989	P56,790	**P45,193**	P47,349	P45,377	**P116,104**	P107,727	P108,198	**(P100,884)**	(P93,840)	(P95,964)	**P221,489**	P198,505	P186,133
Loans payable																						**178,507**	192,968	158,064
Long-term debt																						**682,661**	617,545	399,711
Lease liabilities																						**149,837**	152,539	168,388
Income and other taxes payable																						**21,239**	19,937	16,669
Dividends payable and others																						**7,368**	7,269	6,931
Deferred tax liabilities																						**68,016**	65,297	62,874
Consolidated Total Liabilities																						**P1,329,117**	P1,254,060	P998,770
Capital expenditures (Note 14)	**P18,163**	P13,999	P12,614	**P5,207**	P6,303	P1,974	**P10,108**	P6,056	P9,065	**P19,769**	P10,416	P9,699	**P598**	P601	P445	**P12,974**	P9,950	P4,897	**P -**	P -	P -	**P66,819**	P47,325	P38,694
Depreciation and amortization of property, plant and equipment (Notes 13 and 28)	**3,885**	3,763	3,637	**1,961**	2,080	2,013	**4,587**	9,934	6,694	**10,359**	9,925	9,992	**371**	265	205	**2,963**	2,552	2,395	**-**	-	-	**24,126**	28,519	24,936
Noncash items other than depreciation and amortization of property, plant and equipment	**5,437**	6,712	4,944	**691**	(806)	226	**2,907**	6,148	547	**180**	4,279	381	**5,323**	4,810	5,001	**(2,080)**	4,962	1,004	**-**	-	-	**12,458**	26,105	12,103
Loss on impairment of property, plant and equipment, and other noncurrent assets	**1,015**	655	534	**241**	37	19	**35**	70	**-**	**282**	**-**	-	**-**	-	-	-	(257)	57	**-**	-	-	**1,573**	505	610

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			Mining and Others			Consolidated		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Timing of Revenue Recognition																					
Sales recognized at point in time	**P310,410**	P286,094	P251,394	**P24,570**	P23,972	P22,489	**P -**	P -	P -	**P508,691**	P551,271	P431,708	**P -**	P -	P -	**P16,659**	P16,720	P13,578	**P860,330**	P878,057	P719,169
Sales recognized over time	**72**	111	93	**757**	702	702	**131,580**	116,933	80,256	**-**	-	-	**23,399**	24,530	22,497	**4,342**	4,582	3,341	**160,150**	146,858	106,889
Total External Sales	**P310,482**	P286,205	P251,487	**P25,327**	P24,674	P23,191	**P131,580**	P116,933	P80,256	**P508,691**	P551,271	P431,708	**P23,399**	P24,530	P22,497	**P21,001**	P21,302	P16,919	**P1,020,480**	P1,024,915	P826,058

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2019**	2018
Cash in banks and on hand		**P72,963**	P38,881
Short-term investments		**213,714**	204,664
	4, 40, 41	**P286,677**	P243,545

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	**2019**	2018
Trade		**P86,832**	P76,520
Non-trade		**47,209**	50,258
Amounts owed by related parties	*33, 35*	**11,581**	11,487
		145,622	138,265
Less allowance for impairment losses	*4, 5*	**12,715**	13,223
	4, 40, 41	**P132,907**	P125,042

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables consist primarily of claims from the Government, interest receivable, claims receivable, contracts receivable and others. 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 PSALM pertaining to SPPC's performance bond pursuant to the Ilijan IPPA Agreement that was drawn by PSALM in September 2015 (Note 44).

Amounts owed by related parties include trade receivables amounting to P1,239 and P965 as at December 31, 2019 and 2018, respectively.

The movements in the allowance for impairment losses are as follows:

	Note	**2019**	2018
Balance at beginning of year		**P13,223**	P12,814
Charges for the year	*27, 32*	**323**	353
Amounts written off	*4*	**(577)**	(474)
Translation adjustments and others		**(254)**	530
Balance at end of year		**P12,715**	P13,223

9. Inventories

Inventories consist of:

	Note	**2019**	2018
At net realizable value:			
Finished goods and goods in process (including petroleum products)		**P85,159**	P77,234
Materials and supplies (including coal)		**38,044**	37,638
At cost:			
Raw land inventory and real estate projects		**4,265**	4,080
	4	**P127,468**	P118,952

The cost of finished goods and goods in process amounted to P86,163 and P78,374 as at December 31, 2019 and 2018, 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 P1,374 and decreased by P942 as at December 31, 2019 and 2018, respectively.

The cost of materials and supplies amounted to P39,181 and P38,867 as at December 31, 2019 and 2018, respectively.

The fair value of agricultural produce less costs to sell, which formed part of the cost of finished goods inventory, amounted to P130 and P128 as at December 31, 2019 and 2018, respectively, with corresponding costs at point of harvest amounting to P104 and P135, respectively. Net unrealized gain (loss) on fair valuation of agricultural produce amounted to P26, (P7) and P37 in 2019, 2018 and 2017, 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, 2019 and 2018, based on management's assessment.

The fair value of raw land inventory amounted to P10,740 and P10,218 as at December 31, 2019 and 2018, 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	**2019**	2018
Prepaid taxes and licenses		**P72,593**	P74,590
Restricted cash - current	*40, 41*	**6,256**	9,038
Advances to contractors and suppliers	*33*	**1,782**	1,700
Derivative assets	*40, 41*	**917**	1,174
Prepaid insurance		**786**	664
Prepaid rent		**315**	719
Catalyst		**304**	159
Financial assets at FVPL	*40, 41*	**284**	254
Financial assets at amortized cost - current portion	*4, 12, 40, 41*	**71**	40
Financial assets at FVOCI - current portion	*4, 12, 40, 41*	**38**	54
Others	*34*	**3,457**	3,869
		P86,803	P92,261

Restricted cash - current represents: (i) cash in banks maintained by Vertex, PIDC, MTDME, SIDC, CCEC, AAIPC 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) Cash Flow Waterfall accounts of SCPC, SMCPC and MPPCL, maintained with a local Trust Company as required in its respective credit facilities.

"Others" consist mainly of prepayments for various operating expenses, PSALM monthly fee outage credits from the approved reduction in future monthly fees payable to PSALM (Note 34) 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 41.

11. Investments and Advances

Investments and advances consist of:

	Note	**2019**	2018
Investments in Shares of Stock of Associates and Joint Ventures - at Equity			
Acquisition Cost			
Balance at beginning of year		**P22,319**	P21,242
Additions		**1,051**	1,077
Reclassification from investment in shares of stock of subsidiaries	*5*	**1,310**	-
Reclassification to investment in shares of stock of subsidiaries		**(965)**	-
Balance at end of year		**23,715**	22,319
Accumulated Equity in Net Earnings			
Balance at beginning of year		**563**	866
Reclassification from investment in shares of stock of subsidiaries	*5*	**1,300**	-
Equity in net earnings (losses)		**106**	(289)
Reclassification to investment in shares of stock of subsidiaries		**10**	-
Share in other comprehensive income (loss)		**(25)**	2
Dividends		**-**	(16)
Balance at end of year		**1,954**	563
		25,669	22,882
Advances		**27,217**	27,872
	4	**P52,886**	P50,754

Investments in Shares of Stock of Associates

a. NCC

In 2017, SMC through SMYPC, has 35% equity interest in NCC representing 104,500,000 common shares.

On November 28, 2018, SMEII entered into a Deed of Absolute Sale of Shares with SMYPC covering the sale by the latter of its 35% equity interest in NCC comprising of 104,500,000 common shares for a total consideration of P5,000 (Note 5).

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.

b. Bank of Commerce (BOC)

SMC through SMPI has 39.93% equity ownership interest in BOC representing 44,817,164 common shares. BOC is engaged in commercial banking services.

On December 17, 2018, SMC through SMC Equivest, in a Deed of Absolute Sale of Shares, acquired 5,258,956 common shares of BOC representing 4.69% ownership interest for a total consideration of P1,077.

c. MPGC

On January 25, 2019, SMC Global subscribed to the remaining unissued 18,314,898 common shares of MPGC, thereby increasing SMC Global's ownership interest in MPGC from 49% to 73.58%. SMC Global then subscribed to an additional 58,000,000 common shares out of the proposed increase in the authorized capital stock of MPGC at the subscription price of P100.00 per share, or total subscription amount of P5,800 on September 6, 2019, when the increase of the authorized capital stock of MPGC was approved by the Philippine SEC on the same date. As at December 31, 2019, SMC Global effectively owns 89.54% of MPGC.

MPGC shall develop, construct, finance, own, operate and maintain a 4 x 150 MW Circulating Fluidized Bed (CFB) Coal-fired Power Plant and associated facilities in Mariveles, Bataan.

<u>Investments in Shares of Stock of Joint Ventures</u>

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 initially on April 30, 2017. The due date of the advances may be extended as agreed amongst the parties.

On April 10 and December 27, 2017, Angat Hydro made partial payments of the foregoing advances plus interest totaling US$20 to PVEI.

On March 1 and October 16, 2018, PVEI collected partial payouts totaling US$10 from Angat Hydro. Payment date of the remaining balance of the advances amounting to US$2 was extended to December 31, 2020.

b. MNHPI

As discussed in Note 5, MNHPI ceased to be a subsidiary of SMHC following the increase in shareholdings of non-controlling interest as at April 26, 2019 (Note 5).

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

Advances

a. SMPI made advances to future investees amounting to P873 and P870 as at December 31, 2019 and 2018, respectively. These advances will be applied against future subscriptions of SMPI to the shares of stock of the future investee companies.

b. SMC Global and SMEC made deposits to certain landholding companies and power-related expansion projects amounting to P5,161 and P4,963 as at December 31, 2019 and 2018, 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 (BCIL), 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, 2019 and 2018, outstanding investment advances amounted to P19,805 and P19,784, 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, 2019						December 31, 2018					
	Angat Hydro and KWPP	**NCC**	**BOC**	**MNHPI**	**Others**	**Total**	Angat Hydro and KWPP	NCC	BOC	MPGC	Others	Total
Country of incorporation	**Philippines**	**Philippines**	**Philippines**	**Philippines**			Philippines	Philippines	Philippines	Philippines		
Percentage of ownership	**60.00%**	**35.00%**	**44.62%**	**50.00%**			60.00%	35.00%	44.62%	49.00%		
Share in net income (loss)	**(P410)**	**P171**	**P304**	**P212**	**(P171)**	**P106**	(P481)	P203	P20	P -	(P31)	(P289)
Share in other comprehensive income (loss)	**-**	**(13)**	**(28)**	**-**	**16**	**(25)**	-	(4)	(12)	-	18	2
Share in total comprehensive income (loss)	**(P410)**	**P158**	**P276**	**P212**	**(P155)**	**P81**	(P481)	P199	P8	P -	(P13)	(P287)
Dividends received	**P -**	**P -**	**P -**	**P -**	**P -**	**P -**	P -	P -	P -	P -	P16	P16
Carrying amount of investments in shares of stock of associates and joint ventures	**P5,634**	**P4,775**	**P10,673**	**P3,873**	**P714**	**P25,669**	P6,044	P4,617	P10,397	P954	P870	P22,882

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, 2019					December 31, 2018				
	Angat Hydro and KWPP	**NCC**	**BOC**	**MNHPI**	**Others**	Angat Hydro and KWPP	NCC	BOC	MPGC	Others
Current assets	**P2,627**	**P2,427**	**P68,430**	**P1,488**	**P5,629**	P2,886	P2,597	P76,946	P18	P4,775
Noncurrent assets	**17,558**	**8,949**	**76,603**	**11,127**	**2,897**	18,075	8,654	76,997	1,961	2,514
Current liabilities	**(1,279)**	**(1,274)**	**(126,284)**	**(4,382)**	**(4,936)**	(1,061)	(1,876)	(133,577)	(32)	(4,130)
Noncurrent liabilities	**(11,685)**	**(1,016)**	**(2,654)**	**(2,725)**	**(614)**	(11,996)	(925)	(2,386)	-	(734)
Net assets	**P7,221**	**P9,086**	**P16,095**	**P5,508**	**P2,976**	P7,904	P8,450	P17,980	P1,947	P2,425
Sales	**P1,588**	**P8,165**	**P6,532**	**P4,170**	**P4,348**	P1,575	P8,455	P5,218	P -	P4,227
Net income (loss)	**(P683)**	**P679**	**P653**	**P658**	**P108**	(P751)	P761	P50	P1	P209
Other comprehensive income (loss)	**-**	**(36)**	**(65)**	**(2)**	**(21)**	-	(11)	(30)	-	43
Total comprehensive income (loss)	**(P683)**	**P643**	**P588**	**P656**	**P87**	(P751)	P750	P20	P1	P252

12. Investments in Equity and Debt Instruments

Investments in equity and debt instruments consist of:

	Note	2019	2018
Equity securities		**P5,351**	P5,350
Proprietary membership shares and others		**439**	381
Government and other debt securities		**420**	432
	4, 40, 41	**6,210**	6,163
Less current portion	*10*	**109**	94
		P6,101	P6,069

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 4.25% to 7.02% in 2019 and 3.88% to 7.02% in 2018 (Note 31).

The movements in investments in equity and debt instruments are as follows:

	Note	2019	2018
Balance at beginning of year		**P6,163**	P6,121
Additions		**71**	54
Fair value gain		**70**	127
Disposals		**(94)**	(203)
Amortization of premium		**-**	(2)
Acquisition of subsidiaries		**-**	55
Currency translation adjustments and others		**-**	11
Balance at end of year	*4, 10, 40, 41*	**P6,210**	P6,163

The methods and assumptions used to estimate the fair value of investments in equity and debt instruments are discussed in Note 41.

The investments in equity and debt instruments are classified as follows:

	2019	2018
Noncurrent		
Financial assets at FVOCI	**P5,915**	P5,883
Financial assets at amortized cost	**186**	186
	6,101	6,069
Current		
Financial assets at FVOCI	**38**	54
Financial assets at amortized cost	**71**	40
	109	94
	P6,210	P6,163

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	Mine and Mining Property	Capital Projects in Progress	Total
Cost											
January 1, 2018		P67,136	P55,119	P296,611	P167,415	P17,441	P143,938	P3,805	P5,594	P69,102	P826,161
Additions		1,699	481	67	426	424	5,195	71	-	38,962	47,325
Acquisition of subsidiaries	*38*	906	975	53,226	-	156	2,382	37	-	23,484	81,166
Disposals/retirement		(58)	(426)	(32)	(16)	(665)	(1,490)	(39)	-	(2)	(2,728)
Reclassifications	*15*	(9,204)	(9,283)	28,937	1,776	367	9,541	1,764	-	(46,469)	(22,571)
Currency translation adjustments		302	534	408	370	246	683	(9)	-	221	2,755
December 31, 2018 (Audited)		60,781	47,400	379,217	169,971	17,969	160,249	5,629	5,594	85,298	932,108
Adjustments due to adoption of PFRS 16	*3*	(482)	(4)	(242,652)	(1,816)	(176)	(915)	-	-	(8)	(246,053)
December 31, 2018 (as adjusted)		60,299	47,396	136,565	168,155	17,793	159,334	5,629	5,594	85,290	686,055
Additions		2,424	1,523	234	6,000	1,769	6,266	207	-	48,396	66,819
Acquisition of subsidiaries	*38*	1,456	270	-	-	-	647	5	69	79	2,526
Disposals/retirement		(5)	(54)	(69)	(38)	(464)	(2,818)	(35)	-	(316)	(3,799)
Reclassifications	*15*	4,105	7,068	(11,426)	223	432	14,788	1,310	-	(38,815)	(22,315)
Currency translation adjustments		(368)	(611)	(1,798)	(153)	(246)	(1,407)	(15)	-	(1,197)	(5,795)
December 31, 2019		**67,911**	**55,592**	**123,506**	**174,187**	**19,284**	**176,810**	**7,101**	**5,663**	**93,437**	**723,491**
Accumulated Depreciation and Amortization											
January 1, 2018		4,310	25,148	46,740	45,088	12,210	92,019	1,399	4,884	-	231,798
Depreciation and amortization	*6, 28*	191	1,729	10,740	6,308	1,141	8,127	274	9	-	28,519
Acquisition of subsidiaries	*38*	-	75	17,973	-	31	732	32	-	-	18,843
Disposals/retirement		(58)	(422)	(8)	(16)	(658)	(1,195)	(33)	-	-	(2,390)
Reclassifications		(1,034)	(7,828)	-	-	(246)	(349)	(12)	-	-	(9,469)
Currency translation adjustments		13	234	126	257	126	358	(2)	-	-	1,112
December 31, 2018 (Audited)		3,422	18,936	75,571	51,637	12,604	99,692	1,658	4,893	-	268,413
Adjustments due to adoption of PFRS 16	*3*	-	(2)	(50,847)	(193)	(63)	(450)	(108)	-	-	(51,663)
December 31, 2018 (as adjusted)		3,422	18,934	24,724	51,444	12,541	99,242	1,550	4,893	-	216,750
Depreciation and amortization	*6, 28*	249	1,828	5,487	6,523	1,098	8,609	326	6	-	24,126
Acquisition of subsidiaries	*38*	116	164	-	-	-	239	3	45	-	567
Disposals/retirement		(5)	(40)	(3)	(35)	(445)	(2,602)	(21)	-	-	(3,151)
Reclassifications		(20)	59	(17,794)	1	(166)	(3,060)	(86)	-	-	(21,066)
Currency translation adjustments		(64)	(171)	(735)	(214)	(148)	(672)	(6)	-	-	(2,010)
December 31, 2019		**3,698**	**20,774**	**11,679**	**57,719**	**12,880**	**101,756**	**1,766**	**4,944**	**-**	**215,216**

Forward

	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	Mine and Mining Property	Capital Projects in Progress	Total
Accumulated Impairment Losses											
January 1, 2018		P266	P2,315	P -	P -	P -	P8,616	P27	P573	P -	P11,797
Impairment		-	454	-	-	-	163	-	-	-	617
Disposals/retirement		-	-	-	-	-	(13)	-	-	-	(13)
Reclassifications		(266)	(16)	-	-	-	26	-	-	-	(256)
Currency translation adjustments		-	(2)	-	-	-	145	(1)	-	-	142
December 31, 2018 (Audited)		-	2,751	-	-	-	8,937	26	573	-	12,287
Impairment	*32*	-	194	-	-	-	682	-	-	-	876
Disposals/retirement		-	-	-	-	-	(35)	-	-	-	(35)
Reclassifications		-	(73)	-	-	-	-	-	-	-	(73)
Currency translation adjustments		-	(158)	-	-	-	(434)	(2)	-	-	(594)
December 31, 2019		**-**	**2,714**	**-**	**-**	**-**	**9,150**	**24**	**573**	**-**	**12,461**
Carrying Amount											
December 31, 2018		P57,359	P25,713	P303,646	P118,334	P5,365	P51,620	P3,945	P128	P85,298	P651,408
December 31, 2019		**P64,213**	**P32,104**	**P111,827**	**P116,468**	**P6,404**	**P65,904**	**P5,311**	**P146**	**P93,437**	**P495,814**

"Equipment, furniture and fixtures" includes machinery, transportation equipment, tools and small equipment and office equipment.

Total depreciation, amortization and impairment losses recognized in the consolidated statements of income amounted to P25,002, P29,136 and P25,470 in 2019, 2018 and 2017, respectively (Notes 28 and 32). These amounts include annual amortization of capitalized interest amounting to P562, P542 and P492 in 2019, 2018 and 2017, respectively.

The Group has interest amounting to P3,103 and P2,003 which was capitalized in 2019 and 2018, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 5.74% to 9.09% and 2.29% to 7.99% in 2019 and 2018, respectively. The unamortized capitalized borrowing costs amounted to P16,700 and P14,159 as at December 31, 2019 and 2018, respectively.

The combined carrying amounts of power plants, land and equipment classified as finance lease under PAS 17 amounted to P192,787 as at December 31, 2018 (Notes 4 and 34).

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							
Adjustment due to adoption of PFRS 16	*3*	P13,365	P1,063	P195,681	P24	P504	P210,637
Additions		15	151	-	-	111	277
Acquisition of subsidiary	*38*	208	-	-	-	-	208
Disposals		(3)	-	-	-	-	(3)
Remeasurements and others		(1,202)	(124)	-	-	-	(1,326)
Currency translation adjustments		(214)	(4)	-	-	-	(218)
December 31, 2019		**12,169**	**1,086**	**195,681**	**24**	**615**	**209,575**
Accumulated Depreciation and Amortization							
Adjustment due to adoption of PFRS 16	*3*	1,284	-	3,909	-	-	5,193
Depreciation and amortization	*28*	598	682	5,930	3	220	7,433
Disposals		(2)	-	-	-	-	(2)
Remeasurement and others		(428)	20	-	-	-	(408)
Currency translation adjustments		11	(7)	-	-	-	4
December 31, 2019		**1,463**	**695**	**9,839**	**3**	**220**	**12,220**
Accumulated Impairment Losses							
Adjustment due to adoption of PFRS 16	*3*	82	-	-	-	-	82
Acquisition of subsidiary	*38*	29	-	-	-	-	29
Currency translation adjustments		(1)	-	-	-	-	(1)
December 31, 2019		**110**	-	-	-	-	**110**
Carrying Amount							
December 31, 2019		**P10,596**	**P391**	**P185,842**	**P21**	**P395**	**P197,245**

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 Group's right-of-use assets include land, power plant and equipment which were classified as finance leases under PAS 17 (Note 34).

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 P5,912 in 2019 (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 P731, P3 and P2,727, respectively, in 2019.

The Group had total cash outflows for leases of P32,336 in 2019.

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, 2018		P8,034	P1,668	P582	P260	P -	P10,544
Additions		6,969	332	-	155	-	7,456
Reclassifications	*13*	11,717	15,369	15	(127)	-	26,974
Acquisition of subsidiary	*38*	90	-	-	-	-	90
Disposals		(3)	-	-	-	-	(3)
Currency translation adjustments		-	36	-	-	-	36
December 31, 2018 (Audited)		26,807	17,405	597	288	-	45,097
Adjustment due to adoption of PFRS 16	*3*	-	-	-	-	11,456	11,456
December 31, 2018 (as adjusted)		26,807	17,405	597	288	11,456	56,553
Additions		4,250	1,647	2	107	809	6,815
Reclassifications	*13*	6,187	704	-	(6)	-	6,885
Disposals/retirement		(61)	(105)	(1)	-	(3)	(170)
Currency translation adjustments		(277)	(237)	-	-	(20)	(534)
December 31, 2019		**36,906**	**19,414**	**598**	**389**	**12,242**	**69,549**
Accumulated Depreciation and Amortization							
January 1, 2018		29	966	493	-	-	1,488
Depreciation and amortization	*28*	60	744	1	-	-	805
Reclassifications		1,060	8,085	1	-	-	9,146
Currency translation adjustments		-	15	-	-	-	15
December 31, 2018 (Audited)		1,149	9,810	495	-	-	11,454
Adjustment due to adoption of PFRS 16	*3*	-	-	-	-	288	288
December 31, 2018 (as adjusted)		1,149	9,810	495	-	288	11,742
Depreciation and amortization	*28*	322	713	2	-	958	1,995
Reclassifications		2,760	(126)	-	-	-	2,634
Disposals/retirement		(23)	(47)	(1)	-	-	(71)
Currency translation adjustments		(71)	(209)	-	-	(7)	(287)
December 31, 2019		**4,137**	**10,141**	**496**	**-**	**1,239**	**16,013**
Accumulated Impairment Losses							
December 31, 2018 and 2019		**8**	**-**	**-**	**-**	**-**	**8**
Carrying Amount							
December 31, 2018		P25,650	P7,595	P102	P288	P -	P33,635
December 31, 2019		**P32,761**	**P9,273**	**P102**	**P389**	**P11,003**	**P53,528**

In 2019, property, plant and equipment 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).

In 2018, the Group's investment property includes land, leasehold improvements, buildings and related improvements and facilities leased out for its service stations which were reclassified from property, plant and equipment to reflect the usage of the assets (Note 13).

No impairment loss was recognized in 2019, 2018 and 2017.

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 2019, 2018 and 2017.

The fair value of investment property amounting to P63,878 and P49,093 as at December 31, 2019 and 2018, 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.

<u>Valuation Technique and Significant Unobservable Inputs</u>
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 ranges from 3% to 5%.

16. Biological Assets

Biological assets consist of:

	Note	2019	2018
Current:			
Growing stocks		**P3,448**	P3,572
Goods in process		**703**	673
		4,151	4,245
Noncurrent:			
Breeding stocks - net		**2,808**	2,844
	4	**P6,959**	P7,089

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P3,152, P2,801 and P2,161 in 2019, 2018 and 2017, 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	2019	2018
Cost			
Balance at beginning of year		**P8,636**	P7,549
Increase (decrease) due to:			
Production		**50,954**	47,501
Purchases		**471**	901
Mortality		**(827)**	(613)
Harvest		**(47,344)**	(43,947)
Retirement		**(3,379)**	(2,755)
Balance at end of year		**8,511**	8,636
Accumulated Amortization			
Balance at beginning of year		**1,547**	1,432
Amortization	*28*	**3,152**	2,801
Retirement		**(3,147)**	(2,686)
Balance at end of year		**1,552**	1,547
Carrying Amount		**P6,959**	P7,089

The Group harvested approximately 609.5 million and 582.5 million kilograms of grown broilers in 2019 and 2018, respectively, and 0.49 million and 0.40 million heads of marketable hogs and cattle in 2019 and 2018, 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 P57,255 and P42,116 in 2019 and 2018, respectively.

17. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	2019	2018
Goodwill	**P120,392**	P120,867
Other intangible assets	**255,836**	253,534
	P376,228	P374,401

The movements in goodwill are as follows:

	Note	**2019**	2018
Balance at beginning of year		**P120,867**	P50,429
Additions	*4, 5, 38*	**53**	70,384
Deconsolidation of a subsidiary	*5*	**(325)**	-
Cumulative translation adjustments and others		**(203)**	54
Balance at end of year	*4*	**P120,392**	P120,867

The movements in other intangible assets with indefinite useful lives are as follows:

	Licenses	**Trademarks and Brand Names**	**Total**
Cost			
January 1, 2018	P3,674	P90,948	P94,622
Currency translation adjustments	123	26	149
December 31, 2018	3,797	90,974	94,771
Currency translation adjustments	76	(13)	63
December 31, 2019	**3,873**	**90,961**	**94,834**
Accumulated Impairment Losses			
January 1, 2018	-	231	231
Currency translation adjustments	-	23	23
December 31, 2018	-	254	254
Currency translation adjustments	-	(9)	(9)
December 31, 2019	**-**	**245**	**245**
Carrying Amount			
December 31, 2018	P3,797	P90,720	P94,517
December 31, 2019	**P3,873**	**P90,716**	**P94,589**

The movements in other intangible assets with finite useful lives are as follows:

		Concession Rights								
	Note	**Toll Road**	**Airport**	**Power**	**Port**	**Water**	**Leasehold and Land Use Rights**	**Mineral Rights and Evaluation Assets**	**Computer Software and Licenses and Others**	**Total**
Cost										
January 1, 2018		P133,273	P6,733	P894	P13,761	P2,938	P2,533	P15,219	P3,685	P179,036
Additions		10,145	504	140	98	3,581	51	-	650	15,169
Acquisition of subsidiaries	*38*	-	-	-	-	-	-	-	89	89
Disposals and reclassifications		2,005	296	-	(21)	-	-	-	(5)	2,275
Currency translation adjustments		-	-	-	-	-	64	-	21	85
December 31, 2018 (Audited)		145,423	7,533	1,034	13,838	6,519	2,648	15,219	4,440	196,654
Adjustment due to adoption of PFRS 16		-	-	-	-	-	(1,916)	-	-	(1,916)
December 31, 2018 (as adjusted)		145,423	7,533	1,034	13,838	6,519	732	15,219	4,440	194,738
Additions		13,805	1,664	206	73	449	1	-	1,807	18,005
Acquisition of subsidiaries	*38*	-	-	-	-	-	8	25	2	35
Disposals and reclassifications		3,018	320	-	(13,911)	(81)	(730)	-	(908)	(12,292)
Currency translation adjustments		-	-	-	-	-	(11)	-	(27)	(38)
December 31, 2019		**162,246**	**9,517**	**1,240**	**-**	**6,887**	**-**	**15,244**	**5,314**	**200,448**
Accumulated Amortization										
January 1, 2018		26,396	372	112	1,716	-	891	-	2,471	31,958
Amortization	*28*	4,053	353	41	742	-	65	-	331	5,585
Acquisition of subsidiaries	*38*	-	-	-	-	-	-	-	9	9
Disposals and reclassifications		-	-	-	2	-	-	-	43	45
Currency translation adjustments		-	-	-	-	-	21	-	19	40
December 31, 2018 (Audited)		30,449	725	153	2,460	-	977	-	2,873	37,637
Adjustment due to adoption of PFRS 16		-	-	-	-	-	(802)	-	-	(802)
December 31, 2018 (as adjusted)		30,449	725	153	2,460	-	175	-	2,873	36,835
Amortization	*28*	4,062	370	78	233	206	22	-	181	5,152
Acquisition of subsidiaries	*38*	-	-	-	-	-	4	23	-	27
Disposals and reclassifications		-	-	-	(2,693)	-	(197)	-	103	(2,787)
Currency translation adjustments		-	-	-	-	-	(4)	-	(22)	(26)
December 31, 2019		**34,511**	**1,095**	**231**	**-**	**206**	**-**	**23**	**3,135**	**39,201**
Carrying Amount										
December 31, 2018		P114,974	P6,808	P881	P11,378	P6,519	P1,671	P15,219	P1,567	P159,017
December 31, 2019		**P127,735**	**P8,422**	**P1,009**	**P -**	**P6,681**	**P -**	**P15,221**	**P2,179**	**P161,247**

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:

	2019		2018	
	Goodwill	**Licenses, Trademarks and Brand Names**	Goodwill	Licenses, Trademarks and Brand Names
Energy	**P79,544**	**P -**	P79,544	P -
Infrastructure	**18,429**	**-**	18,755	-
Fuel and oil	**8,777**	**38,300**	8,777	38,300
Food and beverage	**3,922**	**56,289**	3,922	56,217
Packaging	**2,682**	**-**	2,883	-
Mining	**1,280**	**-**	1,280	-
Others	**5,758**	**-**	5,706	-
Total	**P120,392**	**P94,589**	P120,867	P94,517

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 0.5% to 5% and 0.3% to 5% in 2019 and 2018, 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 2019 and 2018. 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 2019, 2018 and 2017.

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 4% in 2019 and 2018 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 15.1% in 2019 and 2018. 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).

No impairment loss was recognized for licenses, trademarks and brand names in 2019, 2018 and 2017.

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.

18. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2019**	2018
Noncurrent receivables and deposits - net	*4, 33, 34, 40, 41*	**P25,748**	P19,221
Advances to contractors and suppliers		**20,589**	8,820
Deferred containers - net	*4*	**20,125**	17,607
Restricted cash	*40, 41*	**6,258**	4,994
Deposits on land for future development		**3,619**	2,134
Noncurrent prepaid input tax		**3,164**	3,901
Retirement assets	*35*	**2,496**	2,838
Deferred financing costs		**1,986**	-
Idle assets	*4*	**1,279**	1,157
Deferred exploration and development costs	*4*	**1,050**	1,017
Catalyst		**683**	437
Noncurrent prepaid rent		**295**	3,122
Derivative assets - noncurrent	*3, 40, 41*	**241**	371
Others		**2,597**	2,754
		P90,130	P68,373

The movements in the deferred containers are as follows:

	Note	**2019**	2018
Gross Carrying Amount			
Balance at beginning of year		**P28,948**	P23,629
Additions		**5,672**	6,422
Disposals/retirement/reclassifications		**(2,265)**	(1,104)
Currency translation adjustments		**(23)**	1
Balance at end of year		**32,332**	28,948
Accumulated Amortization			
Balance at beginning of year		**10,762**	10,055
Amortization	*28*	**2,309**	2,077
Disposals/retirement/reclassifications		**(1,525)**	(1,376)
Currency translation adjustments		**(20)**	6
Balance at end of year		**11,526**	10,762
Accumulated Impairment			
Balance at beginning of year		**579**	412
Additions	*32*	**682**	568
Disposals/reclassifications		**(580)**	(401)
Balance at end of year		**681**	579
		P20,125	P17,607

Noncurrent receivables and deposits include amounts owed by related parties amounting to P968 and P920 as at December 31, 2019 and 2018, respectively (Note 33) and the costs related to the development of the MRT 7 Project amounting to P21,291 and P14,723 as at December 31, 2019 and 2018, respectively (Note 34).

Noncurrent receivables and deposits are net of allowance for impairment losses amounting to P724 and P493 as at December 31, 2019 and 2018, respectively.

Restricted cash represents:

i. SCPC's Cash Flow Waterfall accounts (Trust Fund) with a local Trust Company, as required in its Omnibus Loan and Security Agreement (OLSA), amounting to P1,131 and P1,448 as at December 31, 2019 and 2018, respectively.

ii. The amount received from Independent Electricity Market Operator of the Philippines (IEMOP), totaling P491 as at December 31, 2019 and 2018, representing the proceeds of sale to WESM of the electricity generated from the excess capacity of the Sual Power Plant for a specific period in 2016, 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 P159 and P255 as at December 31, 2019 and 2018, respectively.

iv. MPPCL's Cash Flow Waterfall accounts with a local Trust Company as required in its Omnibus Expansion Financing Agreement (OEFA) and Omnibus Refinancing Agreement (ORA), totaling to P3,773 and P2,249 as at December 31, 2019 and 2018, respectively;

v. Cash in bank maintained by CCEC and TADHC in accordance with the specific purposes and terms as required under certain loan agreements, amounting to P629 and P5,745 as at December 31, 2019 and 2018, respectively, of which P16 and P5,221 as at December 31, 2019 and 2018, respectively, are included as part of "Prepaid expenses and other current assets" account under "Restricted cash - current" (Note 10).

vi. Accounts of PNPI with local banks to establish a Mining Rehabilitation Fund (MRF) in compliance with the requirements of the Philippine Mining Act of 1995 and a deposit on a trust account with a bank, as required by an insurance company to serve as a guarantee for the surety bond required by the BIR for the payment of PNPI's excise taxes on nickel ore sales. The MRF will be used for physical and social rehabilitation of areas and communities affected by mining activities and for research on social, technical and preventive aspects of rehabilitation. The MRF and the deposit earn interest at the respective bank deposits rates.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 41.

In 2019, the Group entered into loan facilities, which were not yet drawn as at December 31, 2019. The loan facilitation fees and other filing and agency fees totaling to P1,986 are recognized as deferred financing costs as at December 31, 2019 (Note 21).

"Others" consist of marketing assistance to dealers and other noncurrent prepaid expenses.

19. Loans Payable

Loans payable consist of:

	Note	**2019**	2018
Parent Company			
Peso-denominated		**P571**	P571
Foreign currency-denominated		**6,329**	6,573
Subsidiaries			
Peso-denominated		**167,104**	149,250
Foreign currency-denominated		**4,503**	36,574
	38, 40, 41	**P178,507**	P192,968

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans ranged from 3.70% to 8.50% and 2.50% to 7.75% in 2019 and 2018, respectively. Interest rates for foreign currency-denominated loans ranged from 2.30% to 9.10% and 2.85% to 9.90% in 2019 and 2018, respectively (Note 30).

Loans payable include interest-bearing amounts payable to BOC amounting to P13,912 and P10,369 as at December 31, 2019 and 2018, respectively (Note 33).

20. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2019**	2018
Trade	*34*	**P100,894**	P70,562
Non-trade		**51,877**	55,661
Amounts owed to related parties	*33*	**13,808**	14,253
Customers' deposit	*3*	**8,168**	7,086
Accrued payroll		**5,100**	4,975
Accrued interest payable		**4,353**	4,328
Derivative liabilities	*40, 41*	**1,678**	1,929
Retention payable		**968**	1,117
Deferred liability on consumer loyalty program		**867**	1,183
Current portion of IRO	*4*	**187**	212
Retirement liabilities	*35*	**154**	128
Deferred rent income		**54**	839
Others		**58**	162
	40, 41	**P188,166**	P162,435

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.

"Others" include 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 41.

21. Long-term Debt

Long-term debt consists of:

	Note	2019	2018
Subsidiaries			
Peso-denominated Bonds:			
Fixed interest rate of 4.8243% and 5.1923%, 6.2500%, 5.2840% and 5.5500%, 6.6250%, 5.7613%, and 7.125%, maturing in 2022, 2023, 2024, 2025, 2027 and 2028, respectively (a)		**P59,500**	P49,525
Fixed interest rate of 4.0032%, 4.5219%, 7.8183% and 8.0551% maturing in 2021, 2023, 2024 and 2025, respectively (b)		**39,705**	39,638
Fixed interest rate of 5.3750%, 6.7500%, 6.2500% and 6.6250% maturing in 2022, 2023, 2024 and 2027, respectively (c)		**34,699**	34,636
Fixed interest rate of 6.8350%, 7.1783% and 7.6000% maturing in 2022, 2024 and 2026, respectively (d)		**29,669**	-
Fixed interest rate of 5.50% and 6.00% maturing in 2021 and 2024, respectively (e)		**14,962**	14,939
Fixed interest rate of 4.3458%, 4.7575% and 5.1792% maturing in 2021, 2023 and 2026, respectively (f)		**14,914**	14,889
Fixed interest rate of 4.9925%, 5.5796% and 6.4872% maturing in 2020, 2022 and 2025, respectively (g)		**7,265**	7,242
Fixed interest rate of 5.93% and 6.60% maturing in 2019 and 2022, respectively (h)		**6,979**	16,967
Fixed interest rate of 10.50% (i)		**-**	2,809
Peso-denominated Term Notes:			
Fixed interest rate of 6.2836% to 7.3889% with maturities up to 2029 (j)		**41,274**	42,247
Fixed interest rate of 6.865% to 9.875% with maturities up to 2027 (k)		**30,676**	29,642
Fixed interest rate of 7.7521% and 6.5077% with maturities up to 2030 (l)		**19,669**	20,060
Fixed interest rate of 5.9970% with maturities up to 2029 (m)		**16,720**	-
Fixed interest rate of 6.9375% with maturities up to 2026 (n)		**15,807**	-
Fixed interest rate of 6.9265% with maturities up to 2024 (o)		**14,597**	14,726
Fixed interest rate of 5.6276% with maturities up to 2029 (p)		**11,910**	-
Fixed interest rate of 5.5276% with maturities up to 2024 (q)		**10,136**	12,259
Fixed interest rate of 5.25% maturing in 2020 (r)		**9,975**	9,916
Fixed interest rate of 4.63% maturing in 2024 (s)		**9,925**	-

Forward

	Note	2019	2018
Fixed interest rate of 5.7584% with maturities up to 2022 (t)		**P7,479**	P9,965
Fixed interest rate of 6.7495%, 6.7701%, 7.165%, 7.5933% and 7.6567% with maturities up to 2025 (u)		**5,779**	6,465
Fixed interest rate of 8.4211% to 9.885% with maturities up to 2030 (v)		**4,143**	4,159
Fixed interest rate of 5.4583% with maturities up to 2022 (w)		**2,995**	3,991
Fixed interest rate of 6.6583% with maturities up to 2023 (x)		**1,810**	2,264
Fixed interest rate of 5.00% with maturities up to 2021 (y)		**1,498**	1,496
Fixed interest rate of 8.348% with maturities up to 2023 (z)		**877**	993
Fixed interest rate of 8.6615% with maturities up to 2020 (aa)		**391**	2,307
Fixed interest rate of 12.00% (bb)		**52**	52
Fixed interest rate of 6.52% and 6.7394% (cc)		**-**	11,245
Fixed interest rate of 6.50% (dd)		**-**	10,368
Fixed interest rate of 6.3212% and 7.1827% (ee)		**-**	2,696
Fixed interest rate of 5.65% (ff)		**-**	450
Floating interest rate based on Bloomberg Valuation (BVAL) plus margin, or *Bangko Sentral ng Pilipinas* (BSP) overnight rate plus margin, whichever is higher, with maturities up to 2029 (gg)		**9,925**	-
Floating interest rate based on BVAL plus margin, or BSP overnight rate plus margin, whichever is higher, with maturities up to 2023 (hh)		**3,740**	3,259
Floating interest rate based on BVAL plus margin, with maturities up to 2022 (ii)		**2,356**	2,721
Floating interest rate based on BVAL plus margin, with maturities up to 2026 (jj)		**1,985**	-
Floating interest rate based on BVAL plus margin, with maturities up to 2024 (kk)		**547**	-
Floating interest rate based on BVAL plus margin or BSP overnight rate plus margin, whichever is higher (ll)		**-**	625
Floating interest rate based on BVAL plus margin, or 5.75%, whichever is higher (mm)		**-**	166
Foreign Currency-denominated Term Notes:			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (nn)		**27,835**	27,504
Fixed interest rate of 4.875% maturing in 2023 (oo)		**26,019**	26,989
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, with maturities up to 2024 (pp)		**39,908**	-

Forward

	Note	2019	2018
Floating interest rate based on LIBOR plus margin, with maturities up to 2021 and 2023 (qq)		**P34,924**	P43,800
Floating interest rate based on LIBOR plus margin, with maturities up to 2022 (rr)		**32,854**	49,451
Floating interest rate based on LIBOR plus margin, maturing in 2023 (ss)		**19,943**	20,632
Floating interest rate based on LIBOR plus margin, with maturities up to 2024 (tt)		**15,070**	15,603
Floating interest rate based on LIBOR plus margin, maturing in 2023 (uu)		**14,989**	15,520
Floating interest rate based on LIBOR plus margin, maturing in 2023 (vv)		**14,972**	15,502
Floating interest rate based on LIBOR plus margin, maturing in 2023 (ww)		**9,981**	10,336
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (xx)		**9,218**	9,103
Floating interest rate based on Bank Bill Swap Rate (BBSY) plus margin, with maturities up to 2024 (yy)		**2,792**	-
Floating interest rate based on LIBOR plus margin, maturing in 2024 (zz)		**2,364**	-
Floating interest rate based on Cost of Fund (COF) plus margin, with various maturities up to 2027 (aaa)		**28**	-
Floating interest rate based on LIBOR plus margin (bbb)		**-**	5,258
Floating interest rate based on LIBOR plus margin (ccc)		**-**	5,252
		682,856	617,667
Net adjustment due to purchase price - allocation		**(195)**	(122)
	38, 40, 41	**682,661**	617,545
Less Current maturities		**43,860**	55,749
Net adjustment due to purchase price allocation - current		**53**	123
Net current maturities		**43,913**	55,872
		P638,748	P561,673

a. The amount represents the first, second, third and fourth tranche of the P60,000 shelf registered fixed rate bonds (the "Bonds") issued by SMC 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 5.2840% 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 6.2500% per annum; (ii) seven-year Series F Bonds, due in 2025 with an interest rate of 6.6250% per annum; and, (iii) 10-year Series G Bonds, due in 2028 with an interest rate of 7.1250% 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 5.5500% 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 P500 and P475 as at December 31, 2019 and 2018, respectively.

b. 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, to repay short-term loans and for general corporate requirements.

The proceeds from the second tranche were used for the payment of short-term loans, redeemed a portion of Petron's USCS (Note 5) and for general corporate purposes.

Unamortized debt issue costs amounted to P295 and P362 as at December 31, 2019 and 2018, respectively.

c. 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 advance and partially refinance existing US dollar-denominated loan obligations and payment of transaction-related expenses.

Unamortized debt issue costs amounted to P301 and P364 as at December 31, 2019 and 2018, respectively.

d. 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 on the same date.

   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 payment of maturing long-term debt and short-term loan in investments in power-related assets and payment of transaction-related expenses.

   Unamortized debt issue costs amounted to P331 as at December 31, 2019.

e. 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 and Series H issuance were used to partially refinance the redemption of Series B Bonds.

   The Bonds were listed in the PDEx on April 2, 2014.

   Unamortized debt issue costs amounted to P39 and P61 as at December 31, 2019 and 2018, respectively.

f. 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 11, 2016.

   Unamortized debt issue costs amounted to P86 and P111 as at December 31, 2019 and 2018, respectively.

g. The amount represents P7,300 fixed rate bonds (the "Bonds") issued by SLTC 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 peso-denominated Corporate Notes drawn in 2012.

   The Bonds were listed in the PDEx on May 22, 2015.

   Unamortized debt issue costs amounted to P35 and P58 as at December 31, 2019 and 2018, respectively.

h. 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 on April 2, 2012.

   The Series E Bonds with an aggregate principal of P10,000 matured and redeemed by SMB on April 12, 2019.

   Unamortized debt issue costs amounted to P20 and P33 as at December 31, 2019 and 2018, respectively.

i. The amount represents P2,810 Series C fixed rate bonds (the "Bonds") issued by SMB on April 3, 2009 with an interest rate of 10.50% per annum. The Series C Bonds was part of the P38,800 fixed rate bonds of SMB. Interest is payable every 3rd of April and October of each year.

   The proceeds from the issuance were used to finance acquisition of the interest of SMC in IBI and BPI.

The Bonds were listed in the PDEx on November 17, 2009.

The Series C Bonds with an aggregate principal of P2,810 matured and redeemed by SMB on April 3, 2019.

Unamortized debt issue costs amounted to P1 as at December 31, 2018.

j. The amount represents the drawdown by SCPC on June 28, 2017 of the Tranche A and Tranche B amounting to P42,000 and the remaining balance of Tranche B amounting to P2,000 on January 31, 2018, from its P44,000 OLSA dated June 22, 2017 with various banks.

   Proceeds from the loan were used for the settlement of the US$360 short-term loan, acquisition of the 2x150 MW Limay Coal-fired Power Plant in Limay, Bataan from LPPC, also a wholly-owned subsidiary of SMC Global, 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.

   Partial payments made amounted to P2,100 and P1,050 as at December 31, 2019 and 2018, respectively.

   Unamortized debt issue costs amounted to P626 and P703 as at December 31, 2019 and 2018, respectively.

k. The amount represents the P31,000 and P30,000 loan drawn by CCEC as at December 31, 2019 and 2018, respectively, 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 commencing on the period ending the earlier of 55 months from initial drawdown date or 3 months after the date of the issuance by the TRB of the Toll Operations Certificate. Final repayment date is 12 years after initial drawdown date.

   The loan is subject to repricing on the seventh year from date of initial drawdown.

   The drawdown includes payable to BOC amounting to P3,700 and P3,581 as at December 31, 2019 and 2018, respectively (Note 33).

   Unamortized debt issue costs amounted to P324 and P358 as at December 31, 2019 and 2018, respectively.

l. The amount represents the remaining balance of the P20,322 and P978 drawn by SMCPC in tranches on August 17, 2018 and July 31, 2019, respectively, from its P21,300 12-year OLSA dated August 9, 2018 with various banks.

   The proceeds were used by SMCPC for the repayment of short-term loan used to fund the design, construction and operation of the Malita, Davao Power Plant and payment of transaction-related fees and expenses.

Payments made amounted to P1,296 as at December 31, 2019.

The drawdown includes payable to BOC amounting to P3,005 and P3,053 as at December 31, 2019 and 2018, respectively (Note 33).

Unamortized debt issue costs amounted to P335 and P262 as at December 31, 2019 and 2018, respectively.

m. The amount represents the drawdown by AAIPC on December 16, 2019 amounting to P17,300 from its P41,200 Corporate Notes Facility Agreement dated December 9, 2019 with various local banks.

   Proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure and general corporate requirements and finance transaction related fees, taxes and expenses. The loan is payable in 39 quarterly installments commencing on the 3rd 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.

   Unamortized debt issue costs amounted to P580 as at December 31, 2019.

n. The amount represents the drawdown by SMC 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.

   In 2019, SMC made payments amounting to P80.

   Unamortized debt issue costs amounted to P113 as at December 31, 2019.

o. 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 the payment of the remaining US$300 out of the US$700 five-year term loan drawn in 2013.

   Payments made amounted to P300 and P150 pursuant to the loan agreement as at December 31, 2019 and 2018, respectively.

   Unamortized debt issue costs amounted to P103 and P124 as at December 31, 2019 and 2018, respectively.

p. The amount represents the drawdown by PIDC 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 3rd 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.

   Unamortized debt issue costs amounted to P90 as at December 31, 2019.

q. 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 P4,821 and P2,679 as at December 31, 2019 and 2018, respectively.

   Unamortized debt issue costs amounted to P43 and P62 as at December 31, 2019 and 2018, respectively.

r. The amount represents P10,000 Fixed-Rate Notes (the "Fixed-Rate Notes") due in 2020 issued by SMC on May 25, 2018. The Fixed-Rate Notes were listed on the same date with the PDEx, with an interest rate of 5.25% per annum payable every 25th of February, May, August and November of each year.

   Proceeds from the Fixed-Rate Notes were used to partially refinance various loans and partially invest in existing businesses of the subsidiaries of SMC.

   Unamortized debt issue costs amounted to P25 and P84 as at December 31, 2019 and 2018, respectively.

s. The amount represents the drawdown by SMB on December 26, 2019 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 4.63% payable quarterly. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P75 as at December 31, 2019.

t. 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 permanent working capital requirements.

   Payments made amounted to P2,500 as at December 31, 2019.

   Unamortized debt issue costs amounted to P21 and P35 as at December 31, 2019 and 2018, respectively.

u. The amount represents the remaining balance of the P1,100 and P6,400 loans drawn by Vertex 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 P1,552 and P1,738 as at December 31, 2019 and 2018, respectively (Note 33).

   Payments made amounted to P1,681 and P982 as at December 31, 2019 and 2018, respectively.

   Unamortized debt issue costs amounted to P40 and P53 as at December 31, 2019 and 2018, respectively.

v. The amount represents the drawdown of the first tranche by LCWDC in 2018 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 P21 as at December 31, 2019.

   Unamortized debt issue costs amounted to P36 and P41 as at December 31, 2019 and 2018, respectively.

w. 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 requirements.

   Payments made amounted to P2,000 and P1,000 as at December 31, 2019 and 2018, respectively.

   Unamortized debt issue costs amounted to P5 and P9 as at December 31, 2019 and 2018 respectively.

x. 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 P1,682 and P1,223 as at December 31, 2019 and 2018, respectively.

   Unamortized debt issue costs amounted to P8 and P13 as at December 31, 2019 and 2018, respectively.

y. 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.

   Unamortized debt issue costs amounted to P2 and P4 as at December 31, 2019 and 2018, respectively.

z. The amount represents drawdown by GSMI on September 24, 2018 from its five-year credit facility with a local bank dated August 13, 2018 amounting to P1,000. The loan is carried at amortized cost and payable in equal quarterly installments commencing in September 2019. The proceeds were used to refinance existing short-term obligations.

   Payments made amounted to P118 as at December 31, 2019.

Unamortized debt issue costs amounted to P5 and P7 as at December 31, 2019 and 2018, respectively.

aa. The amount represents the remaining balance of the P11,500 Corporate Notes Facility with various banks, drawn by MTDME in 2012. Proceeds of the loan were used to refinance the Holding Company Facility Agreement entered into by AAIBV amounting to US$250 in which MTDME was a replacement borrower. The loan is payable semi-annually until 2022.

Payments made amounted to P11,108 and P9,177 as at December 31, 2019 and 2018, respectively.

The drawdown includes payable to BOC amounting to P59 and P353 as at December 31, 2019 and 2018, respectively (Note 33).

Unamortized debt issue costs amounted to P1 and P16 as at December 31, 2019 and 2018, respectively.

bb. The amount represents the outstanding loan of PPC with a local bank payable in 16 semi-annual installments over a period of 10 years, inclusive of a two-year grace period, starting from December 1997. PPC was unable to pay the installments. Management is currently developing and discussing a plan with the creditor to amend the loan repayment terms and provisions to enable PPC to continue to meet its obligation from cash generated by operations.

cc. The amount represents the balance amounting to P11,404 as at December 31, 2018 of the P14,500 and P16,700 Corporate Notes Facility Agreement entered into by AAIPC in 2013 and 2016, respectively.

Proceeds of the loan were used to finance the acquisition of the shares of stock of CMMTC and S3HC.

The drawdown includes payable to BOC amounting to P441 as at December 31, 2018 (Note 33).

AAIPC fully paid the loan as at December 31, 2019.

Unamortized debt issue costs amounted to P159 as at December 31, 2018.

dd. The amount represents series of drawdowns of PIDC from the P15,140 OLSA dated June 2, 2011, as amended, to finance the design, construction, operation, maintenance and implementation of the widening of Phase 1 and Phase 2 of TPLEX. The loan is payable in 24 unequal quarterly installments commencing on the 51st month from the initial borrowing dates, inclusive of not more than four-year grace period. Final repayment date is 10 years after initial borrowing.

The loan is subject to repricing on the fifth year from the date of initial drawdown.

The loan was paid in full as at December 31, 2019. Payments made amounted to P4,731 as at December 31, 2018.

Unamortized debt issue costs amounted to P41 as at December 31, 2018.

ee. The amount represents Series B Fixed Rate Corporate Notes (FXCN) issued by Petron in 2011 amounting to P2,910 with maturity of up to 10 years from the issue date and with fixed interest coupons of 7.1827% per annum. The net proceeds from the issuance were used for general corporate requirements.

    The loan was paid in full as at December 31, 2019. Payments made amounted to P204 as at December 31, 2018 (Note 33).

    Unamortized debt issue costs amounted to P10 as at December 31, 2018.

ff. The amount represents the balance of the P3,000 loan facility of MNHPI with local banks, which was fully drawn in 2013. The loan is payable within seven years in equal quarterly installments up to 2019. Proceeds of the loan were used to finance the modernization, development and maintenance of MNHPI.

    Payments made amounted to P2,550 as at December 31, 2018.

    The drawdown includes payable to BOC amounting to P173 as at December 31, 2018 (Note 33).

    On April 26, 2019, the balance of the loan was deconsolidated following the increase in shareholdings of non-controlling interest of MNHPI (Note 5).

gg. The amount represents drawdown by SMFI from its P18,000 10-year term loan facility amounting P10,000 on December 12, 2019. 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 within two years. The proceeds were used to refinance its existing short-term obligations, fund capital expansion projects and for other general corporate requirements.

    Unamortized debt issue costs amounted to P75 as at December 31, 2019.

hh. The amount represents the P4,000 and P3,300 drawdown by SMYAC from its P4,000 term loan facility as at December 31, 2019 and 2018, respectively. 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 and general funding requirements.

    Payments made amounted to P240 and P18 as at December 31, 2019 and 2018, respectively.

    Unamortized debt issue costs amounted to P20 and P23 as at December 31, 2019 and 2018, respectively.

ii. 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 P940 and P573 as at December 31, 2019 and 2018, respectively, as partial settlement of the loan principal (Note 33).

    Unamortized debt issue costs amounted to P4 and P6 as at December 31, 2019 and 2018, respectively.

jj. 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 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.

Unamortized debt issue costs amounted to P15 as at December 31, 2019.

kk. The amount represents drawdown by SMYAC amounting to P551 from its P2,000 term loan. The loan is amortized 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 and general funding requirements.

Unamortized debt issue costs amounted to P4 as at December 31, 2019.

ll. The amount represents drawdown from the loan agreement entered into by SMYPC with BOC in October 2012 amounting to P3,500 and maturing on October 11, 2019. The proceeds of the loan were used for general financing and corporate requirements.

As at December 31, 2018, SMYPC paid P2,875 as partial settlement of the loan principal and fully paid the remaining balance of P625 on July 11, 2019 (Note 33).

mm. The amount represents the seven-year bank loan obtained by CAI from BOC in April 2014 amounting to P350. The loan was obtained for capital expenditure purposes.

As at December 31, 2018, CAI paid P184 as partial settlement of the loan principal and fully paid the remaining balance of P166 on February 28, 2019 (Note 33).

nn. The amount represents the total outstanding loan drawn in various tranches by MPPCL from its ORA 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$209 and US$225 as at December 31, 2019 and 2018, respectively, and floating interest tranche based on LIBOR plus margin amounting to US$70 and US$75 as at December 31, 2019 and 2018, respectively. The loan will mature on January 23, 2023.

Unamortized debt issue costs amounted to P15 and P27 as at December 31, 2019 and 2018, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P5 and P9 as at December 31, 2019 and 2018, respectively, for the floating interest tranche.

oo. 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 SMC. The Notes were listed on the same date in the 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$ denominated loans, working capital and general corporate purposes.

In 2015, SMC purchased US$284 out of US$400 Notes offered for purchase in a tender offer.

Unamortized debt issue costs amounted to P128 and P162 as at December 31, 2019 and 2018, respectively.

pp. 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 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.

Unamortized debt issue costs amounted to P600 as at December 31, 2019.

qq. The amount represents the drawdown by SMC Global on March 15, 2018 and March 16, 2018 from its US$500 term facility and US$700 term loan facility, respectively.

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 partially paid US$350 in 2018 and fully paid the remaining balance of US$150 in 2019 out of US$500 term facility.

Unamortized debt issue costs amounted to P521 and P893 as at December 31, 2019 and 2018, respectively.

rr. 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$345 and US$50 as at December 31, 2019 and 2018, respectively.

Unamortized debt issue costs amounted to P276 and P500 as at December 31, 2019 and 2018, respectively.

ss. The amount represents the drawdown by SMC 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 Redeemable Perpetual Securities to partially finance the acquisition of Masinloc Group of Companies.

Unamortized debt issue costs amounted to P311 and P400 as at December 31, 2019 and 2018, respectively.

tt. The amount represents the drawdown by SMC 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.

Unamortized debt issue costs amounted to P120 and P171 as at December 31, 2019 and 2018, respectively.

uu. The amount represents the drawdown by SMC 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 P201 and P254 as at December 31, 2019 and 2018, respectively.

vv. The amount represents the drawdown by SMC 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 requirements.

Unamortized debt issue costs amounted to P219 and P272 as at December 31, 2019 and 2018, respectively.

ww. The amount represents the drawdown by SMC 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 P146 and P180 as at December 31, 2019 and 2018, respectively.

xx. The amount represents total outstanding loan drawn in various tranches by MPPCL from its OEFA 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$333 and US$306 as at December 31, 2019 and 2018, respectively, and floating interest tranche based on LIBOR plus margin amounting to US$109 and US$101 as at December 31, 2019 and 2018, respectively. The loan will mature on December 16, 2030.

Unamortized debt issue costs amounted to P339 and P376 as at December 31, 2019 and 2018, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P96 and P123 as at December 31, 2019 and 2018, respectively, for the floating interest tranche.

yy. The amount represents AU$80 loan drew by SMYA on July 31, 2019 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.

Unamortized debt issue costs amounted to P43 as at December 31, 2019.

zz. The amount represents the drawdown by SMC on December 27, 2019 of US$50 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 will be used for general corporate purposes.

Unamortized debt issue costs amounted to P168 as at December 31, 2019.

aaa. 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 maturing on July 31, 2021 and the last one maturing on October 31, 2027.

bbb. The amount represents the drawdown by SMC on November 21, 2017 from its medium-term loan revolving facility agreement dated November 6, 2016, as amended, amounting to US$100, subject to floating interest rate. The proceeds were used to partially repay existing indebtedness.

SMC paid the loan on May 6, 2019.

ccc. The amount represents the drawdown on various dates, of US$580 medium-term loans from facility agreements entered into by the SMC on various dates in 2016 to partially refinance existing loans.

On various dates in 2018, SMC paid US$480 as partial settlement of the loan principal and fully paid the remaining balance of US$100 on May 6, 2019.

Unamortized debt issue costs amounted to P6 as at December 31, 2018.

The gross amount of long-term debt payable to BOC amounted to P10,676 and P12,857 as at December 31, 2019 and 2018, respectively (Note 33).

On July 11, 2019, the BOD of SMC approved the conduct of a consent solicitation process for the holders of the US$800 4.875% Notes due in 2023, of which US$516 are currently outstanding and to the holders of record as at November 14, 2019 of the following debt securities namely: (i) 4.8243% Series A Bonds due in 2022, 5.2840% Series B Bonds due in 2024, 5.7613% Series C Bonds due in 2027; (ii) 5.1923% Series D Bonds due in 2022; (iii) 6.2500% Series E Bonds due in 2023, 6.625% Series F Bonds due in 2025, 7.1250% Series G Bonds due in 2028; and (iv) 5.2500% Fixed Rate Notes due in 2020, to the amendments to certain terms and conditions in the respective trust agreements.

The objective of the consent solicitation is to align the covenants and provisions of the Debt Securities with the relevant covenants and provisions of: (i) the recently issued P10,000 retail bond of SMC listed on October 4, 2019; and (ii) the recently signed US$2,000 Syndication Agreement dated December 18, 2019 relating to the US$1,750 Facility Agreement dated September 27, 2019, respectively.

SMC obtained the consents in connection with the consent solicitation for its Corporate Notes and Fixed Rate Corporate Bonds held from November 5 to December 18, 2019.

The supplemental trust agreements amending the trust agreements covering the Series A, B, C bonds, Series D bonds, Series E, F, G bonds and the two-year FXCN were executed by SMC and the respective trustees of the said bonds on December 26, 2019.

On November 28, 2019, majority of the holders of the US$800 4.875% Notes due in 2023, of which US$516 are currently outstanding, passed the Extraordinary Resolution amending certain terms and conditions of the Notes and in the Trust Deed of the Notes in order to align the covenants and provisions of the Notes with the relevant covenants and provisions of: (i) the recently issued P10,000 retail bond of SMC listed on October 4, 2019; and (ii) the recently contracted US$1,750 syndicated term loan facility.

The Supplemental Trust Deed amending certain terms and conditions of the Notes and the Trust Deed has been executed on November 29, 2019.

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, 2019 and 2018

The movements in debt issue costs are as follows:

	Note	**2019**	2018
Balance at beginning of year		**P6,848**	P3,977
Additions		**2,577**	3,705
Amortization	*30*	**(1,968)**	(1,386)
Reclassification, capitalized and others		**(112)**	552
Balance at end of year		**P7,345**	P6,848

<u>Repayment Schedule</u>
The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2020	P44,462	P602	P43,860
2021	88,049	1,046	87,003
2022	96,471	875	95,596
2023	188,052	2,134	185,918
2024 and thereafter	273,167	2,688	270,479
Total	**P690,201**	**P7,345**	**P682,856**

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 40.

Establishment of a MTN Programme
On December 5, 2019, the BOD approved the establishment of a MTN 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 will be both registered at the SGX-ST.

The Programme will be available for a medium term and will allow SMC 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 pesos). The establishment of the Programme will give SMC ready access to funding and will give SMC the flexibility to fund its contemplated investments and projects such as the MRT 7 construction, the New Manila International Airport Project, 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.

22. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	Note	**2019**	2018
Payables on the purchase of shares of stock		**P14,874**	P15,367
Amounts owed to related parties	*33*	**7,483**	7,873
Retirement liabilities - noncurrent	*35*	**6,501**	5,354
ARO	*4*	**2,217**	3,879
Derivative liabilities - noncurrent	*4, 40, 41*	**1,444**	566
Cylinder deposits		**608**	573
Cash bonds		**750**	434
IRO	*4*	**640**	888
Concession liabilities		**94**	98
Accrual for mine rehabilitation and decommissioning	*4*	**19**	19
Redeemable preferred shares	*4*	**19**	18
Obligation to ROP - service concession agreement	*4, 34*	**76**	2,449
Others		**2,400**	2,330
	40, 41	**P37,125**	P39,848

Payables on the Purchase of Shares of Stock. These amounts include: (a) the unpaid balance of the purchase price of PPC shares and the Tranche B receivables in accordance with the terms of the Amended and Restated Definitive Agreement (ARDA); and (b) advances made by Privatization Management Office (PMO) for the settlement of the liabilities of PPC.

a. The ARDA and Supplemental ARDA were executed on May 10, 1996 and May 2, 1997, respectively, and amended on September 27, 1999, for PIC's acquisition from PMO of the PPC Shares and the Tranche B receivables for a total purchase price of US$334 less US$70, representing the stipulated amount of PPC's liabilities to its creditors excluding the National Government. The said purchase price is payable subject to various provisions of the ARDA as follows: (1) US$260 payable in 23 successive semi-annual installments, of which no payments have been made as at December 31, 2019 and 2018; and (2) US$4 payable in 171 monthly installments, the amortization payments of which started in August 1996 to April 2001 for a total of US$1.

Among others, the payment of the purchase price is subject to the following provisions:

- PIC shall pay an installment only if, during the six-month period ending one month prior to an installment payment date (or such applicable date), the average London Metal Exchange (LME) price for nickel shall be higher than PIC's cash break-even price for such period. Notwithstanding the foregoing provision, if PPC's cash available for payments to PMO (as defined in the ARDA) shall not be sufficient to pay the whole installment, then PIC shall pay only such portion of the installment as shall be equal to PIC's cash available for payments to PMO and the unpaid portion shall be deferred to the next succeeding installment payment date.

  In the event that the payment of an installment, or a portion thereof, is deferred pursuant to the above provisions, PIC shall accrue interest thereon beginning on the date the installment was originally due until paid in full at an interest rate equivalent to the six-month LIBOR for dollar deposits. All interest accrued on this provision shall be paid by PIC to PMO on the installment payment date immediately following the six months period during which the average LME price for nickel is higher than PPC's cash break-even price.

- At least fifty percent of the portion of the purchase price shall be paid by PIC at the end of the ninth year after Final Notice (as defined in the ARDA) and the balance at the end of the 15th year after Final Notice, even if the average LME price for nickel shall be equal or lower than PIC's cash break-even price for such period.

As security for the payment of the said purchase price in accordance with the terms of the ARDA, PIC pledged the shares of PPC to PMO on May 2, 1997. PIC shall also pledge to the PMO the preferred shares to be received from PPC upon the conversion of the Tranche B receivables to equity.

On September 27, 1999, through an Amendment Agreement of the ARDA, the entire obligation of PIC under the ARDA was restructured and the cash break-even price formulated on May 2, 1997 was deleted as PIC and PMO shall establish a new cash break-even price formula which reflects the appropriate cost centers for a nickel refinery based on a pressure acid leach technology. As at December 31, 2019, the cash break-even price formula has not yet been established because the said formula may be established only upon commercial operations of the proposed new nickel refinery which has yet to be established.

b. The amounts owed to PMO consist of the advances made by PMO for the settlement of the liabilities of PPC amounting to P1,582 and P1,626 as at December 31, 2019 and 2018, respectively. The advances will be paid by PIC in behalf of PPC and shall be payable, without interest, in 23 successive semi-annual installments with a three and a half year grace period, from the date of the Amendment Agreement to the ARDA or over a total period of 15 years inclusive of the grace period.

   PIC has not accrued any interest on the unpaid monthly installments as management believes that interest is not due to PMO, since the cash break-even price has not yet been established, and PIC has no cash available for payment to PMO as defined in the ARDA.

In 2003, PIC filed a case with the Regional Trial Court of Makati (Court) for: (i) the suspension of payments under the ARDA; (ii) to stop PMO from enforcing the provisions under the ARDA providing for automatic reversion of PPC shares to PMO; and (iii) for the Court to fix a period of payment. The Court granted PIC's application and issued a Writ of Preliminary Injunction to enjoin PMO from enforcing the said automatic reversion of clause. The issues relating to the injunction orders and the validity of the automatic reversion clause were subsequently appealed to the Supreme Court, which, in a Decision dated August 27, 2014, declared that the automatic reversion clause constituted pactum commissorium and, thus, null and void. Accordingly, the Writ of Preliminary Injunction issued by the Court against the enforcement of the automatic reversion clause was made final and permanent. In the meantime, in the course of the proceedings before the trial court, PIC filed a Motion for Summary Judgment in December 2015 praying for the trial court to resolve the only remaining issue of fixing the period for payment and performance by PIC of its obligations to PMO under the ARDA. Through an order dated September 14, 2016, the RTC of Makati City granted PIC's Motion for Summary Judgment and fixed the period for PIC to pay its obligations to PMO.

Thereafter, PMO filed an appeal with the Court of Appeals challenging the Order of the Makati RTC. On March 2, 2018, the Court of Appeals issued a Resolution stating that the appeal is considered submitted for decision. On February 27, 2019, the Court of Appeals issued a decision denying the appeal of PMO and affirming the Summary Judgment rendered by the RTC of Makati City in favor of PIC. As of December 31, 2019, PIC has yet to receive any petition to the Supreme Court filed by PMO to challenge the decision of the Court of Appeals.

PMO filed a Petition for Certiorari dated January 17, 2020 and docketed as G.R. No. 251138 and assigned to Third Division. PIC's legal team will forthwith file for a Motion to Dismiss.

Accrual for Mine Rehabilitation and Decommissioning. The Contingent Liability and Rehabilitation Fund Steering Committee, having approved the Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) of the Group's nickel refinery, granted the Certificate of Approval dated February 24, 2010 to the Group, after the Group has substantially complied with the FMR/DP requirements.

The Group's recognized accrual for mine rehabilitation and decommissioning costs represents the future cost of rehabilitating the mine site and the related production facilities for the development of mines or installation of those facilities.

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 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 will be mandatorily 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.

"Others" include amounts owed by PPC to creditors amounting to P74 and P66 as at December 31, 2019 and 2018, respectively, conforming to debt restructuring and other noncurrent payables. These creditors have agreed to the settlement proposal of PIC which provides for the deferral of payment of the principal obligations over a number of years. These amounts are payable, without interest, over 10 years in 17 semi-annual installments commencing two years after the resumption of commercial operations.

"Others" also include amounts owed to a supplier for the purchase of equipment.

23. Income Taxes

The components of income tax expense are shown below:

	2019	2018	2017
Current	**P22,701**	P22,739	P20,511
Deferred	**6,208**	1,976	6,555
	P28,909	P24,715	P27,066

The movements of deferred tax assets and liabilities are accounted for as follows:

2019	**Balance at January 1**	**Adjustment Due to Adoption of PFRS 16**	**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	**P4,748**	**P -**	**(P196)**	**P -**	**P63**	**P4,615**
MCIT	**115**	**-**	**761**	**-**	**-**	**876**
NOLCO	**2,102**	**-**	**(352)**	**-**	**-**	**1,750**
Undistributed net earnings of foreign subsidiaries	**(1,129)**	**-**	**102**	**40**	**(53)**	**(1,040)**
Leases	**(7,747)**	**1,194**	**(4,707)**	**-**	**27**	**(11,233)**
Unrealized intercompany charges and others	**(43,723)**	**-**	**(1,816)**	**1,113**	**(127)**	**(44,553)**
	(P45,634)	**P1,194**	**(P6,208)**	**P1,153**	**(P90)**	**(P49,585)**

2018	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	P4,779	P41	P -	(P72)	P4,748
MCIT	118	(3)	-	-	115
NOLCO	2,013	89	-	-	2,102
Undistributed net earnings of foreign subsidiaries	(1,025)	(5)	(67)	(32)	(1,129)
Leases	(5,343)	(2,440)	-	36	(7,747)
Unrealized intercompany charges and others	(44,550)	342	319	166	(43,723)
	(P44,008)	(P1,976)	P252	P98	(P45,634)

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	2019	2018
Deferred tax assets	*4*	**P18,431**	P19,663
Deferred tax liabilities		**(68,016)**	(65,297)
		(P49,585)	(P45,634)

As at December 31, 2019, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2017	December 31, 2020	**P17**	**P14**
2018	December 31, 2021	**143**	**68**
2019	December 31, 2022	**5,673**	**794**
		P5,833	**P876**

The reconciliation between the statutory income tax rate on income from continuing operations before income tax and the Group's effective income tax rate is as follows:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	**(4.14%)**	(3.11%)	(1.69%)
Equity in net loss (earnings) of associates and joint ventures	**(0.04%)**	0.12%	(0.11%)
Loss (gain) on sale of investments subject to final or capital gains tax	**0.09%**	(0.11%)	(0.33%)
Others, mainly income subject to different tax rates - net	**11.40%**	8.62%	5.83%
Effective income tax rate	**37.31%**	35.52%	33.70%

24. Equity

a. Capital Stock

Common Shares

On January 6, 2010, SMC acquired a 49% stake via equity infusion in the Parent Company consisting of its subscription to 2,401,960 common shares of the Parent Company's unissued capital stock. On January 7, 2010, the Parent Company issued 2,401,960 common shares to SMC at a price of P18,600.00 per share, resulting in additional paid-in capital of P44,436.

On July 16, 2013, the BOD and stockholders of the Parent Company approved the stock split of the Parent Company's common shares via change in the par value from P100.00 per share to P1.00 per share. As a result of such stock split, the issued and outstanding common shares increased from 4,901,960 to 490,196,000. The new authorized capital stock of the Parent Company amounted to P1,000 divided into 740,000,000 common shares with a par value of P1.00 per share and 2,600,000 preferred shares with a par value of P100.00 per share. The SEC approved such corporate action on August 16, 2013.

On October 17, 2013, the BOD and stockholders of the Parent Company approved the Amendment of Articles of Incorporation to include the relevant provisions on the lock-up requirements prescribed by the rules and regulations of the PSE which the Parent Company shall comply with, subject to any waiver or exemption that may be granted by the PSE, in connection with the Parent Company's initial listing by way of introduction on the PSE of the Parent Company's 490,196,200 common shares. The SEC approved the aforesaid amendment on November 8, 2013.

On December 18, 2013, the PSE approved the application of the Parent Company for the listing by way of introduction of all its common shares. The shares were listed on the PSE on January 13, 2014.

The Parent Company has 330,325,136 (net of 2,561,031 common shares held by SMC) issued and outstanding common shares, and has 31,352 and 31,610 common shareholders as at December 31, 2019 and 2018, respectively.

<u>Preferred Shares</u>

On October 22, 2010, the Parent Company issued the stock certificates covering SMC's investment in 2,598,040 preferred shares at a price of P18,600.00 per share, resulting in additional paid-in capital of P48,064.

The preferred shares have a par value of P100.00 per share and are entitled to preferential dividends at a fixed rate per annum of 3% of the issue price which shall be payable quarterly in arrears and in cash. The dividends on the preferred shares shall be cumulative from and after the issue date of the preferred shares, whether or not in any period the amount thereof is covered by available unrestricted retained earnings.

The preferred shares do not carry the right to vote except in the cases expressly provided by law. These are redeemable in whole or in part, at the sole option of the Parent Company, equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders.

The preferred shares are entitled to participate and share in the retained earnings remaining after payment of the preferential dividends at the same rate as the common shares.

Dividends in arrears on the 3% cumulative and participating preferred shares amounted to P531 and P1,328 in 2019 and 2018, respectively.

There were no movements in the number of issued and outstanding preferred shares of stock in 2019 and 2018.

b. CPS

On June 30, 2016, the Parent Company issued Philippine Peso-denominated CPS with an aggregate face value of P25,883 in favor of BCIL. The Parent Company incurred transaction cost amounting to P725. The CPS entitles the security holder to a cumulative preferential distribution at 6.25% per annum on the face value amount, payable semi-annually in arrears on June 30 and December 31 in each year, commencing on December 31, 2016. The security holders have the option to convert the CPS into preferred shares of the Parent Company at any time on or after July 31, 2019. As at December 31, 2019, BCIL did not exercise the option to convert the CPS into preferred shares of the Parent Company.

Proceeds from the sale of the securities were used by the Parent Company for payment of a US$550 long-term debt on June 30, 2016.

Preferential dividends in arrears on CPS amounted to P5,662 and P4,044 as at December 31, 2019 and 2018.

c. Treasury Shares

As at December 31, 2019, 2018 and 2017, treasury stock consist of:

Common:	
Receipt of own shares as property dividends	P28,001
Common shares of the Parent Company held by SMC	456
	28,457
Preferred:	
Redemption of preferred shares	12,899
Preferred shares of the Parent Company held by SMC	35,424
	48,323
	P76,780

On June 18, 2012, the Parent Company partially redeemed a total of 693,500 preferred shares out of the 2,598,040 preferred shares issued to SMC, at the total redemption price of P12,899, corresponding to the original issue price of the said preferred shares. The redeemed preferred shares are presented as part of "Treasury stock - preferred" account in the consolidated statements of financial position as at December 31, 2019 and 2018.

On October 17, 2013, the BOD of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of stock of the Parent Company to SMC common shareholders of record as at November 5, 2013, distributed on December 26, 2013.

The declaration of the property dividends eliminated the cross ownership between the Parent Company and SMC, which resulted in the consolidation of SMC effective October 17, 2013. The Parent Company, being a shareholder of SMC, received 157,310,033 of its own common shares equivalent to P28,001 recognized as "Treasury stock - common" and "Additional paid-in capital" accounts in the consolidated statements of changes in equity as at December 31, 2019, 2018 and 2017.

The remaining investments in the Parent Company held by SMC consisting of 2,561,031 common shares and 1,904,540 preferred shares amounting to P456 and P35,424, respectively, were recognized as "Treasury stock" account in the consolidated statements of financial position as at December 31, 2019 and 2018.

There were no movements in the treasury shares of the Parent Company in 2019, 2018 and 2017.

d. Unappropriated Retained Earnings

The unappropriated retained earnings of the Parent Company is restricted in the amount of P456 in 2019, 2018 and 2017, 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.

e. Appropriated Retained Earnings

The BOD of certain subsidiaries approved additional appropriations amounting to P8,651, P10,006, and P14,672 in 2019, 2018 and 2017, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P19,425, P5,230 and P8,078 in 2019, 2018 and 2017, respectively.

25. Sales

Sales consist of:

	Note	**2019**	2018	2017
Goods		**P992,218**	P995,628	P799,409
Services		**28,262**	29,287	26,649
	6	**P1,020,480**	P1,024,915	P826,058

26. Cost of Sales

Cost of sales consist of:

	Note	**2019**	2018	2017
Inventories		**P565,264**	P592,546	P452,094
Taxes and licenses		**95,775**	79,119	58,259
Depreciation and amortization	*28*	**32,930**	32,122	27,527
Energy fees	*34*	**26,417**	25,424	23,726
Power purchases	*34*	**21,565**	11,321	10,851
Contracted services		**16,037**	16,393	14,518
Fuel and oil		**15,508**	23,979	15,657
Freight, trucking and handling		**12,003**	11,817	10,604
Personnel	*29*	**10,093**	11,250	9,195
Tolling fees	*34*	**8,959**	8,889	7,970
Communications, light and water		**6,643**	6,198	5,772
Repairs and maintenance		**4,643**	5,968	5,387
Rent	*4, 34*	**566**	945	830
Others		**3,452**	1,372	3,620
		P819,855	P827,343	P646,010

27. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2019	2018	2017
Selling	**P41,345**	P42,718	P36,629
Administrative	**45,178**	40,190	34,946
	P86,523	P82,908	P71,575

Selling expenses consist of:

	Note	**2019**	2018	2017
Freight, trucking and handling		**P10,484**	P9,853	P8,564
Personnel	*29*	**10,022**	11,302	8,612
Advertising and promotions		**9,682**	8,987	9,085
Depreciation and amortization	*28*	**4,050**	3,092	2,949
Rent	*4, 34*	**1,819**	3,694	3,423
Repairs and maintenance		**1,505**	1,449	1,440
Taxes and licenses		**841**	786	689
Professional fees		**659**	683	552
Supplies		**575**	663	589
Communications, light and water		**464**	494	409
Others		**1,244**	1,715	317
		P41,345	P42,718	P36,629

Administrative expenses consist of:

	Note	**2019**	2018	2017
Personnel	*29*	**P21,867**	P18,645	P16,966
Depreciation and amortization	*28*	**7,451**	5,196	4,857
Taxes and licenses		**3,644**	3,488	2,565
Professional fees		**2,312**	2,958	2,574
Repairs and maintenance		**2,086**	1,330	1,032
Rent	*4, 34*	**1,077**	614	749
Impairment loss	*8, 9, 18*	**1,071**	1,024	537
Communications, light and water		**1,068**	789	732
Supplies		**774**	655	705
Freight, trucking and handling		**581**	390	259
Research and development		**152**	152	127
Others	*34*	**3,095**	4,949	3,843
		P45,178	P40,190	P34,946

"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	**2019**	2018	2017
Cost of sales:				
Property, plant and equipment	*13*	**P19,340**	P24,306	P20,158
Right-of-use assets	*14*	**6,178**	-	-
Deferred containers, biological assets and others	*15, 16, 17, 18*	**7,412**	7,816	7,369
	26	**32,930**	32,122	27,527
Selling and administrative expenses:				
Property, plant and equipment	*13*	**4,786**	4,213	4,778
Right-of-use assets	*14*	**1,255**	-	-
Deferred containers and others	*15, 17, 18*	**5,460**	4,075	3,028
	27	**11,501**	8,288	7,806
		P44,431	P40,410	P35,333

"Others" include amortization of concession rights, computer software, leasehold and land use rights, licenses and investment property.

29. Personnel Expenses

Personnel expenses consist of:

	Note	**2019**	2018	2017
Salaries and wages		**P22,267**	P21,013	P17,921
Retirement costs - net	*35*	**1,203**	2,004	1,833
Other employee benefits	*39*	**18,512**	18,180	15,019
		P41,982	P41,197	P34,773

Personnel expenses are distributed as follows:

	Note	**2019**	2018	2017
Cost of sales	*26*	**P10,093**	P11,250	P9,195
Selling expenses	*27*	**10,022**	11,302	8,612
Administrative expenses	*27*	**21,867**	18,645	16,966
		P41,982	P41,197	P34,773

30. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2019	2018	2017
Interest expense		**P48,577**	P38,781	P27,987
Other financing charges	*21, 35*	**5,153**	3,985	4,518
		P53,730	P42,766	P32,505

Amortization of debt issue costs included in "Other financing charges" amounted to P1,968, P1,386 and P2,778 in 2019, 2018 and 2017, respectively (Note 21).

Interest expense on loans payable, long-term debt, lease liabilities and other liabilities is as follows:

	Note	2019	2018	2017
Loans payable	*19*	**P10,959**	P7,524	P5,813
Long-term debt	*21*	**31,621**	25,693	16,012
Lease liabilities	*14, 34*	**5,912**	5,238	5,690
Other liabilities		**85**	326	472
		P48,577	P38,781	P27,987

31. Interest Income

Interest income consists of:

	Note	2019	2018	2017
Interest from short-term investments, cash in banks and others	*7, 12, 35*	**P10,300**	P6,728	P4,026
Interest on amounts owed by related parties	*33*	**388**	483	506
		P10,688	P7,211	P4,532

32. Other Income (Charges)

Other income (charges) consists of:

	Note	2019	2018	2017
Construction revenue	*4, 17, 34*	**P25,386**	P23,062	P18,089
Gain (loss) on foreign exchange - net	*40*	**6,984**	(11,723)	55
PSALM monthly fees reduction		**1,171**	1,615	3,284
Dividend income		**27**	27	21
Additional provision on impairment (a)	*13, 17, 18*	**(1,573)**	(771)	(610)
Gain (loss) on derivatives - net	*41*	**(3,308)**	805	(3,665)
Construction costs	*4, 17, 34*	**(25,386)**	(23,062)	(18,089)
Others (b)		**3,250**	550	(445)
		P6,551	(P9,497)	(P1,360)

a. *SMBHK and SMBB.* In 2018, due to the fierce market competition in Hong Kong, SMB tested for impairment, the related production plant located in Yuen Long, New Territories. SMB assessed the recoverable amounts of SMBHK's production plant and the result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of P2,067. Accordingly, impairment loss was recognized to reduce carrying amount to recoverable amount of property, plant and equipment amounting to P544.

   The recoverable amount of SMBHK's asset is determined based on a value-in-use calculation and the cash flows are discounted using a discount rate of 10.2%. The discount rate used is pre-tax and reflects specific risks relating to the Hong Kong brewing operations.

   In 2019, the Group reassessed the recoverable amount of SMBHK's production plant and concluded that no further impairment losses or reversals of previously recognized impairment losses are required.

   As SMBHK's asset has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

   In 2017, SMB also 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 SMB's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired. SMB assessed the recoverable amount of SMBB's assets and the result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of P1,262. Accordingly, impairment loss was recognized to reduce carrying amount to recoverable amount of property, plant and equipment amounting to P534.

   No impairment losses or reversals of previously recognized impairment losses were recognized in 2018.

   In 2019, SMB further incurred losses in its North China operations and assessed the recoverable amount of SMBB's assets located in Baoding, Hebei Province. The result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of P300. Accordingly, impairment loss amounting to P903 was recognized to reduce carrying amount to recoverable amount of property, plant and equipment, and deferred containers.

   As SMBB's assets has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

   The recoverable amount of SMBB has been determined based on value in use calculation. The calculation uses cash flow projections based on the business forecasts approved by the management covering a period of 18 years, which is the remaining estimated useful life of the assets. Sales volume growth rate and pre-tax discount rate used for value in use calculation were 5% to 15% and 11%, respectively.

   Management determined the growth rate and gross contribution rate based on past experiences and future plans and expected market trends.

b. “Others” consist of rent income, commission income, changes in fair value of financial assets at FVPL, gain on settlement of ARO and proceeds from insurance claims. In 2019, the amount also includes tax credit certificates issued by the BIR to SMB for the tax refund cases of San Mig Light for the years 2009 and 2010 amounting to P1,430 (Note 44) and the gain on fair valuation of investment in MNHPI recognized by the Group following its deconsolidation amounting to P727 (Note 5).

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. Transactions with related parties are made at normal market prices and terms. 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
Shareholders of the Parent Company	*8, 18*	**2019**	**P -**	**P -**	**P -**	**P10,864**	On demand; interest and non-interest bearing	Unsecured;
		2018	-	-	-	11,281		
		2019	**-**	**-**	**-**	**221**		
		2018	-	-	-	221		
Retirement Plans	*8, 35*	**2019**	**301**	**-**	**9,275**	**-**	On demand; interest bearing	Unsecured; no impairment
		2018	399	-	9,516	-		
Associates	*8, 18, 20*	**2019**	**3,054**	**178**	**1,879**	**251**	On demand; interest and non-interest bearing	Unsecured; no impairment
		2018	2,905	251	1,564	193		
	19, 21	**2019**	**-**	**-**	**-**	**24,588**	Less than 1 to 10 years; interest bearing	Unsecured and secured
		2018	-	-	-	23,226		
Joint Ventures	*8,18, 20*	**2019**	**364**	**959**	**755**	**56**	On demand; non-interest bearing	Unsecured; no impairment
		2018	76	1,181	684	64		
Shareholders in Subsidiaries	*8, 20*	**2019**	**38**	**57**	**183**	**2,376**	On demand; non-interest bearing	Unsecured; no impairment
		2018	125	103	147	2,516		
Others	*8, 10, 20, 22*	**2019**	**2,492**	**2,468**	**457**	**7,539**	On demand; non-interest bearing	Unsecured; no impairment
		2018	2,199	1,499	496	7,851		
Total		**2019**	**P6,249**	**P3,662**	**P12,549**	**P45,895**		
Total		2018	P5,704	P3,034	P12,407	P45,352		

a. Interest-bearing payable owed to a shareholder of the Parent Company, used for working capital purposes. This is subject to 3.00% interest per annum, which was renegotiated in 2017. The parties agreed in writing that the 3.00% interest will accrue beginning on the relevant year when SMC has commenced the management and operations of its New Manila International Airport Project, a project that involves the construction, operation and maintenance of an international airport in Bulacan. This payable has no definite payment terms and considered payable upon demand.

b. Amounts owed by related parties consist of current and noncurrent receivables and deposits and share in expenses.

c. Amounts owed to related parties consist of trade payables, professional fees and leases. As at December 31, 2019, 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 P6 and P10, respectively.

d. The amounts owed to associates include interest bearing loans payable to BOC presented as part of “Loans payable” and “Long-term debt” accounts in the consolidated statements of financial position.

e. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	**2019**	2018	2017
Short-term employee benefits		**P689**	P742	P739
Retirement cost	*35*	**20**	8	10
		P709	P750	P749

34. Significant Agreements and Lease Commitments

Significant Agreements:

- Energy

  - *Independent Power Producer (IPP) Administration (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 Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for as 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 P26,417, P25,424 and P23,726 in 2019, 2018 and 2017, respectively (Note 26). SMEC and SPDC renewed their performance bonds amounting to US$58 and US$20, which will expire on November 3, 2020 and January 25, 2020, respectively. Subsequently, the performance bond of SPDC was renewed up to January 25, 2021.

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 44).

- *Market Participation Agreements (MPA)*

SMEC, SPDC, SPPC, SCPC, SMELC, SMCPC and MPPCL each entered into separate MPAs with 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 P206, P325 and P147 in 2019, 2018 and 2017, respectively (Note 27).

SMELC, SCPC and MPPCL each has a standby letter of credit, expiring in 2020, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM.

- *Power Supply Agreements (PSA) and Retail Supply Contracts (RSCs)*

  SMEC, SPPC, SPDC, SMCPC, SCPC 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 distribution utilities, 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 take-or-pay offtake contracts, which may have provisions for passing on fuel costs, foreign exchange differentials or certain other fixed costs. 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, flat generation rates, 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 and 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 P21,435, P11,181 and P10,725 in 2019, 2018 and 2017, respectively (Note 26).

- *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 up to 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.

- *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 Distribution Utilities (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.

- *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, 2019.

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, 2019, 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, 2019.

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 by DAMI, SEPC and BERI, for a moratorium on suspension of the implementation of the production timetable as specified under their respective COCs. 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 COCs, 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 December 2018. In answer to these two requests, the DOE, in a letter dated January 11, 2019, required the submission of a new five-year WPB which SEPC complied with.

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. In answer to these two requests, the DOE, in a letter dated January 11, 2019, required the submission of a five-year WPB, consistent with the COC No. 138 status as a Development and Production Contract, which BERI had actually submitted earlier on January 9, 2019.

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, within 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/Department of Environment and Natural Resources 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 right to mining within their respective COCs 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 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 November 20, 2019, the DOE informed DAMI and BERI that the request for consolidation of COC No. 126 and COC No. 138 is in the process of evaluation of the proposed consolidated five-year WPB.

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. As at March 9, 2020, DAMI and BERI are finalizing the documents for submission to DOE to facilitate the process of consolidation and which is expected to be favorably considered and approved by the DOE.

On December 11, 2019, the DOE approved the ten-year extension and the initial five-year WPB for COC No. 134 of SEPC.

As at December 31, 2019, the mining activities of DAMI, SEPC and BERI remain in the preparatory stages. All related costs and expenses from exploration are currently deferred as exploration and development costs and will be amortized upon commencement of its commercial operations.

Based on management’s assessment, the carrying amount of the mining rights does not exceed its recoverable amount as at December 31, 2019.

- 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 Saudi Aramco is from November 1, 2013 to December 31, 2014 while the contract with KPC is from January 1, 2015 to December 31, 2015, both with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice.

    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 57% of crude and condensate volume processed are from EMEPMI with balance of around 43% 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, 2019 and 2018 (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 P138, starting 2012, 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 2013 until the next re-appraisal is conducted. The leased premises shall be reappraised in 2017 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, 2019 and 2018, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 44).

▪ 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, 2019, 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 premium in 2019, for the Work Performance Security. The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statement 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 is currently ongoing and is expected to be completed in the first quarter of 2021.

ii. New Manila International Airport

On August 14, 2019, the ROP, through the DOTr, issued a NOA to SMHC, awarding the New Manila International Airport Project. In accordance with the NOA, SMAI was registered by SMHC as the concessionaire.

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 New Manila International Project for a period of 50 years from the issuance of the Certificate of Substantial Completion for the first phase.

The New 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.

The salient features of the Concession Agreement are presented below:

1. The New 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 New 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 New Manila International Airport and the removal or abatement of all liens, encumbrances and hazardous substances within the New Manila International Airport’s vicinities as the case may be.

5. SMAI shall provide proper maintenance of the New 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 New Manila International Airport shall accrue to SMAI, including the lease or sublease of all business or commercial ventures and activities consistent with the New Manila International Airport's operations.

- *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.

On April 20, 2016, ULC BVI through SMC, 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, SLTC executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SLTC 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, SLTC received a letter from the Department of Finance informing SLTC of the conveyance by PNCC to the ROP of its shares of stock in SLTC, by way of deed of assignment. Moreover, SLTC 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 SLTC in favor of the ROP.

On July 21, 2015, SLTC 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.

ii. NAIA Expressway

On July 8, 2013, Vertex entered into a Concession Agreement with the ROP, through the Department of Public Works and Highways (DPWH), wherein Vertex 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, Vertex 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, Vertex 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 CMMTC, 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 CMMTC 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 CMMTC to nominate to the TRB a qualified party to perform the operations and maintenance of the SMMS to replace PSC. CMMTC, 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 CMMTC 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 CMMTC, 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, CMMTC 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. CMMTC 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, CCEC as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein CCEC 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 14.82 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 CCEC 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 CCEC and/or CMMSC. As at December 31, 2019, the Skyway Stage 3 Project is in the construction stage.

CCEC 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.

- 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, CITI as the Investor, and Metro O&M Corporation (MOMCO) as the Operator. CITI 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 CITI 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 CITI and/or MOMCO.

As at December 31, 2019, the Skyway Stage 4 Project is in the inception of its construction stage.

iv. TPLEX

PIDC 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 PIDC. 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 PIDC. PIDC 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, PIDC 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 March 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 6, 2017, while Segment 8 (Pozorrubio to Rosario), which is the final phase of the TPLEX Project is almost done.

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.

- *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.

Other salient features of the Concession Agreement are as follows:

1. LCWDC shall pay water right fee to the Provincial Government of Bulacan amounting to an aggregate amount of P25 for the first five years of operation and a certain percentage of annual gross revenue from the sixth year until the transfer date.

2. The Bulacan Bulk Water Supply Project will be implemented in three stages in different localities around the Province of Bulacan. The Water Service Providers (WSPs) entered into separate Memoranda of Understanding (MOU) with MWSS pursuant to which they agreed to cooperate with each other towards the successful implementation of the Bulacan Bulk Water Supply Project. Each MOU also provides that MWSS, respective WSP, and LCWDC will enter into a MOA simultaneous with the execution of the Concession Agreement.

3. LCWDC can use 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 can either pay in staggered cash or in installment. Ownership of NHA site shall be and shall remain with MWSS at all times.

   LCWDC may also opt to acquire an alternative site, including all land rights, and rights of way (whether permanent or temporary) required and otherwise necessary to access the alternative site and carry out the works for the water treatment facility. Ownership of alternative site, land rights and right of way required shall be with LCWDC and shall continue to be so until transfer date.

4. 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 P8,959, P8,889 and P7,970 in 2019, 2018 and 2017, respectively (Note 26).

- Mining

  - *Mineral Production Sharing Agreement (MPSA)*

    PNPI, PPC and PIC

    The MPSA provides for the exclusive possession of and the privilege and right to explore, utilize, process and dispose of all minerals, mineral products and by-products that may be derived from the total contract area of 23,877 hectares in Parcels II and III of the Surigao Mineral Reservation (SMR) in the Province of Surigao del Norte and Dinagat Islands.

    On May 2, 1997, PIC assigned its rights and obligations under the MPSA to PNPI. As a result of the assignment, PNPI holds exclusive rights to explore, develop, mine, and commercially utilize nickel, cobalt, chrome, iron and other mineral deposits within the contract area for a period of 25 years. On the other hand, PPC holds exclusive rights with respect to the processing of minerals and resources under the MPSA.

    As part of the consideration for the assignment of the MPSA, PNPI assigned to PPC the exclusive Mineral Processing Rights (MPR) granted under the MPSA. The assignment of the MPSA by PIC to PNPI and the assignment of the MPR by PNPI to PPC were approved by the DENR on August 7, 1997.

The assignment of the MPSA was subject to the following conditions:

i PNPI shall enter into an exclusive 25-year ore supply contract with PPC, to provide PPC with its nickel ore requirements;

ii The MPSA shall be deemed automatically assigned to PPC in the event that PIC shall be in default under the ARDA and the ARDA is terminated in accordance with its terms;

iii PNPI shall be jointly and severally liable for the payments due to the PMO under the ARDA and all profits earned by PNPI will be used to pay PIC's obligations to PMO under the ARDA as and when necessary; and

iv All of the outstanding capital stock of PNPI shall be pledged to PMO as security for the obligations of PNPI to PMO as well as the obligations of PIC to PMO under the ARDA.

On August 7, 2007, MPSA No. 072-97-XIII (SMR) was reinstated in favor of PNPI. The term of the MPSA is for a period of 25 years until 2022. The first renewal of the two-year exploration period was granted on February 1, 2000; the second renewal on November 18, 2002; and the third renewal on September 25, 2007.

On August 12, 2009, prior to the expiration of the third renewal of the exploration period, PNPI submitted a Declaration of Mining Project Feasibility (DMPF) covering the 25,000 hectare MPSA contract area.

PNPI filed the fourth request for an additional two-year exploration period on November 25, 2013 with the Mines and Geosciences Bureau of the DENR (DENR-MGB) with the objective of: (a) updating the 2009 DMPF; and (b) fully defining the quality and quantity of limonite and saprolite deposits within the contract area. The request was approved, covering the period of February 25, 2015 to February 24, 2017.

On February 10, 2017, PNPI was granted the fifth renewal of the two-year exploration period by the DENR-MGB covering the period of February 25, 2017 to February 24, 2019 subject to the full implementation of the approved Exploration Work Program and Environmental Work Program, as well as the filing of DMPF.

On February 7, 2019, prior to expiration of exploration permit on February 24, 2019, PNPI filed the request for the renewal of the MPSA's exploration period with the MGB. The request is anchored on (1) the need to complete various technical studies; (2) the need to settle the PIC vs PMO case; and (3) PNPI's satisfactory compliance to the terms and conditions of the fifth renewal of the MPSA's exploration period. More significantly, PNPI continues to review and study opportunities to maximize the utilization of the nickel deposits. Discussions are continuing with potential foreign and local partners in relation to the optimum mineral processing/metallurgical process suitable for the limonite and saprolite zones of the nickel deposit. Simultaneously, PNPI will conduct a number of studies (legal/regulatory, social, environmental, economic/financial, etc.) essential to progressing the project to the development and construction stage and eventually, into the operating stage within the next few years. As at March 12, 2020, PNPI is still waiting for the reply from DENR-MGB.

On September 21, 2015, the Deeds of Partial Assignment and Transfer was executed by PNPI with Prima Lumina Gold Mining Corporation (PLGMC) and V.I.L. Mines (VMI) wherein PNPI assigned all its rights and obligations in the 7035- and 6264-hectare portions of the contract area under its current Mining Rights (MPSA No. 072-97-XIII-SMR). On November 6, 2019, the DENR approved the Deeds of Assignment and Partial Transfer by PNPI with PLGMC and VMI. The Company's Mineral Production Sharing Agreement, MPSA No. 072-97-XIII-SMR, was redenominated as:

- MPSA-072-97-XIII-SMR-Amended A in the name of PNPI covering 10,577.6157 hectares (Nonoc, Awasan, and Hanigad Islands plus the Sabang Dam area);

- MPSA-072-97-XIII-SMR-Amended B in the name of Prima Lumina Gold Mining Corporation covering 7,035 hectares (North Dinagat area); and

- MPSA-072-97-XIII-SMR-Amended C in the name of VIL Mines Inc. covering 6,264 hectares (South Dinagat area).

The approval came with the conditions that:

- The three companies shall submit a location map/sketch plan for each MPSA using NAMRIA topographic map at a scale of 1:50,000; and,

- The three companies shall file the renewal of the Exploration Period under the respective MPSA or submit a Declaration of Mining Project Feasibility (DMPF) Study pursuant to the terms and conditions of the MPSA.

The DENR-Mines and Geosciences Bureau further stated that the assigned portions of the MPSA shall be treated as separate MPSAs, subject to regular monitoring of the Mines and Geosciences Bureau Regional Office No. XIII

VMI

VMI has mining rights under MPSA No. 346-2010-IVA issued by the DENR on June 25, 2010. The MPSA covers a total area of 11,126 hectares located in Quezon and Camarines Norte. The term of the MPSA is for a period of 25 years until 2035. In December 2015, the exploration permit of VMI expired and the exploratory core drilling activities were put on hold. A letter of request for the renewal of exploration permit was sent by VMI to MGB. However, due to the peace and order situation in the contract area, VMI filed with the DENR-MGB a request for suspension of obligations pursuant to the MPSA due to *force majeure*. The request was granted by DENR-MGB on August 24, 2017 and will be valid for two years or up to August 23, 2019. On July 16, 2019, VIL wrote to DENR-MGB requesting for the extension of suspension of obligations as peace and order situation within the contract area is still unstable. After foregoing premises considered, the Order dated August 24, 2017 suspending the obligations of VMI is hereby extended for a period of two years starting from August 24, 2019 to August 23, 2021. Meanwhile, VMI continues to implement the remaining community development activities for its host communities.

- *Joint Operating Agreement*

  On June 21, 2007, PPC and PNPI executed a Deed of Assignment to assign the rights and obligations of the Joint Operating Agreement entered by Philippine Mining Development Corporation (PMDC) and PPC to PNPI. The assignment was approved by PMDC on January 11, 2008.

- *Special Economic Zone*

  On October 6, 1999, Presidential Proclamation No. 192 was issued creating and establishing the 106.5 hectare land situated in Nonoc Island, Surigao City as an economic zone to be known as the Philnico Industrial Estate Special Economic Zone. The Company is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 00-001.

Pursuant to its registration with PEZA as an economic zone developer/operator, the Company is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended.

As at December 31, 2019, Clariden is currently conducting metallurgical tests and additional technical studies to determine the optimal processing option for the nickel deposits.

Lease Commitments

- Group as Lessees under PAS 17

  Finance Leases

  As at January 1, 2019, assets classified as finance lease under PAS 17 and presented as part of "Property, plant and equipment - net" are reclassified to "Right-of-use assets - net" account in the consolidated statements of financial position (Notes 3, 4, 13 and 14).

  a. IPPA Agreements

     The IPPA Agreements provide the Group with a 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. In accounting for the Group's IPPA Agreements with PSALM, the Group's management has made a judgment that the IPPA Agreements are agreements that contains a finance lease. The Group's management has also made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants. Accordingly, the carrying amount of the Group's capitalized asset and related liability of P191,770 and P152,389, respectively, as at December 31, 2018, (equivalent to the present value of the minimum lease payments using the Group's incremental borrowing rates for US dollar and Philippine peso payments) are presented as part of "Property, plant and equipment - net" and "Lease liabilities" accounts in the consolidated statements of financial position (Notes 4 and 13).

     The carrying amount of the Group's capitalized asset and related liability of P185,839 and P127,425, respectively, are presented as part of "Right-of-use assets - net" and "Lease liabilities" accounts in the consolidated statements of financial position (Notes 4 and 14).

The Group's incremental borrowing rates are 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 Agreement and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P4,470, P5,165 and P5,680 in 2019, 2018 and 2017, respectively (Note 30).

The future minimum lease payments as at December 31, 2018 are as follows:

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US$268	P14,095	P12,836	P26,931
More than one year and not later than five years	1,054	55,400	50,478	105,878
Later than five years	360	18,937	17,275	36,212
	1,682	88,432	80,589	169,021
Less: Future finance charges on lease liabilities	146	7,672	8,960	16,632
Present values of lease liabilities	US$1,536	P80,760	P71,629	P152,389

The present values of minimum lease payments as at December 31, 2018 are as follows:

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US$228	P12,002	P10,419	P22,421
More than one year and not later than five years	964	50,658	44,963	95,621
Later than five years	344	18,100	16,247	34,347
	US$1,536	P80,760	P71,629	P152,389

b. 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 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 and P66 in 2019 and 2018, respectively (Note 30).

Upon adoption of PFRS 16, adjustment pertaining to MPPCL's land under lease arrangement amounted to P127 as at January 1, 2019. MPPCL's land under lease arrangement presented under "Right-of-use assets - net" account in the consolidated statements of financial position amounted to P108 as at December 31, 2019 (Notes 4 and 14).

Future minimum lease payments under finance lease with the present value of future minimum lease payments as at December 31, 2018 follow:

	Minimum Lease Payments	Present Value of Minimum Lease Payments
Not later than one year	P69	P69
More than one year but not more than five years	16	13
Later than five years	17	10
	102	92
Less: Future finance charges on lease liabilities	10	-
Present values of lease liabilities	P92	P92

c. Equipment

The Group's finance leases cover equipment needed for business operations of MNHPI. The agreements do not allow subleasing. The net carrying amount of leased assets is P137 as at December 31, 2018 (Notes 4 and 13).

The carrying amount of the leased asset as at April 26, 2019 was deconsolidated following the increase in the shareholdings of non-controlling interest of MNHPI (Note 5).

Interest expense amounted to P1, P7 and P10 in 2019, 2018 and 2017, respectively (Note 30).

The Group's share in the minimum lease payments for these lease liabilities as at December 31, 2018 are as follows:

	Minimum Lease Payable	Interest	Principal
Within one year	P42	P3	P39
After one year but not more than five years	20	1	19
	P62	P4	P58

Operating Leases

The Group leases a number of office, warehouse, factory facilities and parcels of land under operating leases. The leases typically run for a period of one to 16 years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

Non-cancellable operating lease rentals as at December 31, 2018 are payable as follows:

	2018
Within one year	P2,933
After one year but not more than five years	9,771
More than five years	21,462
	P34,166

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 14).

Rent expense recognized in the consolidated statements of income amounted to P5,253 and P5,002 in 2018 and 2017, respectively (Notes 4, 26 and 27).

- Group as Lessor

The Group has entered into operating leases on its investment property portfolio, consisting of surplus office spaces and leased property (Note 15) and certain service stations and other related structures and machinery and equipment, as well as leased property (Note 13). The leases have terms of three to ten years. 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:

Operating Leases under PFRS 16	**2019**
Within one year	**P1,421**
One to two years	**943**
Two to three years	**668**
Three to four years	**511**
Four to five years	**548**
More than five years	**7,809**
	P11,900

Operating Leases under PAS 17	2018
Within one year	P326
After one year but not more than five years	504
After five years	536
	P1,366

Rent income recognized in the consolidated statements of income amounted to P1,346, P785 and P1,307 in 2019, 2018 and 2017, respectively (Note 4 and 32).

35. Retirement Plans

SMC 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 SMC 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, 2019. 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 SMC and its subsidiaries. The Retirement Plans’ accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Balance at beginning of year	**P33,464**	P29,744	**(P32,787)**	(P32,216)	**(P3,321)**	(P3,188)	**(P2,644)**	(P5,660)
Benefit asset (obligation) of newly-acquired/deconsolidated subsidiaries	**(40)**	-	**143**	(165)	**-**	-	**103**	(165)
Recognized in profit or loss								
Service costs	**-**	-	**(1,169)**	(1,781)	**-**	-	**(1,169)**	(1,781)
Interest expense	**-**	-	**(2,330)**	(1,823)	**-**	-	**(2,330)**	(1,823)
Interest income	**2,401**	1,777	**-**	-	**-**	-	**2,401**	1,777
Interest on the effect of asset ceiling	**-**	-	**-**	-	**(247)**	(181)	**(247)**	(181)
Settlement gain (loss)	**-**	-	**(34)**	4	**-**	-	**(34)**	4
	2,401	1,777	**(3,533)**	(3,600)	**(247)**	(181)	**(1,379)**	(2,004)
Recognized in other comprehensive income								
Remeasurements								
Actuarial gains (losses) arising from:								
Experience adjustments	**-**	-	**(818)**	(2,557)	**-**	-	**(818)**	(2,557)
Changes in financial assumptions	**-**	-	**(476)**	3,698	**-**	-	**(476)**	3,698
Changes in demographic assumptions	**-**	-	**179**	(93)	**-**	-	**179**	(93)
Return on plan assets excluding interest income	**(4,088)**	(1,636)	**-**	-	**-**	-	**(4,088)**	(1,636)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**1,821**	48	**1,821**	48
	(4,088)	(1,636)	**(1,115)**	1,048	**1,821**	48	**(3,382)**	(540)
Others								
Contributions	**3,025**	5,513	**-**	-	**-**	-	**3,025**	5,513
Benefits paid	**(3,879)**	(1,960)	**3,989**	2,150	**-**	-	**110**	190
Transfers from other plans	**2**	18	**(2)**	(18)	**-**	-	**-**	-
Transfers to other plans	**(2)**	(18)	**2**	18	**-**	-	**-**	-
Other adjustments	**(18)**	26	**26**	(4)	**-**	-	**8**	22
	(872)	3,579	**4,015**	2,146	**-**	-	**3,143**	5,725
Balance at end of year	**P30,865**	P33,464	**(P33,277)**	(P32,787)	**(P1,747)**	(P3,321)	**(P4,159)**	(P2,644)

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 recognized in the consolidated statements of income by the Group amounted to P1,379, P2,004 and P1,833 in 2019, 2018 and 2017, respectively (Notes 29, 30 and 31).

As at December 31, 2019, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P2,496 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P154 and P6,501, respectively (Notes 20 and 22).

As at December 31, 2018, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P2,838 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P128 and P5,354, respectively (Notes 20 and 22).

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2019 and 2018.

The Group's plan assets consist of the following:

	In Percentages	
	2019	2018
Investments in marketable securities and shares of stock	**75.04**	74.16
Investments in pooled funds:		
Fixed income portfolio	**8.44**	8.95
Stock trading portfolio	**2.43**	4.09
Investments in real estate	**1.48**	1.32
Others	**12.61**	11.48

Investments in Marketable Securities

As at December 31, 2019, the plan assets include:

- 48,979,367 common shares and 2,875,200 Subseries "2-D", 4,133,190 Subseries "2-E", 8,038,270 Subseries "2-F", 103,730 Subseries "2-G", 264,840 Subseries "2-H" and 9,782,770 Subseries "2-I" preferred shares of SMC with fair market value per share of P164.00, P75.00, P77.00, P75.80, P76.00, P75.05 and P75.20, respectively;

- 744,248,797 common shares and 460,000 preferred shares of Petron with fair market value per share of P3.86 and P1,055.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 22,491,570 common shares of GSMI with fair market value per share of P38.00;

- 8,166,480 common shares of SMFB with fair market value per share of P85.00;

- 250,700 preferred shares of SMFB with fair market value per share of P997.00;

- 300 common shares of SMPI with fair market value per share of P134.12; and

- 5,975,541 common shares of the Parent Company with fair market value per share of P214.00.

As at December 31, 2018, the plan assets include:

- 48,631,227 common shares and 30,338,650 Subseries “2-B”, 2,872,500 Subseries “2-D”, 4,133,190 Subseries “2-E”, 8,038,270 Subseries “2-F”, 75,630 Subseries “2-G”, 264,840 Subseries “2-H” and 6,356,670 Subseries “2-I” preferred shares of SMC with fair market value per share of P147.00, P75.00, P74.95, P73.00, P75.00, P74.90, P74.50 and P73.50, respectively;

- 744,178,797 common shares and 290,470 preferred shares of Petron with fair market value per share of P7.71 and P980.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 23,891,570 common shares of GSMI with fair market value per share of P26.75;

- 2,269,980 common shares of SMFB with fair market value per share of P82.00;

- 250,700 preferred shares of SMFB with fair market value per share of P997.00;

- 300 common shares of SMPI with fair market value per share of P134.12; and

- 5,975,541 common shares of the Parent Company with fair market value per share of P249.80.

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 the Parent Company, SMC and its subsidiaries amounting to (P1,811), P97 and P794 in 2019, 2018 and 2017, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P495, P515 and P474 in 2019, 2018 and 2017, respectively.

Investments in Shares of Stock

a. BOC

   San Miguel Corporation Retirement Plan (SMCRP) has 39.94% equity interest in BOC representing 44,834,286 common shares, accounted for under the equity method, amounting to P9,684 and P9,407 as at December 31, 2019 and 2018, respectively. SMCRP recognized its share in total comprehensive income (loss) of BOC amounting to P277 and (P189) in 2019 and 2018, respectively.

b. BPI

   The Group’s plan assets also include San Miguel Brewery Inc. Retirement Plan’s investment in 4,708,494 preferred shares of stock of BPI, measured using cost method since cost approximates fair value, amounting to P859 and P769 as at December 31, 2019 and 2018, respectively.

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 80% and 72% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2019 and 2018, respectively.

Approximately 68% and 76% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2019 and 2018, 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 P633 and P634 as at December 31, 2019 and 2018, respectively.

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 P1,933 to the Retirement Plans in 2020.

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	
	2019	2018
Discount rate	**4.40 - 7.75**	5.50 - 8.50
Salary increase rate	**5.00 - 8.00**	5.00 - 8.00

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 3.7 to 23.70 years and 2 to 21 years as at December 31, 2019 and 2018, respectively.

As at December 31, 2019 and 2018, 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			
	2019		2018	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,747)**	**P2,043**	(P1,709)	P1,985
Salary increase rate	**2,214**	**(1,939)**	2,153	(1,908)

The outstanding balances of the Group's receivable from the retirement plans are as follows:

a. SMC has advances to SMCRP amounting to P7,304 and P7,117 as at December 31, 2019 and 2018, 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 of 5.75% in 2019 and 2018 (Note 31).

b. Petron has advances to PCERP amounting to P1,971 and P2,399 as at December 31, 2019 and 2018, 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 of 5% in 2019 and 2018 (Note 31).

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as at December 31, 2019 and 2018 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 2019, 2018 and 2017.

36. Cash Dividends

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

2019

Date of Declaration	**Date of Record**	**Date of Payment**	**Dividend per Share**
March 14, 2019	March 14, 2019	March 15, 2019	**P279.00**
May 9, 2019	May 9, 2019	May 10, 2019	**279.00**
August 8, 2019	August 8, 2019	August 9, 2019	**139.50**
November 7, 2019	November 7, 2019	November 8, 2019	**279.00**

2018

Date of Declaration	Date of Record	Date of Payment	Dividend per Share
March 15, 2018	March 15, 2018	March 16, 2018	P279.00
August 9, 2018	August 9, 2018	August 10, 2018	279.00
November 13, 2018	November 13, 2018	November 14, 2018	418.50

On March 12, 2020, the BOD of the Parent Company declared cash dividends at P279.00 per share to preferred shareholders of record as at March 12, 2020 to be paid on March 13, 2020.

37. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

	Note	**2019**	2018	2017
Net income attributable to equity holders of the Parent Company		**P9,604**	P7,000	P12,318
Dividends on CPS	*24*	**(1,618)**	(1,618)	(1,618)
Net income attributable to common shareholders of the Parent Company (a)		**P7,986**	P5,382	P10,700
Weighted average number of common shares outstanding (in millions) (b)		**330**	330	330
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)		**P24.18**	P16.29	P32.39

**Earnings per share are computed based on amounts in nearest peso.*

As at December 31, 2019, 2018 and 2017, the Group 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):

	2019	2018	2017
Trade and other receivables - net	**(P10,710)**	(P10,217)	(P10,665)
Inventories	**(8,948)**	(15,598)	(19,580)
Prepaid expenses and other current assets	**6,025**	(10,879)	(3,154)
Accounts payable and accrued expenses	**30,905**	(5,670)	11,346
Income and other taxes payable and others	**(3,720)**	3,020	3,196
	P13,552	(P39,344)	(P18,857)

b. Acquisition of subsidiaries

	Note	**2019**	2018	2017
Cash and cash equivalents		**P301**	P1,715	P29
Trade and other receivables - net		**285**	2,679	897
Inventories		**326**	2,577	172
Prepaid expenses and other current assets		**154**	1,639	(264)
Investments and advances - net		**-**	190	-
Property, plant and equipment - net	*13*	**1,959**	62,323	1,186
Right-of-use assets - net	*14*	**179**	-	-
Investment property - net	*15*	**-**	90	707
Other intangible assets - net	*17*	**8**	80	-
Deferred tax assets		**12**	66	47
Other noncurrent assets - net		**387**	3,095	-
Loans payable		**-**	(2,344)	-
Accounts payable and accrued expenses		**(899)**	(9,951)	(1,233)
Income and other taxes payable		**(24)**	(234)	(63)
Long-term debt - net of debt issue costs		**(48)**	(31,952)	-
Deferred tax liabilities		**(1)**	(116)	(43)
Lease liabilities		**(193)**	(31)	-
Other noncurrent liabilities		**-**	(210)	-
Non-controlling interests		**(45)**	(198)	-
Net assets		**2,401**	29,418	1,435
Cash and cash equivalents		**(301)**	(1,715)	(29)
Goodwill in subsidiaries	*4, 17*	**53**	70,384	1,162
Investments and advances		**(745)**	(30)	-
Net cash flows		**P1,408**	P98,057	P2,568

c. Changes in liabilities arising from financing activities

	Loans Payable	**Long-term Debt**	**Lease Liabilities**	**Dividends Payable**
Balance as at January 1, 2019, as adjusted	**P192,968**	**P617,545**	**P174,685**	**P3,491**
Changes from Financing Activities				
Proceeds from borrowings	**1,435,706**	**158,746**	**-**	**-**
Payments of borrowings	**(1,445,924)**	**(85,968)**	**-**	**-**
Payments of lease liabilities	**-**	**-**	**(20,673)**	**-**
Dividends and distributions paid	**-**	**-**	**-**	**(28,450)**
Total Changes from Financing Activities	**(10,218)**	**72,778**	**(20,673)**	**(28,450)**
The Effect of Changes in Foreign Exchange Rates	**(674)**	**(9,417)**	**(2,889)**	**-**
Acquisition of Subsidiaries and Other Changes	**(3,569)**	**1,755**	**(1,286)**	**28,525**
Balance as at December 31, 2019	**P178,507**	**P682,661**	**P149,837**	**P3,566**

	Loans Payable	Long-term Debt	Finance Lease Liabilities	Dividends Payable
Balance as at January 1, 2018	P158,064	P399,711	P168,388	P3,878
Changes from Financing Activities				
Proceeds from borrowings	1,032,344	242,405	-	-
Payments of borrowings	(999,627)	(65,591)	-	-
Payments of ease liabilities	-	-	(25,698)	-
Dividends and distributions paid	-	-	-	(27,503)
Total Changes from Financing Activities	32,717	176,814	(25,698)	(27,503)
The Effect of Changes in Foreign Exchange Rates	(157)	7,951	4,648	-
Acquisition of Subsidiaries and Other Changes	2,344	33,069	5,201	27,116
Balance as at December 31, 2018	P192,968	P617,545	P152,539	P3,491

39. Share-Based Transactions

ESPP

Under the ESPP, 80,396,659 shares (inclusive of stock dividends declared) of SMC's unissued shares have been reserved for the employees of the Group. All permanent Philippine-based employees of the Group, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to SMC until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date.

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP or convert such shares to treasury stock of SMC. As at December 31, 2019 and 2018, 3,478,400 common shares which were cancelled under the ESPP are held in treasury of SMC.

There were no shares of SMC offered under the ESPP in 2019 and 2018.

LTIP

SMC also maintains LTIP for the executives of the Group. The options are exercisable at the fair market value of SMC shares as at the date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 54,244,905 shares of SMC, inclusive of stock dividends declared, are reserved for the LTIP over its ten-year life. The LTIP is administered by the Executive Compensation Committee of SMC's BOD.

There were no LTIP offered to executives in 2019 and 2018.

There were no options outstanding as at December 31, 2019 and December 31, 2018.

The stock options granted under the LTIP cannot be assigned or transferred by a participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the second year and the remaining option lot is fully vested on the third year.

Vested stock options may be exercised at any time, up to a maximum of eight years from the date of grant. All unexercised stock options after this period are considered forfeited.

40. 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:

- Interest Rate Risk
- Foreign Currency Risk
- 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, financial assets at FVOCI, financial assets at amortized cost, 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 commodity and currency 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, 2019	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P24,567**	**P46,288**	**P65,491**	**P53,914**	**P88,870**	**P138,315**	**P417,445**
Interest rate	**4.9925% - 12.00%**	**4.0032% - 9.885%**	**4.8243% - 9.885%**	**4.5219% - 9.885%**	**4.63% - 9.885%**	**5.1792% - 9.885%**	
Foreign currency-denominated (expressed in Philippine peso)	**2,467**	**2,638**	**1,891**	**32,855**	**1,117**	**13,368**	**54,336**
Interest rate	**4.7776% - 5.5959%**	**4.7776% - 5.5959%**	**4.7776% - 5.5959%**	**4.7776% - 5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Philippine peso-denominated	**1,034**	**1,719**	**2,714**	**1,042**	**162**	**12,000**	**18,671**
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)	**16,394**	**37,404**	**26,375**	**100,241**	**13,510**	**5,825**	**199,749**
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**	
	P44,462	**P88,049**	**P96,471**	**P188,052**	**P103,659**	**P169,508**	**P690,201**

December 31, 2018	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P29,488	P28,159	P51,765	P49,110	P49,465	P161,404	P369,391
Interest rate	5.4583% - 12.00%	4.9925% - 8.6615%	4.0032% - 9.885%	4.8243% - 9.885%	4.5219% - 9.885%	5.1792% - 9.885%	
Foreign currency-denominated (expressed in Philippine peso)	1,949	2,477	2,607	1,838	33,965	12,222	55,058
Interest rate	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	5.5959%	
Floating Rate							
Philippine peso-denominated	1,239	985	1,503	2,347	726	-	6,800
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	-	
Foreign currency-denominated (expressed in Philippine peso)	23,558	20,051	26,404	14,956	99,541	8,756	193,266
Interest rate	LIBOR + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin	
	P56,234	P51,672	P82,279	P68,251	P183,697	P182,382	P624,515

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 P2,184, P2,001 and P1,037 in 2019, 2018 and 2017, 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, 2019		December 31, 2018	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$3,471**	**P175,846**	US$2,444	P128,554
Trade and other receivables	**790**	**40,020**	770	40,482
Prepaid expenses and other current assets	**11**	**545**	17	926
Noncurrent receivables	**20**	**1,006**	87	4,552
	4,292	**217,417**	3,318	174,514
Liabilities				
Loans payable	**215**	**10,832**	821	43,147
Accounts payable and accrued expenses	**1,839**	**93,100**	1,475	77,574
Long-term debt (including current maturities)	**5,018**	**254,085**	4,722	248,324
Lease liabilities (including current portion)	**1,368**	**69,286**	1,499	78,799
Other noncurrent liabilities	**474**	**24,029**	457	24,040
	8,914	**451,332**	8,974	471,884
Net foreign currency-denominated monetary liabilities	**(US$4,622)**	**(P233,915)**	(US$5,656)	(P297,370)

The Group reported net gains (losses) on foreign exchange amounting to P6,984, (P11,723) and P55 in 2019, 2018 and 2017, 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, 2019	**50.64**
December 31, 2018	52.58
December 31, 2017	49.93

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, 2019	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P3,041)**	**(P2,554)**	**P3,041**	**P2,554**
Trade and other receivables	**(232)**	**(495)**	**232**	**495**
Prepaid expenses and other current assets	**(8)**	**(8)**	**8**	**8**
Noncurrent receivables	**(18)**	**(14)**	**18**	**14**
	(3,299)	**(3,071)**	**3,299**	**3,071**
Loans payable	**125**	**178**	**(125)**	**(178)**
Accounts payable and accrued expenses	**1,257**	**1,461**	**(1,257)**	**(1,461)**
Long-term debt (including current maturities)	**4,220**	**3,752**	**(4,220)**	**(3,752)**
Lease liabilities (including current portion)	**1,345**	**965**	**(1,345)**	**(965)**
Other noncurrent liabilities	**448**	**368**	**(448)**	**(368)**
	7,395	**6,724**	**(7,395)**	**(6,724)**
	P4,096	**P3,653**	**(P4,096)**	**(P3,653)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2018	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,031)	(P1,835)	P2,031	P1,835
Trade and other receivables	(262)	(740)	262	740
Prepaid expenses and other current assets	(8)	(16)	8	16
Noncurrent receivables	(30)	(77)	30	77
	(2,331)	(2,668)	2,331	2,668
Loans payable	575	649	(575)	(649)
Accounts payable and accrued expenses	937	1,404	(937)	(1,404)
Long-term debt (including current maturities)	4,016	3,517	(4,016)	(3,517)
Finance lease liabilities (including current portion)	785	1,050	(785)	(1,050)
Other noncurrent liabilities	307	366	(307)	(366)
	6,620	6,986	(6,620)	(6,986)
	P4,289	P4,318	(P4,289)	(P4,318)

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.

SMC 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, 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, 2019	**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	**P286,677**	**P286,677**	**P286,677**	**P -**	**P -**	**P -**
Trade and other receivables - net	**132,907**	**132,907**	**132,907**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**1,158**	**1,158**	**917**	**91**	**150**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**284**	**284**	**284**	**-**	**-**	**-**
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**5,953**	**5,962**	**44**	**82**	**46**	**5,790**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**257**	**277**	**79**	**71**	**127**	**-**

Forward

December 31, 2019	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Over 5 Years**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**P25,748**	**P26,399**	**P -**	**P379**	**P25,532**	**P488**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**12,514**	**12,514**	**6,256**	**6,258**	**-**	**-**
Financial Liabilities						
Loans payable	**178,507**	**179,252**	**179,252**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	**185,334**	**185,660**	**185,660**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**3,122**	**3,122**	**1,678**	**1,355**	**89**	**-**
Long-term debt (including current maturities)	**682,661**	**852,558**	**80,816**	**120,716**	**451,819**	**199,207**
Lease liabilities (including current portion)	**149,837**	**171,108**	**35,131**	**31,509**	**68,450**	**36,018**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, deferred income, accrual for mine rehabilitation and decommissioning and other noncurrent non-financial liabilities)	**27,639**	**27,650**	**-**	**17,313**	**9,219**	**1,118**

December 31, 2018	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	P243,545	P243,545	P243,545	P -	P -	P -
Trade and other receivables - net	125,042	125,042	125,042	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	1,545	1,545	1,174	371	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	254	254	254	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	5,937	6,026	60	46	235	5,685
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	226	247	49	77	121	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	19,221	19,516	-	2,870	16,304	342
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	14,032	14,032	9,038	4,994	-	-

Forward

December 31, 2018	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Liabilities						
Loans payable	P192,968	P193,914	P193,914	P -	P -	P -
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	158,415	158,724	158,724	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	2,495	2,495	1,929	566	-	-
Long-term debt (including current maturities)	617,545	783,282	89,247	82,220	400,027	211,788
Finance lease liabilities (including current portion)	152,539	169,173	27,042	29,698	76,222	36,211
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, deferred income, accrual for mine rehabilitation and decommissioning and other noncurrent non-financial liabilities)	29,216	31,709	-	17,776	9,330	4,603

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 non-current 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	**2019**	2018
Cash and cash equivalents (excluding cash on hand)	*7*	**P283,727**	P240,014
Trade and other receivables - net	*8*	**132,907**	125,042
Derivative assets	*10, 18*	**1,158**	1,545
Financial assets at FVOCI	*10, 12*	**163**	206
Financial assets at amortized cost	*10, 12*	**257**	226
Noncurrent receivables and deposits - net	*18*	**25,748**	19,221
Restricted cash	*10, 18*	**12,514**	14,032
		P456,474	P400,286

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.

	2019					
	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)	**P283,727**	**P -**	**P -**	**P -**	**P -**	**P283,727**
Trade and other receivables	**132,907**	**-**	**12,715**	**-**	**-**	**145,622**
Derivative assets	**-**	**-**	**-**	**882**	**276**	**1,158**
Investment in debt instruments at FVOCI	**-**	**-**	**-**	**-**	**163**	**163**
Investment in debt instruments at amortized cost	**71**	**186**	**-**	**-**	**-**	**257**
Noncurrent receivables and deposits	**-**	**25,748**	**724**	**-**	**-**	**26,472**
Restricted cash	**6,256**	**6,258**	**-**	**-**	**-**	**12,514**

	2018					
	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)	P240,014	P -	P -	P -	P -	P240,014
Trade and other receivables	125,042	-	13,223	-	-	138,265
Derivative assets	-	-	-	1,159	386	1,545
Investment in debt instruments at FVOCI	-	-	-	-	206	206
Investment in debt instruments at amortized cost	40	186	-	-	-	226
Noncurrent receivables and deposits	-	19,221	493	-	-	19,714
Restricted cash	9,038	4,994	-	-	-	14,032

The aging of receivables is as follows:

December 31, 2019	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P63,321**	**P23,884**	**P10,161**	**P97,366**
Past due:				
1 - 30 days	**8,510**	**1,972**	**380**	**10,862**
31 - 60 days	**2,415**	**396**	**14**	**2,825**
61 - 90 days	**853**	**1,327**	**23**	**2,203**
Over 90 days	**11,733**	**19,630**	**1,003**	**32,366**
	P86,832	**P47,209**	**P11,581**	**P145,622**

December 31, 2018	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P52,659	P22,353	P10,318	P85,330
Past due:				
1 - 30 days	8,450	1,048	340	9,838
31 - 60 days	2,800	3,398	9	6,207
61 - 90 days	1,071	1,710	2	2,783
Over 90 days	11,540	21,749	818	34,107
	P76,520	P50,258	P11,487	P138,265

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, financial assets at FVOCI, financial assets 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.

<u>Financial and Other Risks Relating to Livestock</u>
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 defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

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.

41. 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, 2019		December 31, 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P286,677**	**P286,677**	P243,545	P243,545
Trade and other receivables - net	**132,907**	**132,907**	125,042	125,042
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**1,158**	**1,158**	1,545	1,545
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**284**	**284**	254	254
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**5,953**	**5,953**	5,937	5,937
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**257**	**257**	226	226

Forward

	December 31, 2019		December 31, 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**P25,748**	**P25,748**	P19,221	P19,221
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**12,514**	**12,514**	14,032	14,032
Financial Liabilities				
Loans payable	**178,507**	**178,507**	192,968	192,968
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	**185,334**	**185,334**	158,415	158,415
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**3,122**	**3,122**	2,495	2,495
Long-term debt (including current maturities)	**682,661**	**735,514**	617,545	623,889
Lease liabilities (including current portion)	**149,837**	**149,837**	152,539	152,539
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, deferred income, accrual for mine rehabilitation and decommissioning and other noncurrent non-financial liabilities)	**27,639**	**27,639**	29,216	29,216

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 3.1% to 4.5% and 5.2% to 7.1% as at December 31, 2019 and 2018, respectively. The discount rates used for foreign currency-denominated loans range from 1.6% to 2.0% and 2.5% to 3.0% as at December 31, 2019 and 2018, 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, 2019	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk				
Call spread swaps				
Notional amount	**US$129**	**US$186**	**US$133**	**US$448**
Average strike rate	**P52.71 to P55.55**	**P52.95 to P56.15**	**P52.59 to P56.15**	
Foreign currency and interest rate risk				
Cross currency swap				
Notional amount	**US$20**	**US$40**	**US$280**	**US$340**
Strike rate	**P47.00 to P57.50**	**P47.00 to P57.00**	**P47.00 to P56.67**	
Fixed interest rate	**4.19% to 5.75%**	**4.19% to 5.75%**	**4.19% to 5.80%**	
Interest rate risk				
Interest rate collar				
Notional amount	**US$ -**	**US$30**	**US$75**	**US$105**
Interest rate	**-**	**0.44% to 1.99%**	**0.44% to 1.99%**	

	Maturity			
December 31, 2018	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign currency risk				
Currency forwards				
Notional amount	US$15	US$ -	US$ -	US$15
Average forward rate	P54.27	P -	P -	
Call spread swaps				
Notional amount	US$22	US$65	US$220	US$307
Average strike rate	P53.87 to P57.37	P53.94 to P57.05	P52.95 to P57.16	
Foreign currency and interest rate risk				
Cross currency swap				
Notional amount	US$ -	US$ -	US$120	US$120
Strike rate	P -	P -	P54.31	
Fixed interest rate	-	-	5.80%	

The following are the amounts relating to hedged items:

December 31, 2019	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US dollar-denominated borrowings	**P200**	**P -**	**(P178)**
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	**1,224**	**(1,009)**	**499**
Interest rate risk:			
US dollar-denominated borrowings	**(7)**	**5**	**-**

December 31, 2018	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	P11	P -	(P77)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	1,020	(538)	419

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, 2019	**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$448**	**P231**	**P356**	Prepaid expenses and other current assets, Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	**(P200)**	**(P435)**	**P -**	**P307**	Interest expense and other financing charges, and Other income (charges) - net
Foreign currency and interest rate risk:									
Cross currency swap	**340**	**37**	**1,475**	Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	**(1,224)**	**50**	**721**	**65**	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk:									
Interest rate collar	**105**	**7**	**-**	Other noncurrent assets - net and Accounts payable and accrued expenses	**7**	**-**	**-**	**-**	

December 31, 2018	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:									
Currency forwards	US$15	P -	P15	Accounts payable and accrued expenses	(P11)	(P4)	P11	P7	Other income (charges) - net
Call spread swaps	307	386	332	Prepaid expenses and other current assets, Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	-	(183)	-	70	Interest expense and other financing charges, and Other income (charges) - net
Foreign currency and interest rate risk:									
Cross currency swap	120	-	377	Other noncurrent liabilities	(1,020)	598	252	-	Interest expense and other financing charges, and Other income (charges) - net

No ineffectiveness was recognized in the 2019 and 2018 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.

	2019		2018	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**(P538)**	**P342**	P -	P -
Changes in fair value:				
Foreign currency risk	**-**	**(435)**	(11)	(187)
Foreign currency risk and interest rate risk	**(1,394)**	**50**	(1,020)	598
Interest rate risk	**7**	**-**	-	-
Amount reclassified to profit or loss	**721**	**372**	263	77
Tax effect	**200**	**(8)**	230	(146)
Ending balance	**(P1,004)**	**P321**	(P538)	P342

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

As at December 31, 2019 and 2018, the Group has outstanding interest rate swap with notional amount of US$300. Under the agreement, the Group receives quarterly floating interest rate based on LIBOR and pays annual fixed interest rate adjusted based on a specified index up to March 2020. The negative fair value of the swap amounted to P730 and P1,104 as at December 31, 2019 and 2018, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$770 and US$969 as at December 31, 2019 and 2018, respectively, and with various maturities in 2020 and 2019, respectively. The net negative fair value of these currency forwards amounted to P175 and P297 as at December 31, 2019 and 2018, respectively.

Currency Options

The Group has outstanding currency options with aggregate notional amount of US$1,278 and US$370 as at December 31, 2019 and 2018, respectively, and with various maturities in 2020 and 2019. The negative fair value of these currency options amounted to P53 and P10 as at December 31, 2019 and 2018, respectively.

Commodity Swaps
The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2019. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps is 1,500 metric tons as at December 31, 2018. The negative fair value of these swaps amounted to P10 as at December 31, 2018. The Group has minimal outstanding commodity swaps on the purchase of aluminum as at December 31, 2019.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2020 and 2019. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding equivalent notional quantity covered by the commodity swaps were 12.5 and 17.0 million barrels as at December 31, 2019 and 2018, respectively. The net positive fair value of these swaps amounted to P331 and P489 as at December 31, 2019 and 2018, respectively.

The Group has outstanding fixed swap agreements covering its coal requirements, with various maturities in 2020 and 2019. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 233,000 and 60,000 metric tons as at December 31, 2019 and 2018, respectively. The positive (negative) fair value of these swaps amounted to (P3) and P96 as at December 31, 2019 and 2018, respectively.

Commodity Options
As at December 31, 2018, the Group has outstanding three-way options entered as hedge of forecasted purchases of crude oil with a notional quantity of 0.15 million barrels. The positive fair value of these commodity options amounted to P137 as at December 31, 2018. As at December 31, 2019, the Group has no outstanding three-way options entered as hedge of forecasted purchases of crude oil.

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$188 and US$187 as at December 31, 2019 and 2018, 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 positive fair value of these embedded currency forwards amounted to P220 and P87 as at December 31, 2019 and 2018, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P3,308), P805, and (P3,665) in 2019, 2018 and 2017, respectively (Note 32).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2019	2018
Balance at beginning of year	**(P950)**	(P3,154)
Net change in fair value of derivatives:		
Designated as accounting hedge	**(1,807)**	(453)
Not designated as accounting hedge	**(3,054)**	853
	(5,811)	(2,754)
Less fair value of settled instruments	**(3,847)**	(1,804)
Balance at end of year	**(P1,964)**	(P950)

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, 2019			December 31, 2018		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P1,158**	**P1,158**	P -	P1,545	P1,545
Financial assets at FVPL	**-**	**284**	**284**	-	254	254
Financial assets at FVOCI	**443**	**5,510**	**5,953**	386	5,551	5,937
Financial Liabilities						
Derivative liabilities	**-**	**3,122**	**3,122**	-	2,495	2,495

The Group has no financial instruments valued based on Level 3 as at December 31, 2019 and 2018. In 2019 and 2018, 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.

42. Events after the Reporting Date

SMC

a. *Commercial Papers Program*

   On February 6, 2020, SMC filed with the SEC, a registration statement, together with the prospectus, for the planned P60,000 Commercial Papers Program, with an initial offer of P15,000 Series A Commercial Papers with an over subscription option of up to P5,000.

b. *Redemption of Series 1 Preferred Shares*

   On March 12, 2020, the BOD of SMC approved the redemption of all the outstanding Series “1” Preferred Shares (SMCP1) totaling 279,406,667 shares on April 14, 2020. The redemption price shall be the issue price of P75.00 per share, plus any accumulated unpaid cash dividends.

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

SMFB

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

   The bonds were issued and listed in the PDEx on March 10, 2020.

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

   The proceeds will be used to redeem Series 2 preferred shares of SMFB and payment of transaction-related fees, costs and expenses.

b. On March 10, 2020, SMBIL and San Miguel (China) Investment Company Limited, the shareholders of SMBB, passed a resolution approving the dissolution of SMBB. SMBB has stopped operations and production activities and started the liquidation process from the date of the resolution.

SMYPC and CCEC

On February 1, 2020, a manufacturing plant of SMYPC in Pandacan, Manila was severely damaged by fire. The fire also damaged a portion of Skyway Stage 3 Project which was supposed to be accessible to motorists by April 2020.

Surveyors are in the process of assessing the extent of the loss, following which a claim will be filed for reimbursement with the insurance company.

Effect of Coronavirus Disease 2019 (COVID-19)

There are reported cases of the COVID-19 in the Philippines as of the start of March 2020. A significant increase in COVID-19 cases and imposition by the national and local government of measures to contain its spread in the country will possibly affect the country's economic performance which may impact the Group's businesses and consolidated financial results in 2020. The Group however sees this to be temporary and demand is expected to gradually recover to pre-COVID-19 levels.

The extent of the consequences, including the financial effect to the Group, will depend on certain developments, including the duration of the spread of COVID-19, impact on the Group's customers, suppliers and accessibility and effectiveness of government support programs, all of which are uncertain and cannot be determined as at the date of the issuance of the financial statements. Accordingly, the Group cannot reliably estimate the impact on its financial position and results of operations.

43. Registration with the Board of Investments (BOI)

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 National Grid Corporation of the Philippines. 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 has a pending request with BOI on the further extension of the ITH reckoning date from July 2016 to September 2017. 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 (formerly LPPC) was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW CFB 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.

  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.

- 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 August 24, 2016, SMCGP Philippines Energy received the BOI approval for the application as new operator of 2 x 20MW Kabankalan Advancion Energy Storage Array on a pioneer status. SMCGP Philippines Energy, 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, SMCGP Philippines Energy filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. The said request for extension is still under evaluation by the BOI. The incentives shall be limited to the specific terms and conditions of SMCGP Philippines Energy's BOI registration.

- On April 24, 2019, MPGC was registered with Freeport Area of Bataan (FAB) as engaged in business of producing and generating electricity, processing fuels alternative for power generation, among others. As FAB enterprise, MPGC will operate a 4 x 150 MW power plant. As such, FAB granted MPGC certain incentives that include, among others, an ITH for four years for each unit effective on the committed date of start of commercial operations or actual date of start of commercial operations, whichever is earlier.

- On November 28, 2019, the BOI approved the application of UPSI as new operator of BESS Component of Integrated Renewable Power Facility (R-Hub) covering various sites across the Philippines. Each registered site was granted with certain incentives including ITH, among others.

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 July 26, 2016, the ERC approved the renewal of MPPCL's RES License, valid from August 2, 2016 to August 1, 2021.

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.

b. SMFB

SMFI
SMFI is registered with the BOI for certain feedmill, poultry, meats and ready-to-eat projects. In accordance with the provisions of EO No. 226, the projects are entitled, among others, to the following incentives:

- *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 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, 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. SMFI last availment of ITH for this project was in 2016.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered on a non-pioneer status on April 14, 2016 under 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 on a non-pioneer status on April 14, 2016 under 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, BOI approved SMFI's request to move 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 on a non-pioneer status on November 10, 2015 under 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, BOI approved SMFI's request to move Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019.

- SMFI has the following poultry projects registered with the BOI under E.O. No. 226.

  a. *New Producer of Whole Dressed Chicken and Further Processed (Marinated, Deboned) Chicken Parts.* The Sta. Cruz, Davao poultry project (Davao Poultry Project) was registered on a non-pioneer status on February 3, 2017 under Registration No. 2017-035.

  b. *New Producer of Whole Dressed Chicken and Further Processed (Marinated, Deboned) Chicken Parts.* The Pagbilao, Quezon poultry project (Quezon Poultry Project) was registered on a non-pioneer status on March 30, 2017 under Registration No. 2017-082.

  Due to certain developments which were significantly different from the original project plans, SMFI submitted on September 19, 2018 a letter requesting cancellation of the registrations. On October 10, 2018, the BOI approved SMFI's request to cancel the registrations of the above-mentioned poultry projects.

- *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered on a non-pioneer status on December 13, 2017 under 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.

SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the Authority of Freeport Area of Bataan (AFAB) as a Manufacturer of Feeds for Poultry, Livestock and Marine Species. AFAB Certificate of Registration is valid for a period of one year from issuance and renewable annually subject to qualifications as determined by AFAB.

The Bataan Feedmill Project was registered with AFAB on January 6, 2017 under Registration No. 2017-057. Thereafter, the project's AFAB registration 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, 2020	2020-047	2020

Under the terms of SMFI's AFAB registration, 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.

<u>PF-Hormel</u>
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.

<u>SMMI</u>
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-Product (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 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.

Golden Bay Grain Terminal Corporation (GBGTC)
GBGTC was registered with the BOI under Registration No. 2012-223 on a non-pioneer status as a New Operator of Warehouse for its grain terminal project in Mabini, Batangas on October 19, 2012.

Under the terms of GBGTC's BOI registration and subject to certain requirements as provided in EO No. 226, GBGTC is entitled to incentives which include, among others, ITH for a period of four years from July 2013 until June 2017.

Pursuant to BOI Circular No. 2014-01, GBGTC is still required to continue submission of annual reports to the BOI for a period of five years from the last year of ITH availment. GBGTC's last availment of ITH for this project was in 2017.

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:

- 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.

- Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.

- 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.

- 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.

- Exemption from real property tax on production equipment or machinery.

- Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operations on January 1, 2016 and Petron availed of the ITH in 2017 and 2018. No availment was made in 2019.

On August 19, 2019, the BOI approved Petron's application for the ITH incentive. The approval also covers the claim for income tax exemption in Petron's 2018 Income Tax Return, subject to adjustment, if any, after the completion of the audit by the BIR.

Certificates of entitlement have been timely obtained by Petron to support its ITH credits in 2018 and 2017.

d. SMCSLC

SMCSLC 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*

- *Operation of Brand New Domestic/Inter-Island Shipping Vessel (M/T SL Beluga).* The project was registered on February 20, 2013, where SMCSLC is entitled to ITH for six years from February 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentive shall be limited only to the revenue generated by the registered project.

- *Operation of New Domestic/Inter-Island Shipping Operator Vessel (M/V SL Venus 8).* The project was registered on February 27, 2014, where SMCSLC is entitled to ITH for four years from February 2014 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentive shall be limited only to the sales/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. *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.

iv. *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 above may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

e. SLHBTC

In 2014, SLHBTC's registration with the BOI as an oil terminal for storage and bulk marketing of petroleum products in its Main Office located at Tondo, Manila was granted with Registration No. 2013-068. In 2015, SLHBTC also 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 the 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 (Tondo and 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 the 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.

f. Molave Tanker Corporation (MTC)

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*

- *Operation of 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 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, 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.

g. Balyena Tanker Corporation (BTC)

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 incentive 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 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* (*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 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.

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 the 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.

h. Narra Tanker Corporation (NTC)

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 incentive 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.

i. SMNCI

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 the date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration.

viii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

44. 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.

- 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 case remains pending with the SEC to date.

- Treasury Shares of SMC

  A portion of the total treasury shares of SMC came from 25,450,000 common shares with an acquisition cost of P481, [net of the cost of the 1,000,000 shares paid to the Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] which were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by SMC with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the common shares of SMC under an agreement executed on March 26, 1986.

  Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan Resolution requiring SMC to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares (the “Sandiganbayan Resolution”).

On October 10, 2000, SMC filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than SMC, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote SMC to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan Resolution upheld by the Supreme Court. SMC referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD of SMC on December 4, 2003 the financial impact of compliance with the resolution considering “with and without due compensation” scenarios, and applying different rates of return to the original amount paid by SMC. The financial advisor stated that if SMC is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2,100; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD of SMC that, among others, the facts reviewed showed that: (a) the compromise shares had not been validly sequestered; (b) no timely direct action was filed to nullify the transaction; (c) no rescission can be effected without a return of consideration; and (d) more importantly, requiring SMC to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which SMC is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that SMC has “legal and equitable grounds to challenge the enforcement” of the Sandiganbayan Resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that SMC should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Civil Case No. 0033-F), the forfeiture case brought by the Government involving the so-called CIIF block of SMC shares of stock of which the treasury shares were no longer a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of SMC shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of SMC unanimously decided to: (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of SMC and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed SMC's intervention, the Sandiganbayan's disposition of the so-called CIIF block of SMC shares in favor of the Government cannot bind SMC, and that SMC remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions: (i) recognized SMC's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that SMC and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation.

The Executive Committee of SMC approved the recommendation of external legal counsel on January 18, 2008 which was ratified by the BOD of SMC on March 6, 2008.

On July 23, 2009, the stockholders of SMC approved the amendment of the Articles of Incorporation to issue Series "1" preferred shares, and the offer to exchange common shares to Series "1" preferred shares. The PCGG, with the approval of the Supreme Court in its Resolution dated September 17, 2009, converted the sequestered common shares in SMC in the name of the CIIF Holding Companies, equivalent to 24% of the outstanding capital stock, into Series "1" preferred shares.

On February 11, 2010, the Supreme Court, amending its Resolution dated September 17, 2009, authorized the PCGG to exercise discretion in depositing in escrow, the net dividend earnings on, and/or redemption proceeds from, the Series "1" preferred shares of SMC, either with the Development Bank of the Philippines/Land Bank of the Philippines or with the UCPB. All dividends accruing to the Series "1" preferred shares are remitted to the escrow account established with UCPB.

On October 5, 2012, SMC redeemed all Series "1" preferred shares including those Series "1" preferred shares in the name of the CIIF Holding Companies. Proceeds of such redemption with respect to Series "1" preferred shares in the name of the CIIF Holding Companies, including all accumulated dividends were paid to the National Treasury. As at October 5, 2012, CIIF Holding Companies are no longer stockholders of SMC.

On June 30, 2011, the PCGG filed with the Supreme Court an Urgent Motion to Direct SMC to comply with the Sandiganbayan Resolution (the "Urgent Motion"). On March 30, 2012, SMC filed a Comment on the Urgent Motion in compliance with the Supreme Court's Resolution dated December 13, 2011 in G.R. Nos. 180705, 177857-58 and 178193, which was received by SMC on February 22, 2012, directing SMC to file its Comment on the Urgent Motion. The Supreme Court, in the Resolution of April 24, 2012 noted the comment of SMC.

Thereafter, the PCGG filed in G.R. Nos. 177857-58 and 178193 a “Manifestation and Omnibus Motion 1) 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 SMC Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government; and 2) To Direct SMC to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan Which Were Affirmed by the Honorable Court in G.R. Nos. 104637-38” (“Manifestation and Omnibus Motion”).

The Supreme Court, in the Resolution of November 20, 2012 in G.R. Nos. 177857-58 and 178193, required SMC to comment on COCOFED, et al.’s “Manifestation” dated October 4, 2012 and PCGG’s “Manifestation and Omnibus Motion.” Atty. Estelito P. Mendoza, counsel for Eduardo M. Cojuangco, Jr. in G.R. No. 180705, who is a party in that case, filed a “Manifestation Re: ‘Resolution’ dated November 20, 2012,” dated December 17, 2012, alleging that (a) Mr. Cojuangco, Jr. is not a party in G.R. Nos. 177857-58 and 178193 and he has not appeared as counsel for any party in those cases; (b) SMC is likewise not a party in those cases, and if SMC is indeed being required to comment on the pleadings in the Resolution of November 20, 2012, a copy of the Resolution be furnished SMC; and (c) the Supreme Court had already resolved the motion for reconsideration in G.R. Nos. 177857-58 and 178193 and stated that “no further pleadings shall be entertained, thus, any motion filed in the said cases thereafter would appear to be in violation of the Supreme Court’s directive”.

In its Resolution of June 4, 2013 in G.R. Nos. 177857-58 and 178193, the Supreme Court required SMC to file its comment on the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor General for respondent Republic of the Philippines, as required in the Supreme Court Resolution, dated November 20, 2012, within ten (10) days from notice thereof.

In the Resolution, dated September 10, 2013, the Supreme Court directed SMC, through its counsel or representative, to immediately secure from the Office of the Clerk of Court of the Supreme Court *En Banc* photocopies of the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor, and granted SMC’s motion for a period of thirty (30) days from receipt of the pleadings within which to file the required comment per resolutions dated November 20, 2012 and June 4, 2013.

SMC, thru external counsel, filed the following comments required in the Supreme Court Resolution of June 4, 2013 in G.R. Nos. 177857-58; (a) “Comment of San Miguel Corporation on the ‘Manifestation’ of Petitioners COCOFED, et al., Dated October 4, 2012” on November 6, 2013; and (b) “Comment of San Miguel Corporation on the ‘Manifestation and Omnibus Motion’ Dated October 12, 2012 of the Respondent Republic” on December 3, 2013.

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.

In the meantime, SMC has available cash and shares of stock for the dividends payable on the treasury shares, in the event of an unfavorable ruling by the Supreme Court.

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 ROP to file the appropriate action or proceeding to determine the legal right of SMC to the 25,450,000 treasury shares of SMC. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the Republic of the Philippines.

- Deficiency Excise Tax/Excess Excise Tax Payments

  Filed by SMC

  In 2004, SMC was assessed by the BIR of excise taxes on "San Mig Light" which at that time was one of its products. These assessments were contested by SMC but nonetheless made the corresponding payments. Consequently, SMC 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, SMC 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 SMC, 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.

A motion for reconsideration filed by the BIR Commissioner on the aforesaid decision was denied and the Commissioner elevated the decision to CTA *En Banc* for review, which was docketed as CTA EB No. 873, the same was dismissed in a Decision dated October 24, 2012. The subsequent Motion for Reconsideration filed by the Commissioner was likewise denied. The CTA *En Banc* Decision was later elevated by the Office of the Solicitor General 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.

In a Resolution dated July 21, 2014, a copy of which was received by SMC’s counsel on August 27, 2014, the Third Division of the Supreme Court required the parties to submit memoranda. Both SMC’s counsel and the BIR Commissioner, through the Office of the Solicitor General, filed their respective memorandum.

On January 25, 2017, the Supreme Court 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 Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the Court of Tax Appeals, SMC filed a motion for execution in CTA Cases Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 representing refund of excess taxes erroneously collected for the period of February 2, 2004 to November 30, 2005; and another and separate motion for execution in CTA Case No. 7708 on the final judgment of P926 for the period of December 1, 2005 to July 31, 2007. 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.

As at March 12, 2020, the application for the issuance of tax credit certificate was already completed and ready for submission to the BIR.

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 SMC'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 SMC 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 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 SMC and SMB by the CTA Third Division, ordering the BIR to refund to them the joint amount of P934.

Filed by SMB

SMB filed eleven 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); and

(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 6, 2019).

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 P828 and the amount of P106 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 P828. SMB filed an application for the issuance of a Tax Credit Certification with the BIR on August 22, 2019

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 appealed by the BIR within the prescribed period, thus, the decision was deemed final and executory. The First Division granted SMB's Motion for Execution, while the BIR filed a petition for certiorari before the Supreme Court, where it was docketed as G.R. No. 221790. The petition was dismissed by the Supreme Court with finality but the BIR still filed an urgent motion for clarification. Subsequently, SMB, through counsel, 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. SMB filed an application for the issuance of a Tax Credit Certificate in the amount of P731. On November 6, 2019, the BIR issued a Tax Credit Certificate No. TCC201600000202 in favor of SMB (Note 32).

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA *En Banc*, ordering the BIR to refund the amount of P699. The BIR filed a motion for reconsideration, which the CTA *En Banc* denied. Subsequently, the BIR elevated the decision of the CTA *En Banc* to the Supreme Court by way of petition for review, where it was docketed as G.R. No. 226768. On March 20, 2017, the Supreme Court denied the petition for review, thereby affirming the CTA *En Banc* decision. The Office of the Solicitor General filed a motion for reconsideration, which was denied on July 24, 2017. On January 23, 2019, after the Supreme Court remanded the case to the Court of Tax Appeals, SMB filed a motion for execution with 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 Tax Credit Certificate on August 5, 2019. The BIR issued Tax Credit Certificate No. TCC201600000204 in favor of SMB on November 13, 2019 (Note 32).

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 GR 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 Tax Credit Certificate with the BIR in January 2020.

In CTA Case No. 8748, the Second Division rendered a decision on June 9, 2017, granting SMB's claim for refund of P761, which was appealed by the BIR to the CTA *En Banc*. On October 11, 2018, the CTA *En Banc* rendered its decision in this case denying the CIR's petition for review and affirming the decision of the CTA Second Division. On November 5, 2018, the CIR filed a motion for reconsideration, to which SMB filed an opposition. On March 8, 2019, the CTA *En Banc* denied the Commissioner's Motion for Reconsideration on its Decision dated October 11, 2018. Subsequently, on June 6, 2019, the Commissioner appealed to the Supreme Court by way of a Petition for Review the Decision dated October 11, 2018 and Resolution dated March 8, 2019 of the CTA *En Banc*. The case is still pending in the Supreme Court.

The petition for review in CTA Case No. 8955 was denied by the Third Division on the ground that the same involves a collateral attack on issuances of the BIR, the court ruling that the petition should have been filed in the Regional Trial Court (RTC). 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. In a resolution dated January 5, 2018, the Third Division denied the motion for reconsideration. On February 14, 2018, SMB appealed the decision of the CTA Third Division denying its petition for review to the CTA *En Banc* by way of a petition for review. On September 19, 2018, the CTA *En Banc* issued its decision in this case, which reversed and set aside the decision of the CTA Third Division denying SMB's petition for review and remanded the case to the said Division for the resolution of the case on the merits. On October 10, 2019, the Commissioner filed a motion for reconsideration on the aforesaid decision which was denied. Subsequently, on March 25, 2019, the BIR Commissioner filed with the Supreme Court a Motion for Extension of Time to file a Petition for Review on the Decision dated September 19, 2018 and Resolution dated January 24, 2019 of the CTA *En Banc.* On May 16, 2019, the Commissioner filed a Manifestation with the Supreme Court that he opted not to file a Petition for Review on Certiorari but will pursue the case in the CTA Third Division to which it was ordered remanded by the CTA *En Banc.* On the basis of the Commissioner's aforesaid Manifestation, the Supreme Court, in a Resolution dated January 9, 2020, declared the case before it closed and terminated. SMB will now pursue CTA Case No. 8955 in the CTA Third Division to which it was remanded by the CTA *En Banc.*

In CTA Case No. 9223, the CTA Third Division, on April 11, 2019, rendered its Decision partially granting SMB's Claim for Refund to the extent of P56 but disallowing and denying its Claim for Refund of excess excise taxes paid on “San Mig Light” (SML) in kegs in the amount of P5. On May 10, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P5, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P5 in addition to, and apart from, the amount of P56 which was ordered refunded to it. The aforesaid Motion for Partial New Trial is still pending in the CTA Third Division.

In CTA Case No. 9513, the CTA Second Division rendered its Decision on June 13, 2019, partially granting SMB's Claim for Refund to the extent of P44 but disallowing and denying its Claim for Refund of excess excise taxes paid on SML in kegs in the amount of P4. On June 26, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P4, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P4 in addition to, and apart from, the amount of P44 which was ordered refunded to it. On September 17, 2019, the CTA Second Division issued a Resolution denying SMB's Motion for Partial New Trial. On October 15, 2019, SMB elevated the Decision dated June 13, 2019 and Resolution dated September 17, 2019 of the CTA Second Division to the CTA *En Banc* by way of a Petition for Review. In the meantime, on October 24, 2019, the Commissioner also filed with the CTA *En Banc* a Petition for Review on the same Decision of the CTA Second Division. The Petitions for Review of SMB and the Commissioner are presently pending in the CTA *En Banc*.

On October 14, 2019, in CTA Case No. 9743, the CTA First Division rendered its Decision partially granting SMB's Claim for Refund to the extent of P28 but disallowing and denying its Claim for Refund of excess excise taxes paid on SML in kegs in the amount of P3. On October 29, 2019, SMB filed a Motion for Partial New Trial, praying that the portion of the Decision of the Court which disallowed and denied SMB's claim for excess excise taxes paid on SML in kegs in the amount of P3, be set aside, and in lieu thereof, the Commissioner be ordered to refund to SMB the amount of P3 in addition to, and apart from, the amount of P28 which was ordered refunded to it. The aforesaid Motion for Partial New Trial is still pending in the CTA First Division.

In CTA Case No. 10000, on March 15, 2019, the BIR Commissioner filed his Answer to the Petition for Review. The case was scheduled for pre-trial conference on June 25, 2019, and thereafter, the presentation of SMB's witnesses was held on August 15, 2019 and September 17, 2019. On September 25, 2019, SMB submitted its Formal Offer of Evidence. The aforesaid Formal Offer of Evidence is still under consideration by the Court.

On February 20, 2020, the BIR Commissioner filed his Answer to the Petition for Review in CTA Case No. 10223. Thereafter, the case was set for Pre-Trial on March 26, 2020.

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 amount 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. The CTA admitted all of GSMI's evidence while the BIR's Formal Offer of Evidence and GSMI's Comment thereto are still under consideration of the CTA.

    These cases are still pending with the CTA.

(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, 2019, the CTA denied the GSMI's Claim for Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said decision, which is still pending resolution.

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

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 Motions 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 Certiorari 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.

On September 3, 2019, IBI filed a Motion to Consolidate G.R. Nos. 241147-48 and G.R. Nos. 240651 and 240665.

On October 3, 2019, IBI received a Resolution dated June 26, 2019 denying its Motion for Reconsideration. IBI also filed a Manifestation on October 21, 2019 informing the Court that in view of its payment of P270 on August 26, 2016, IBI shall be deemed to have fully satisfied the judgment award in accordance with the CTA First Division's Decision dated August 14, 2015.

On February 4, 2020, the IBI received a Resolution dated October 4, 2019 denying its Motion to Consolidate.

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 October 21, 2019, IBI filed a Manifestation informing the Supreme Court that the issuance of its Resolution dated June 26, 2019 in G.R. Nos. 241147-48 rendered the BIR's Petition as moot and academic. The case is still pending with the Supreme Court for resolution.

In its Manifestation and Motion dated January 28, 2020 filed before the Supreme Court, the BIR confirmed the execution of a Compromise Agreement in connection with its pending Petition for Review and sought permission to be allowed to withdraw its Petition docketed as G.R Nos. 240651 and 240665.

The case is still pending with the Supreme Court for resolution.

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. As at December 31, 2018, the Group recognized a provision amounting to P52.

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 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

IBI filed a Manifestation and Motion on November 27, 2019 praying for the deferment of the resolution of the consolidated Petitions in view of the pending compromise settlement of the parties. On December 4, 2019, IBI received the BIR's Manifestation informing the Supreme Court that it received a Proposal for Compromise/Amicable Settlement from IBI.

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. The case is still pending with the Supreme Court for resolution.

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.

SMFI

i. SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. Commissioner of Internal Revenue (CIR) CTA Case 9046, First Division

   In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a 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 with the CIR on February 6, 2015. On April 21, 2015, SMFI received a letter from the CIR informing SMFI of the CIR's denial of the request for reconsideration.

   The Petition for Review was filed with the CTA First Division on May 15, 2015 and docketed as CTA Case No. 9046.

   The CTA First Division, on February 12, 2018, 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.

   On March 1, 2018, the BIR filed a Motion for Reconsideration with the CTA First Division. On March 16, 2018, SMFI, through external counsel, filed an Opposition to the Motion for Reconsideration filed by the BIR.

   On June 4, 2018, the CTA First Division denied the BIR's Motion for Reconsideration. BIR filed the Petition for Review before the CTA *En Banc* on July 13, 2018.

On August 17, 2018, SMFI filed Comment on the Petition for Review filed by the BIR. Per Resolution of the CTA *En Banc* dated September 7, 2018, the Petition for Review is deemed submitted for decision by the Court.

On August 6, 2019, the CTA *En Banc* rendered its decision denying the Petition for Review filed by the BIR. The Decision affirmed the withdrawal and cancellation of the assessment issued against SMFI covering the period January 1, 2010 to August 31, 2010.

The BIR filed a Motion for Reconsideration of the decision of the CTA *En Banc* on September 6, 2019. SMFI's Comment on the Motion for Reconsideration of the BIR was filed on October 18, 2019.

In a Resolution dated January 7, 2020, the CTA *En Banc* has denied the Motion for Reconsideration filed by the BIR. A Petition for Review on Certiorari dated March 2, 2020 was filed by the BIR with the Supreme Court.

ii. SMFI vs. CIR CTA Case No. 9241, First Division

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.

On January 14, 2016, SMFI filed a Petition for Review before the CTA First Division and docketed as CTA Case No. 9241.On September 2, 2016, Judicial Affidavits for SMFI witnesses were submitted to the CTA and said witnesses were presented for cross examination on July 25 and August 22, 2017, respectively. On May 10, 2018, witness for the BIR was presented before the Court for cross examination.

On September 28, 2018, the case was transferred to the Third Division of the CTA pursuant to Administrative Circular No. 02-2018.

On October 2, 2019, 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.

On November 4, 2019, the BIR filed a Motion for Reconsideration of the decision of the CTA Third Division. SMFI filed a Comment on the Motion for Reconsideration on November 29, 2019.

On a Resolution dated March 2, 2020, the CTA Third Division has denied Motion for Reconsideration filed by the BIR.

iii. SMFI vs. Office of the City Treasurer, City of Davao

On August 23, 2018, SMFI filed Petition for Review with the CTA Second Division docketed as CTA Case AC No. 209. On November 12, 2018, the Company filed Petition for Review with the CTA Second Division docketed as CTA Case AC No. 210. Both petitions were filed to appeal the joint decision of the Regional Trial Court of Davao City dismissing SMFI's appeal from the denial and inaction of the Office of the City Treasurer of Davao City on the protest against the assessment of permit fee to slaughter.

SMFI protested the assessment of the City Treasurer of Davao City imposing permit fee to slaughter against its dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

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 dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses is 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.

By the order of CTA dated September 24, 2018, Case CTA AC 209 was transferred to the First Division of the CTA. In a resolution dated October 25, 2018 CTA First Division resolved to give due course to SMFI's Petition for Review. SMFI submitted the required memorandum on December 19, 2018. And on March 28, 2019, CTA declared Case AC No. 209 as submitted for decision.

In a resolution dated February 1, 2019 on SMFI's Petition for Review on CTA Case AC No. 210, the CTA First Division required the parties to submit the respective Memorandum on this case. On May 7, 2019, SMFI submitted the required Memorandum, awaiting the court's decision.

- Tax Credit Certificates Cases

  In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to its use of P659 worth of Tax Credit Certificates (TCCs) to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the Court of Appeals in its resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on certiorari dated December 5, 2012. On July 9, 2018, the Supreme Court rendered a decision in favor of Petron denying the petition for review filed by the BIR and affirming the decision of the Court of Appeals. No motion for reconsideration for such decision relating to Petron was filed by the BIR. The Supreme Court issued its Entry of Judgment declaring that its decision dated July 9, 2018 in Petron's favor already attained finality on April 1, 2019. This case would now be considered closed and terminated.

- 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, 2019. 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, which, on January 9, 2020 issued a Resolution ordering Petron to file its comment on plaintiffs' petition within 10 days. Petron filed a motion for reconsideration of said Resolution, which remains pending. In the meantime, proceedings before the trial court continues.

- 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. The motions for reconsideration were pending as at March 12, 2020.

Following the trial court's denial of PNOC's motion for reconsideration, PNOC filed a notice of appeal to the Court of Appeals, a copy of which was received by Petron on March 9, 2020.

- 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 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. This arrangement commenced. Unknown to POMSB, Swakaya had a financing arrangement with Sabah Development Bank (SDB) and the power plants operator was placed under an obligation to SDB 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 to POMSB once POMSB establishes that the payment was for a direct supply to the power plants operator, refused and utilized the moneys to set off against Swakaya's debt to the bank. The sum involved was RM25 (P307). POMSB sued Swakaya and SDB 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 the 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 is exploring the possibility of a review of the said Federal Court decision.

  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 this year 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 the 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 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, 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 ("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. 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 this Court's 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 Temporary Restraining Order 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 "First CA Resolution"), the Court of Appeals subsequently granted the Motion for Reconsideration filed by PSALM in response to the First CA Resolution.

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 2022.

- Intellectual Property Rights

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 (CA) 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.

This case is still pending with the Supreme Court *En Banc*.

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 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" had 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 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 TDI's Petition for Review on Certiorari.

These consolidated cases are still pending with the Supreme Court.

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 Comments on TDI's Petition for Review on Certiorari.

This case is still pending with the Supreme Court.

- 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.

By Order dated September 25, 2018, the case was transferred to the CTA First Division. SLHBTC's presentation of evidence is set on May 23, 2019.

As at December 31, 2019, the case is still pending with the CTA.

- 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 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 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 1000 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 Option"). 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.

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. To date, the said motion is still pending resolution.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case. Due to this refusal, the resolution of the Motion for Reconsideration is pending to date.

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 above mentioned 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, 2019 and 2018, 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).

- 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 ("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 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, SPI and MPPCL filed various pleadings requesting ERC for the reconsideration of the ERC order. Other generators also requested the Supreme Court to stop the implementation of the ERC order.

  On June 26, 2014, SMEC, SPPC, SPDC and SPI 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, granted the Petition for Review filed by SMEC, SPPC, SPDC, SPI 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 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 and SPPC 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 its decision dated November 7, 2017 and resolution dated March 22, 2018.

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.

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 the Group 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, 2019.

c. On May 10, 2019, SMC, through FSCII, a subsidiary of SMEII, signed a definitive agreement to acquire a controlling interest in Holcim Philippines, Inc. from entities controlled by Lafarge Holcim which was subject to the PCC review and approval.

d. Commitments

The outstanding purchase commitments of the Group amounted to P113,517 as at December 31, 2019.

Amount authorized but not yet disbursed for capital projects is approximately P221,507 as at December 31, 2019.

e. 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 P50.64 and P52.58 in 2019 and 2018, respectively, for consolidated statements of financial position accounts; and average rates of P51,79, P52.69 and P50.40 in 2019, 2018 and 2017, respectively, for income and expense accounts.

f. 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.

Annex “C”

Report of Independent Auditors on Supplementary Information

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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
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Top Frontier Investment Holdings, Inc. (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2019, on which we have rendered our report dated March 12, 2020.

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

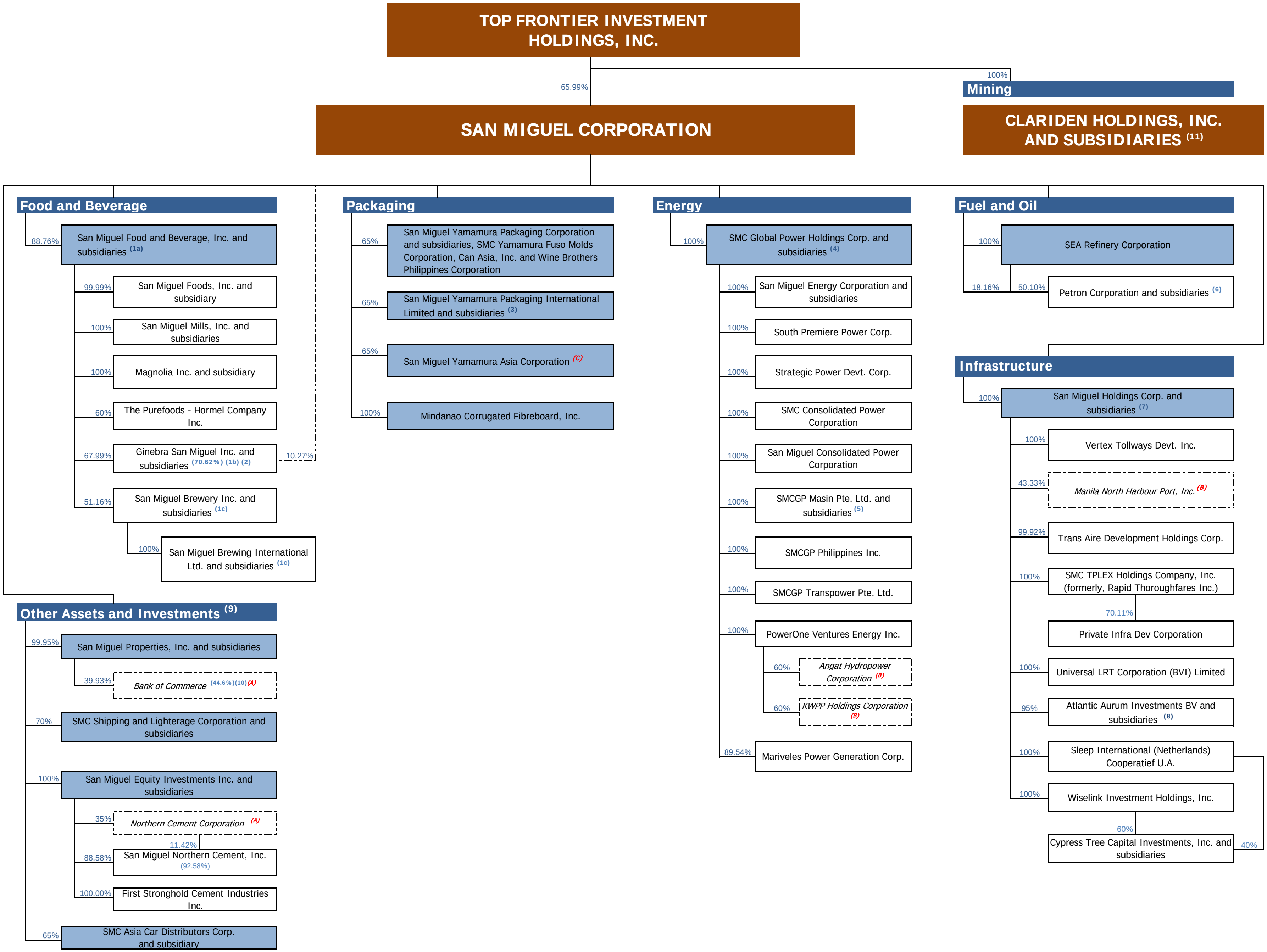
This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated 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.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-5, Group A, valid until September 17, 2021
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-006-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 8116777
Issued January 2, 2020 at Makati City

March 12, 2020
Makati City, Metro Manila

TOP FRONTIER INVESTMENT HOLDINGS, INC.
GROUP STRUCTURE *



* 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
(C) Merged to San Miguel Yamamura Packaging Corporation effective March 1, 2020.

Subsidiaries

I. San Miguel Corporation

1. San Miguel Food and Beverage Inc. (formerly San Miguel Pure Foods Company Inc.) subsidiaries also include (a) San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia (formerly PT San Miguel Pure Foods Indonesia) and San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary, San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure 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.

2. San Miguel Food and Beverage Inc. owns 67.99% of issued and outstanding common and preferred shares of Ginebra San Miguel Inc. San Miguel Corporation owns the total issued and outstanding preferred shares of Ginebra San Miguel Inc. equivalent to direct ownership of 10.27%. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. Effectively, San Miguel Corporation owns 70.62% of total issued and outstanding common and preferred shares of Ginebra San Miguel Inc.

3. 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 (formerly Cospak Pty Limited) 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, and Wine Brothers Australasia Pty Ltd.

4. 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. (formerly Limay Premiere Power Corp.), Universal Power Solutions, Inc. (formerly Limay Power Generation Corporation) and Prime Electric Generation Corporation and subsidiary, Alpha Water and Realty Services, Corp.

5. SMCGP Masin Pte. Ltd. subsidiaries include Strategic Holdings B.V., SMCGP Masinloc Partners Company Limited, SMCGP Philippines Energy Storage Co. Ltd., SMCGP Masinloc Power Company Limited, Transpower Holdings B.V., and Masinloc Power Partners Co. Ltd. SMCGP Masin Pte. Ltd. is in the process of liquidation as of December 31, 2019. Strategic Holdings B.V. and Transpower Holdings B.V. were liquidated effective March 31, 2020 and the deregistration process was completed on April 14, 2020.

6. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation, Overseas Ventures Insurance Corporation Ltd., Petrofuel Logistics, Inc. (formerly Limay Energen Corporation), 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.

7. 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, Citra Intercity Tollways Inc., SMC Mass Rail Transit 7 Inc., San Miguel Aerocity Inc. and Luzon Clean Water Development Corporation.

8. Atlantic Aurum Investments B.V. subsidiaries include Atlantic Aurum Investments Philippines Corporation and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, Citra Central Expressway Corp., and Citra Metro Manila Tollways Corporation and subsidiary, Skyway O&M Corp., MTD Manila Expressways Inc. and subsidiaries, Alloy Manila Toll Expressways Inc., Manila Toll Expressway Systems Inc. and South Luzon Tollway Corporation.

9. 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 SMC Equivest Coporation.

10. SMC Equivest Corporation also owns 4.69% ownership in Bank of Commerce.

II. Clariden Holdings, Inc.

11. 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
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Top Frontier Investment Holdings, Inc. (the Company) as at and for the year ended December 31, 2019, on which we have rendered our report dated March 12, 2020.

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 (SRC) 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.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
SEC Accreditation No. 0027-AR-5, Group A, valid until September 17, 2021
Tax Identification No. 106-197-186
BIR Accreditation No. 08-001987-006-2018
Issued November 29, 2018; valid until November 28, 2021
PTR No. MKT 8116777
Issued January 2, 2020 at Makati City

March 12, 2020
Makati City, Metro Manila

TOP FRONTIER INVESTMENT HOLDINGS, INC.
5th Floor, ENZO Building, 399 Sen. Gil J. Puyat Avenue, Makati City
RECONCILIATION OF RETAINED EARNINGS
FOR DIVIDEND DECLARATION
(In Millions)

Retained Earnings, January 1, 2019	**P25,302**
Add: Net income during the period closed to retained earnings	**2,541**
Less: Dividend declarations during the period	**(1,860)**
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2019	**P25,983**

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REPORT OF INDEPENDENT AUDITORS
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Top Frontier Investment Holdings, Inc.
5th Floor, ENZO Building
399 Sen. Gil J. Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Top Frontier Investment Holdings, Inc. (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2019, on which we have rendered our report dated March 12, 2020.

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.

WILFREDO Z. PALAD
Partner
CPA License No. 0045177
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TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Top Frontier Investment Holdings, Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2019 and 2018 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2019 and 2018 for operating efficiency ratios.

	December 31	
	2019	2018
Liquidity:		
Current Ratio	**1.38**	1.28
Quick Ratio	**0.91**	0.81
Solvency:		
Debt to Equity Ratio	**2.21**	2.33
Asset to Equity Ratio	**3.21**	3.33
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**5.98%**	4.76%
Interest Rate Coverage Ratio	**2.44**	2.63
Return on Assets	**2.52%**	2.50%
Operating Efficiency:		
Volume Growth	**3%**	8%
Revenue Growth	**0%**	24%
Operating Margin	**11%**	11%

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	$\frac{\text{Current Assets – Inventory – Prepayments}}{\text{Current Liabilities}}$
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	$\frac{\text{Net Income}}{\text{Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) -1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) -1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2019

* Balance of account is less than 5% of total assets of the Group

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2019
(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 December 31, 2019	Income (Loss) Received and Accrued
Cash and cash equivalents	-	**P 286,677**	Not applicable	P 9,587
Trade and other receivables - net	-	**132,907**	Not applicable	387
Derivative assets	-	**1,158**	Not applicable	(3,308) *
Financial assets at FVPL	-	**284**	Not applicable	30
Financial assets at FVOCI **	-	**5,953**	5,953	34
Financial assets at amortized cost **		**257**	257	11
Noncurrent receivables and deposits - net	-	**25,748**	Not applicable	86
Restricted cash	-	**12,514**	Not applicable	219
		P 465,498	**P 6,210**	**P 7,046**

* *This represents net marked-to-market 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 40 and 41 of the Notes of the Consolidated Financial Statements

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A - AVAILABLE FOR SALE FINANCIAL ASSETS
DECEMBER 31, 2019
(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, 2019 (a)
San Miguel Corporation			
Alabang Country Club	7	**P**	50
Alta Vista Golf and Country Club	2		1
Apo Golf & Country Club	3		-
Baguio Country Club	1		3
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		-
Carmen Red Ltd.	-		5,139
Casino Espanol de Manila	2		-
Cebu Country Club	1		7
Celebrity Sports Plaza	3		-
Club Filipino	8		3
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		12
Manila Bankers Life	250,000		1
Manila Electric Company	100,331		1
Manila Golf & Country Club	3		188
Manila Polo Club	2		50
Manila Southwoods Golf & Country Club	1		1
Medical Doctors Inc.	83,379		175
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		2
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

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2019 (a)
Phil. International Fair	500	-
Phil. Long Distance Tel. Co	230,594	2
Phil. Overseas Resources	10,000	-
Puerto Azul Golf Club	3	-
Quezon City Sports Club	1	1
Sta Elena Properties	7	5
Sta Elena Golf Club	1	5
Sta Lucia Realty Golf Club	2	1
Subic Bay Yacht Club	1	-
Tagaytay Highland Golf and Country Club	2	1
Tagaytay Midlands Country Club	1	1
The Country Club - Canlubang	2	8
Universal Leisure Club	1	-
Valle Verde Golf Club	53	16
Valley Golf Club Inc.	2	2
Victorias Country Club	1	-
Petron Corporation		
Government Security	196	226
Aboitiz Power Bonds	28	29
ABOITIZ EQUITY VENTURES, INC. (AEV 11-20)	37	38
Ayala Bond	75	76
SM Investments Corporation Bond	50	51
San Miguel International Limited		
Others	-	-
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	-
Phil. Long Distance Tel Co		-
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 Asia Corporation		
Manila Southwoods Golf & Country Club	1	1
Orchard Golf and Country Club	1	1
Evercrest Golf & Country Club	1	-
San Miguel Yamamura Packaging Corporation		
Canlubang Golf & Country Club	1	2
Manila Southwoods Golf and Country Club	1	2
Orchard Golf & Country Club	1	2
Puerto Azul Golf Club	1	-

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2019 (a)
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	-
Valle Verde Country Club	1	1
Capitol Hills Golf and Country Club, Inc.	1	-
Alabang Country Club	1	7
Golf Club Bogor Raya	1	-
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	8
Pacific Club Kowloon	1	7
Hongkong Arts Centre Ltd.	1	-
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	-
San Miguel Global Power		
Philippine Treasury Bill	-	
Total Financial Assets		**P 6,210**

See Notes 4, 12, 40 and 41 of the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Amounts in Millions)

NAME OF RELATED PARTY	Accounts/ Reference	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Top Frontier Investment Holdings, Inc.		P 6,803	P 1,720	(P 1,860)	P 6,663	P 3,626	P 3,037	P 6,663
Clariden Holdings, Inc. and Subsidiaries		578	33	(49)	562	562	-	562
San Miguel Corporation and Subsidiaries		575	2,400	(2,226)	749	698	51	749
		P 7,956	**P 4,153**	**(P 4,135)**	**P 7,974**	**P 4,886**	**P 3,088**	**P 7,974**

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Corporation and Subsidiaries	P 6,862	P 1,753	(P 1,909)	P 6,706	P 3,669	P 3,037	P 6,706
Top Frontier Investment Holdings, Inc.	1,070	2,202	(2,202)	1,070	1,070	-	1,070
Clariden Holdings, Inc. and Subsidiaries	24	198	(24)	198	147	51	198
	P 7,956	**P 4,153**	**(P 4,135)**	**P 7,974**	**P 4,886**	**P 3,088**	**P 7,974**

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2019
(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
Subsidiaries													
Peso denominated:													
SMC													
Fixed	Philippine Depository and Trust Corp.	60,000	-	-	-	60,000	(500)	59,500	59,500	4.8243%, 5.1923%, 5.2840%, 5.55% 5.7613%, 6.25%, 6.625% and 7.125%	Bullet	Quarterly	March 2022, April 2022, March 2023, March 2024, March 2025, March 2027 and March
Fixed	Philippine Depository and Trust Corp.	10,000	10,000	(25)	9,975	-	-	-	9,975	5.25%	Bullet	Quarterly	May 2020
Fixed	BDO Unibank, Inc.	15,920	160	(1)	159	15,760	(112)	15,648	15,807	6.94%	Amortized	Quarterly	June 24, 2026
		85,920	10,160	(26)	10,134	75,760	(612)	75,148	85,282				
Petron Corporation													
Fixed	Philippine Depository and Trust Corp.	13,000	-	-	-	13,000	(53)	12,947	12,947	4.0032%	Bullet	Quarterly	October 2021
Fixed	Philippine Depository and Trust Corp.	7,000	-	-	-	7,000	(41)	6,959	6,959	4.5219%	Bullet	Quarterly	October 2023
Fixed	Philippine Depository and Trust Corp.	13,200	-	-	-	13,200	(131)	13,069	13,069	7.8183%	Bullet	Quarterly	April 2024
Fixed	Philippine Depository and Trust Corp.	6,800	-	-	-	6,800	(70)	6,730	6,730	8.0551%	Bullet	Quarterly	October 2025
		40,000	-	-	-	40,000	(295)	39,705	39,705				
SMC Global Power Holdings Corp.													
Fixed	Philippine Depository and Trust Corp.	35,000	-	-	-	35,000	(301)	34,699	34,699	5.375%, 6.25%, 6.625% and 6.75%	Bullet	Quarterly	December 2022, August 2023, December 2024 and December 2027
Fixed	Philippine Depository and Trust Corp.	30,000	-	-	-	30,000	(331)	29,669	29,669	6.8350%, 7.1783% and 7.6000%	Bullet	Quarterly	April 2022, April 2024 and April 2026
SM Brewery Inc.													
Fixed	Bank of the Philippine Islands	10,000	-	-	-	10,000	(75)	9,925	9,925	4.63%	Bullet	Quarterly	December 2024
Fixed	Philippine Depository & Trust Corp.	7,000	-	-	-	7,000	(21)	6,979	6,979	6.60%	Bullet	Semi-annual	April 2022
SM Brewery Inc.													
Fixed	Philippine Depository & Trust Corp.	12,462	-	-	-	12,462	(26)	12,436	12,436	5.50%	Bullet	Semi-annual	April 2021
Fixed	Philippine Depository & Trust Corp.	2,538	-	-	-	2,538	(12)	2,526	2,526	6.00%	Bullet	Semi-annual	April 2024
		15,000	-	-	-	15,000	(38)	14,962	14,962				
SMC Global Power Holdings Corp.													
Fixed	Philippine Depository & Trust Corp.	6,153	-	-	-	6,153	(23)	6,130	6,130	4.3458%	Bullet	Quarterly	July 2021
Fixed	Philippine Depository & Trust Corp.	4,091	-	-	-	4,091	(25)	4,066	4,066	4.7575%	Bullet	Quarterly	July 2023
Fixed	Philippine Depository & Trust Corp.	4,756	-	-	-	4,756	(38)	4,718	4,718	5.1792%	Bullet	Quarterly	July 2026
		15,000	-	-	-	15,000	(86)	14,914	14,914				
South Luzon Tollway Corporation													
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	7,300	2,400	(4)	2,396	4,900	(31)	4,869	7,265	4.9925%, 5.5796% and 6.4872%	Bullet	Quarterly	August 2020, May 2022 and May 2025
SMC Consolidated Power Corporation													
Fixed	Philippine National Bank as Trustee	41,900	1,510	(79)	1,431	40,390	(547)	39,843	41,274	6.2836%, 6.5362% and 7.3889%	Amortized	Quarterly	June 2029
Citra Central Expressway Corp.													
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	8,700	191	(12)	179	8,509	(62)	8,447	8,626	6.865%,6.87%, 6.9283%, 7.4817%	Amortized	Quarterly	August 2027
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	3,200	70	(6)	64	3,130	(28)	3,102	3,166	8.0589%	Amortized	Quarterly	August 2027
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	19,100	418	(34)	384	18,682	(182)	18,500	18,884	8.696%, 9.0260%, 9.4679%, 9.8080 % and 9.8754%	Amortized	Quarterly	August 2027
		31,000	679	(52)	627	30,321	(272)	30,049	30,676				
San Miguel Consolidated Power Corportion													
Fixed	Rizal Commercial Banking Corporation - Trust & Investments Group (Facility Agent)	20,004	1,296	(39)	1,257	18,708	(296)	18,412	19,669	7.7521% and 6.5077%	Amortized	Quarterly	August 2030
SMC Global Power Holdings Corp.													
Fixed	BDO Unibank, Inc.	14,700	150	(22)	128	14,550	(81)	14,469	14,597	6.9265%	Amortized	Quarterly	April 2024
Petron Corporation													
Fixed	BDO Unibank, Inc.	10,179	2,143	(16)	2,127	8,036	(27)	8,009	10,136	5.5276%	Amortized	Quarterly	July 2024
Atlantic Aurum Investments Philippines Corporation													
Fixed	Philippine National Bank as Trustee	17,300	346	(32)	314	16,954	(548)	16,406	16,720	5.9970%	Amortized	Quarterly	December 2029

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2019
(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
Private Infra Dev Corporation													
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	12,000	360	(12)	348	11,640	(78)	11,562	11,910	5.6276%	Amortized	Quarterly	September 2029
Petron Corporation													
Fixed	Bank of the Philippine Islands	7,500	2,500	(11)	2,489	5,000	(10)	4,990	7,479	5.7584%	Amortized	Quarterly	December 2022
Vertex Tollways Devt. Inc.													
Fixed	Philippine National Bank as Trustee	5,819	788	(12)	776	5,031	(28)	5,003	5,779	6.7495%, 6.7701%, 7.165%, 7.5933% and 7.6567%	Amortized	Quarterly	February 2025
Luzon Clean Water Development Corporation													
Fixed	Asia United Bank Corporation - Trust and Investment Group as Trustee	4,179	84	(4)	80	4,095	(32)	4,063	4,143	8.4211%, 8.699%, 9.278% and 9.885%	Amortized	Quarterly	March 2030
Petron Corporation													
Fixed	Union Bank of the Philippines	3,000	1,000	(3)	997	2,000	(2)	1,998	2,995	5.4583%	Amortized	Quarterly	October 2022
MTD Manila Expressways Inc.													
Fixed	Standard Chartered Bank, Philippines Branch as Security Agent	392	392	(1)	391	-	-	-	391	8.6615%	Amortized	Semi-annual	March 2020
Star Infrastructure Development Corporation													
Fixed	Philippine National Bank as Trustee	1,818	472	(4)	468	1,346	(4)	1,342	1,810	6.6583%	Amortized	Quarterly	June 2023
SMC Shipping and Lighterage Corporation													
Fixed	Union Bank of the Philippines	1,500	-	-	-	1,500	(2)	1,498	1,498	5.000%	Bullet	Quarterly	July 2021
Ginebra San Miguel Inc.													
Fixed	Union Bank of the Philippines	882	235	(2)	233	647	(3)	644	877	8.3480%	Amortized	Quarterly	September 2023
Philnico Processing Corp.													
Fixed	Equitable Bank	52	52	-	52	-	-	-	52	12.000%	Amortized	Semi Annual	December 2007
San Miguel Yamamura Asia Corporation													
Floating	Philippine National Bank	3,760	533	(9)	524	3,227	(11)	3,216	3,740	BVAL + margin or BSP overnight rate plus margin, whichever is higher	Amortized	Quarterly	July 2023
Trans Aire Development Holdings Corp.													
Floating	Bank of Commerce	2,360	479	(2)	477	1,881	(2)	1,879	2,356	BVAL + margin	Amortized	Quarterly	October 2022
San Miguel Foods, Inc.													
Floating	Bank of the Philippine Islands	10,000	-	-	-	10,000	(75)	9,925	9,925	BVAL + margin or BSP TDF + margin whichever is higher	Amortized	Quarterly	December 2029
San Miguel Mills, Inc.													
Floating	Bank of the Philippine Islands	2,000	-	-	-	2,000	(15)	1,985	1,985	BVAL + margin or BSP TDF + margin whichever is higher	Amortized	Quarterly	December 2026
San Miguel Yamamura Asia Corporation													
Floating	Philippine National Bank	551	22	-	22	529	(4)	525	547	BVAL + margin	Amortized	Monthly	December 2024
		436,116	25,601	(330)	25,271	410,515	(3,827)	406,688	431,959				

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2019
(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
Foreign currency - denominated													
SMC													
Fixed	DB Trustees (Hong Kong) Limited	26,147	-	-	-	26,147	(128)	26,019	26,019	4.875%	Bullet	Semi-annual	April 2023
Floating	Standard Chartered Bank (Hongkong) Limited as Agent	20,254	-	-	-	20,254	(311)	19,943	19,943	LIBOR + margin	Bullet	1/3/6 months	March 2023
Floating	Various foreign banks	15,190	-	(35)	(35)	15,190	(85)	15,105	15,070	LIBOR + margin	Bullet	1/3/6 months	October 2020, 2022 and 2024
Floating	Various foreign banks	15,190	-	-	-	15,190	(201)	14,989	14,989	LIBOR + margin	Bullet	1/3/6 months	June 2023
Floating	Sumitomo Mitsui Banking Corporation Singapore Branch	15,191	4,051	-	4,051	11,140	(219)	10,921	14,972	LIBOR + margin	Bullet	1/3/6 months	September 2023
Floating	Mizuho Bank, Ltd.	10,127	-	-	-	10,127	(146)	9,981	9,981	LIBOR + margin	Bullet	1/3/6 months	November 2023
Floating	Standard Chartered Bank (Hongkong) Limited as Agent	2,532	-	-	-	2,532	(168)	2,364	2,364	LIBOR + margin	Bullet	1/3/6 months	September 2024
		104,631	4,051	(35)	4,016	100,580	(1,258)	99,322	103,338				
Petron Corporation													
Floating	Standard Chartered Bank (Hongkong) Limited as Agent	33,130	11,429	(162)	11,267	21,701	(114)	21,587	32,854	LIBOR + margin	Amortized	1, 3, or 6 months	June 2022
Floating	Standard Chartered Bank (Hongkong) Limited as Agent	40,508	-	-	-	40,508	(600)	39,908	39,908	LIBOR + margin	Amortized	1, 3, or 6 months	May 2024
SMC Global Power Holdings Corp.													
Floating	Standard Chartered Bank (Hong Kong) Limited (Facility Agent)	35,445	-	-	-	35,445	(521)	34,924	34,924	LIBOR + margin	Bullet	Monthly	March 2021 and March 2023
Masinloc Power Partners Co. Ltd.													
Fixed	Philippine National Bank as Trustee	28,189	2,467	(50)	2,417	25,722	(304)	25,418	27,835	4.7776% and 5.5959%	Amortized	Semi-annual	January 2023 and December 2030
Floating	Philippine National Bank as Trustee	9,319	819	(16)	803	8,500	(85)	8,415	9,218	LIBOR + margin	Amortized	Semi-annual	January 2023 and December 2030
San Miguel Yamamura Australasia PTY. Ltd													
Floating	MUFG Bank Ltd. as Agent	2,835	89	(9)	80	2,746	(34)	2,712	2,792	LIBOR + margin	Amortized	Quarterly	July 2024
INSA Alliance Sdn. Bhd.													
Floating	MAYBANK	6	2		2	4		4	6	COF + margin	Amortized	Monthly	December 2022
Floating	Hong Leong Bank Berhad	2	1		1	1		1	2	COF + margin	Amortized	Monthly	July 2021
Floating	Hong Leong Bank Berhad	2	1		1	1		1	2	COF + margin	Amortized	Monthly	September 2021
Floating	MAYBANK	18	2		2	16		16	18	COF + margin	Amortized	Monthly	October 2027
		28	6	-	6	22	-	22	28				
		254,085	18,861	(272)	18,589	235,224	(2,916)	232,308	250,897				
Total Long-term Debt		**P 690,201**	**P 44,462**	**P (602)**	**P 43,860**	**P 645,739**	**P (6,743)**	**P 638,996**	**P 682,856**				

See Notes 5, 21, 30, 33, 40 and 41 of the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2019

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES					
COMMON SHARES	740,000,000	490,196,200	157,310,033	332,886,167	199,710,043
PREFERRED SHARES	2,600,000	2,598,040	693,500	1,904,540	-
	742,600,000	492,794,240	158,003,533	334,790,707	199,710,043

* See Note 24 of the Consolidated Financial Statements.

* number of shareholders as of 'DECEMBER 31, 2019: 31,352

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2019
(In Millions)

	Total	Current	Past Due 1 - 30 Days	Past Due 31 - 60 Days	Past Due Over 60 Days
Trade	P 86,832	P 63,321	P 8,510	P 2,415	P 12,586
Non-trade	47,209	23,884	1,972	396	20,957
Amounts Owed by Related Parties	11,581	10,161	380	14	1,026
Total	145,622	P 97,366	P 10,862	P 2,825	P 34,569
Less allowance for impairment losses	12,715				
Net	P 132,907				

SAN MIGUEL
FOOD AND BEVERAGE, INC.

LIST OF PRODUCTS

I. BEER AND NAB

1. San Miguel Pale Pilsen
2. San Mig Light
3. San Miguel Super Dry
4. San Miguel Premium All-Malt
5. Red Horse
6. Gold Eagle
7. Cerveza Negra
8. Cali
9. San Miguel Flavored Beer
10. San Miguel Zero
11. San Miguel Nab
12. Valor
13. Blue Ice
14. Dragon
15. Blue Star
16. W1N Bia (Bia Hoi)
17. Anker
18. Kuda Putih
19. Bruck
20. Knight

NON-ALCOHOLIC BEVERAGES

1. Magnolia Fruit Drink
2. Magnolia Healthtea
3. San Mig Cola
4. Agua Prima

BREWED FOR PRIVATE LABEL

1. Ikinama
2. Kiwamugi
3. Cous
4. Elite

BREWED UNDER LICENSING/TOLLING AGREEMENT

1. Carlsberg
2. Sunlik
3. Guang's Pineapple
4. Guang's Draft

IMPORTED/DISTRIBUTED

1. Kirin Ichiban
2. Samuel Adams
3. James Boag’s
4. Angry Orchard
5. Spitfire
6. Whitstable Bay
7. Mahou
8. Magners
9. Arcobrau
10. Twisted
11. Blackthorn
12. Little Creatures
13. White Rabbit White Ale
14. Heverlee
15. James Squire

II. SPIRITS

1. Ginebra San Miguel
2. Ginebra San Miguel Premium Gin
3. G.S.M. Blue Light Gin
4. G.S.M. Blue Flavors (Mojito, Margarita and Gin Pomelo)
5. Primera Light Brandy (Premium Brandy Liqueur)
6. Vino Kulafu (Chinese Wine)
7. Antonov Vodka
8. Don Enrique Mixkila Distilled Spirit
9. Añejo Gold Rum (65 Proof)

FOR EXPORT ONLY

10. Tondeña Gold Rum
11. Tondeña Manila Rum (Silver, Gold And Dark)
12. Mix Gin
13. Mix Rum
14. Mix Vodka
15. Gran Matador Solera Gran Reserva Brandy
16. Gran Matador Gold
17. Anejo Dark Rum 5 Years

III. Food

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)
- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Magnolia Jumbo Chicken (Fresh & Frozen)
- Magnolia Free Range Chicken (Fresh & Frozen)
- Supermarket House Brands

Cut-ups
- Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
- Magnolia Chicken Station Cut-ups
- Magnolia Chicken Station Convenient Cuts
- Magnolia Chicken Smart Packs
- Magnolia Chicken Breast & Leg Meat Yakitori
- Magnolia Chicken Branded 1Kg Cut-ups

Marinated
- Magnolia Chicken Station Timplados products (Freshly-made at the Magnolia Chicken Stations)
- Magnolia Chicken 3-Way (Ginger-Based, Gata-Based, and Tomato-Based Chicken Cut-ups)

Giblets
- Magnolia Chicken Giblets (Fresh & Frozen Liver and Gizzard)

Institutional
- Whole Chicken
- Customized Bone-in Cut-ups and Deboned Fillets

Export
- Magnolia Chicken Griller (Fresh & Frozen)
- Chicken Yakitori (Frozen)
- Bone-in Chicken Cut-ups (Frozen)
- Deboned Chicken Fillets (Frozen)
- Marinated Products (Frozen)

Brown Eggs
- Magnolia Cage-Free Brown Eggs 12s
- Magnolia Egg-A-Day 7s

FRESH MEATS

Live Hogs

Wholesale Cuts
- Pork
  - Hog Carcass
  - Boxed Primal Parts

- Beef
  - Beef Forequarters
  - Beef Hindquarters
  - Boxed Primal Cuts

Retail Cuts
- Monterey Primal Cuts (Pork, Beef)
- Monterey Cut Ups (Pork, Beef)

Individual Portion Cuts (cut and packed in the Monterey Meatshops)
Smart Packs (centrally cut and packed in the plant)
Monterey Ready-To-Cook Marinated Meats /Timplados (Pork, Beef)
Monterey Meatshop produced Timplados
Pork BBQ Tenderloin Skewers (produced in the plant)
Montana Cut Ups (Pork, Beef)
Individual Portion Cuts (cut and packed inside store)
Montana Ready-To-Cook Marinated Meats /Timplados (Pork, Beef)

FEEDS

Animal & Aquatic Feeds

Hog Feeds
B-MEG Premium Hog Pellets
B-MEG Expert Hog Feeds
B-MEG Mega Mash
B-MEG Essential Hog Feeds
B-MEG Bonanza Hog Pellets
Jumbo Hog Feeds
Pureblend Hog Pellets

Poultry Feeds
B-MEG Premium Layer
B-MEG Essential Layer
B-MEG Expert Layer
B-MEG Layer
B-MEG Integra
B-MEG Integra Powermaxx
B-MEG Derby Ace
B-MEG Alertone Mixed Grains
B-MEG Fighting Cock Pellets
B-MEG F-Series
B-MEG Pigeon Pellets
B-MEG Premium Broiler
B-MEG Essential Broiler
B-MEG Essential Broiler Breeder
B-MEG Broiler
B-MEG Chick Grower
B-MEG Duck Feeds
Jumbo Pullet Developer Pellets
Pureblend Broiler
Pureblend Special Broiler
Pureblend Layer
Pureblend Duck Feeds

Aquatic Feeds
B-MEG Super Premium Floating Feeds
B-MEG Premium Tilapia Pellets
B-MEG Premium Bangus Pellets
B-MEG Aquaration Feeds
B-MEG Expert Fish Feeds
B-MEG Prize Catch Floating Feeds
B-MEG Nutrifloat Floating Feeds
Pinoy Sinking Pellets
Pinoy Floating Feeds

Others
Pureblend Quail Feeds
B-MEG Horse Feeds

Concentrate

B-MEG Hog Concentrate
B-MEG Cattle Concentrate
B-MEG Pig Protein Concentrate
B-MEG Broiler Protein Concentrate
B-MEG Essential Intramix Pro Hog Concentrate
B-MEG Essential Hog Concentrate
B-MEG Essential Goat Concentrate
B-MEG Essential Cattle Concentrate

Animal Health Care Veterinary Medicines

Anti-infective - Water Soluble Preparation

Amoxil-V
Cephalexin 20%
Cotrimoxazole 48%
Doxa-V
Dox-C-Lin Gold Premium
Dox-C-Trin Gold Premium
B-MEG Integra Trimax
B-MEG Integra CXD-3

Supplement/Vitamins - Water Soluble Preparation

B-MEG Integra Multimax
B-MEG Integra Electromax
Elec-V
Multi-V
Multivitamins +Minerals + Amino Acids
Vitamin B-Complex (Broiler)

Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation

Para-V

Supplement/Vitamins – Oral Solution

B-MEG Integra Multimax D5
B-MEG Integra Power Edge

Dewormer/Anti-nematodal - Water Soluble Preparation

Bulatigok SD
Bulatigok

Disinfectant

Protect Plus
Protect Plus Gold
Aqua Care
Calci Care

Injectables

Alamycin LA
Iron-Vet
Norovit
Respiclear

Oral Preparation

B-Meg Integra Trifast

Anti-infective - Feed Premixes

Tiamulin 10%

Supplement/Vitamin - Feed Premixes

B-MEG Essential Swine Vitamin
B-MEG Essential Swine Mineral

B-MEG Essential Poultry Vitamin
B-MEG Essential Poultry Mineral

Supplement/Vitamin - Liquid Preparation
Vitamin ADE
Vitamin E 60%
Multi-V Plus

Anti-infective - Liquid Preparation
Norfloxacin 20%
Doxa V Plus
Cotri V Plus
Respitil

Others
B-MEG Integra Feathershine Shampoo

San Miguel Mills, Inc. (SMMI)

Hard Wheat Flour
King
Emperor
Monarch
Pacific
Harina de Pan de Sal

Soft Wheat Flour
Queen
Countess
Red Dragon

Specialty Flour
Baron All-Purpose Flour
Baron Siopao Flour
Princess Cake Flour
Golden Wheat Whole Wheat Flour (Coarse & Fine)

Customized Flour
Royal Premium Noodle Flour
Prince Miki Flour
Prince Noodle Flour
Prince Wrapper Flour

Premixes
Mix' n Bake
- Bibingka Mix
- Brownie Mix
- Chiffon Cake Mix
- Crème Cake Mix
- Crinkle Mix
- Pan de Sal Mix

Mix' n Steam
- Puto Mix

Mix' n Fry
- Pancake Mix
- Yeast Raised Doughnut Mix
- Yellow Cake Donut Mix

Bakery Ingredients
Bake Best Bread Improver
Bake Best Gold Bread Improver

Bake Best Platinum Bread Improver
Bake Best Baking Powder
Emperor's Best Instant Yeast

Services
Product Customization
Recipe Development
Technical Training in Flour Applications

Golden Bay Grain Terminal Corporation (a wholly-owned subsidiary of SMMI)
Unloading, storage, bagging, and outloading services for raw materials in bulk

The Purefoods-Hormel Company, Inc.

REFRIGERATED MEATS

Hotdogs
Purefoods Tender Juicy Hotdog (Classic, Jumbo, Kingsize, Cocktail, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili, Giant, Pizza, Spaghetti, Balls, Cheeseballs)
Purefoods Star Hotdog (Regular, Cheezeedog, Chick n' Tasty, Cheeseballs)
Higante Hotdog (Regular, Cheesedog, Chicken)
Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)
Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese)
Purefoods Beefies Hotdog (Regular, Lots-a-Cheese)
Vida Hotdog
Bongga Hotdog

Breaded, Battered & Fried
Purefoods Chicken Nuggets (Chicken Breast Nuggets, Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Cheese Overload, Drummets, Chicken Popcorn)
Purefoods Fish Nuggets
Star Chicken Nuggets
Star Burger Bites

Bacon
Purefoods Bacon (Honeycured, Honey Roast, Spicy Barbecue, Maple-flavored, Bacon Crumble)
Hormel Black Label Bacon
Vida Bacon

Sliced Hams
Purefoods Ham (Sweet, Cooked, Chicken)
Purefoods Fiesta Ham Slices
Star Sweet Ham
Vida Sweet Ham

Whole Hams
Purefoods Fiesta Ham (Whole, Pre-Sliced, Bone-in, Chicken)
Purefoods Jamon de Bola
Purefoods Chinese Ham
Purefoods Brick Ham
Purefoods Pear-Shaped Ham
Jamon Royale

Ready-to-Cook/Ready-to-Eat
Monterey Sisig
Purefoods Crispy Fried Chicken
Purefoods Heat & Eat (Teriyaki, Chicken Balls)

Native Line
Purefoods Tocino (Classic, Sweet Chili, Chicken)

Purefoods Longanisa (Hamonado, Recado, Chicken)

GROCERY PRODUCTS

Corned Meats

Purefoods Corned Beef (Classic, Hash, Chili Garlic, Hot & Spicy, with Chunks)
Chunkee Corned Beef
Star Corned Beef (Regular, Chunky Cheese)
Star Carne Norte

Purefoods Pulled Pork BBQ (Pinoy Style, Asian Style)

Luncheon Meats

Purefoods Luncheon Meat (Classic, BBQ, Chili Pepper, Bacon, Cheese)
Purefoods Chinese Style Luncheon Meat
Purefoods Chicken Luncheon Meat
Star Beef Loaf
Star Meat Loaf

Sausages

Purefoods Vienna Sausage
Purefoods Chicken Vienna Sausage

Canned Viands

Purefoods Sizzling Delights (Sisig, Chicken Sisig, Bopis)
Ulam King (Caldereta, Menudo, Mechado)

Canned Chicken

Purefoods Chicken (Broth, Afritada, Homestyle-Curry, Hot and Spicy)

Specialty Grocery Products

Purefoods Liver Spread
Purefoods Spaghetti Meat Sauce
Purefoods Chorizo Filipino

Magnolia, Inc.

BUTTER, MARGARINE & CHEESE

Butter

Magnolia Gold Butter (Salted, Unsalted) and Magnolia Gold Spreadable
Magnolia Butter-licious!

Refrigerated Margarine

Dari Creme (Classic, Buttermilk) and Dari Creme Spreadable
Buttercup
Baker's Best

Non-Refrigerated Margarine

Star Margarine (Classic, Sweet Blend, Garlic, Vanilla, Chocolate, Caramel)
Delicious Margarine
Magnolia Non-Refrigerated Margarine (Food Service)
Primex Shortening (Food Service)

Cheese

Magnolia Cheezee (Block, Spread, Squeeze - Cheddar, Pimiento, Milky White)
Daily Quezo
Magnolia Quickmelt
Magnolia Cheddar
Magnolia Cream Cheese (Block, Spread)
Magnolia Christmas Cheeseballs (Quezo de Bola, Gold Edam) - Seasonal

Magnolia Food Service Cheese

JELLY SNACKS AND DESSERTS

JellYace Fruiteez
JellYace Bites
JellYace Suki Pack

MILK

Magnolia Chocolait
Magnolia Fresh Milk
Magnolia Low Fat Milk
Magnolia Full Cream Milk
Magnolia Non Fat Milk

SPECIALTY OILS

Magnolia Nutri-Oil Coconut Oil
Magnolia Nutri-Oil Palm Oil
Pure Oil
Cookbest Coconut Oil
Cookbest Canola Oil
Golden Fry Palm Oil

ALL-PURPOSE CREAM

Magnolia All-Purpose Cream

SALAD AIDS

Magnolia Real Mayonnaise
Magnolia Sandwich Spread
Magnolia All-Purpose Dressing

FLOUR MIXES

Magnolia Pancake
Magnolia All Purpose Flour
Magnolia Chocolate Cake Mix Collection
Magnolia Fast and Easy Bake Cake Mixes

ICE CREAM

Bulk Ice Cream

Magnolia Classic (Vanilla, Chocolate, Strawberry, Ube, Mango, Kesong Puti, Avocado, Pastillas)
Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Salted Caramel Pretzel, Latte Choco Brownie)
Magnolia Best of the Phillippines (Turon Dulce de Leche, Taro White Cheese, Tablea Yema, Quezo Mangosteen, Ube Salted Caramel Waffle, Mango Toffee Nut, Mango Dark Chocolate, Avocado Macchiato, Mango Salted Caramel, Ube Keso, Macapuno Caramel)
Magnolia Sorbetes (Tsokolate, Keso)

Frozen Novelties

Magnolia Spinner (Chocolate, Vanilla, Caramel, Hazelnut)
Magnolia Cookie Monster (Chocolate, Choco Hazelnut)
Magnolia Party Cups (Vanilla, Chocolate, Strawberry)
Magnolia Popsies (Orange Chill, Choco Cool)
Magnolia Twin Popsies (Orange, Chocolate)
Magnolia Pinipig Crunch (Vanilla Crisp)
Magnolia Creations Stick Ice Cream (Avocado, Mango Dark Chocolate, Kesong Puti)

San Miguel Gold Label (For Export)

SMGL Mellorine
SMGL Frozen Dessert
SMGL Ice Confectionery

SNACKS

Traditional
- Prima Toast
- Egg Cracklet
- Mamon Tostado
- Broas
- Puto Seko
- Camachile
- Ligaya

Cookies
- Pasencia
- Pasencia White
- Oat Cookies

Crackers
- Graham Crackers
- Graham Cracker Sandwich
- Crushed Graham
- Supreme Flakes

Assorted
- Holiday Mix
- Famous Five

Tuna
- Del Mar (For Export)

San Miguel Super Coffeemix Co., Inc.

Coffee
- San Mig Super Coffee Regular 3-in-1 Coffeemix - Original
- San Mig Super Coffee Sugar Free 3-in-1 Coffeemix - Mild, Original & Strong
- San Mig Super Coffee - Barako
- San Mig Super Coffee - Dos Original
- Essenso 3-in-1 Micro Ground Coffee
- San Mig Super Coffee - Sugar Free White
- San Mig Crema White Coffee
- San Mig White Coffee

San Miguel Foods, Inc. - Great Food Solutions (GFS)

Value-Added Meats
- Pizza Toppings
- Slices
- Specialties (Sauces & Ready-to-Serve Viands)
- Hotdogs and Deli

Dairy, Fats and Oils
- Butter, Margarine and Cheese
- Coconut & Palm Oil

Flour and Dry Bakery Ingredients
- Basic Flour and Premixes

Ice Cream

Coffee

Milk

Biscuits

SPAM

Traded Products

- Dairy
  - Mozzarella
  - Sliced-on-Slice Cheese
  - Parmesan

Olive Oil

- Pomace, Pure and EVOO Oil

Non Food Items

- Food Cling Wraps
- Aluminum Foil
- Baking Papers

GFS Commissary Products

- Breaded, Battered and Fried
- Patties
- Marinated Value-Added Meats
- Ready-to-Eat Meals

Foodcrave Marketing Inc.

Treats

- Baked Breads
- Ready-to-Eat Products
- Ice Cream
- Snacks and Beverages
- Edible Grocery Products

Chick ‘n Juicy

- Big ‘n Juicy Lechon Manok
- Big ‘n Juicy Lechon Manok Quarter Meal
- Half Big ‘n Juicy Lechon Manok
- Big ‘n Crunchy Fried Chicken Meal (1 piece)
- Big ‘n Crunchy Drumstick (1 piece)
- Big ‘n Crunchy Drumstick (3+1 pieces)
- Garlic Roast Chicken
- Half Garlic Roast Chicken
- CNJ Brown Egg
- Spicy Neck

P.T. San Miguel Foods Indonesia

Bakso (Meat Balls)

- Farmhouse (Beef)
- Vida (Beef)

Sausages

Farmhouse (Sosis Sapi Goreng, Sosis Sapi, Beef Cocktail, Beef Frankfurter, Premium Beef, Premium Cheese, Premium Chicken)

Vida (Chicken, Beef)

Cold Cuts & Burger

Farmhouse (Smoked Beef, Beef Burger)

Purefoods Choice (Chicken Fajita Chunk, Chicken Luncheon, Minced Beef BBQ, Minced Chicken Teriyaki, Smoked Beef)

Services

Customization

San Miguel Pure Foods Vietnam (VN) Co., Ltd.

Value-Added Meats

Le Gourmet (Bacon, Ham, Beef, Chicken, Pate, Sausage, Traditional, Meatball)

Tender Juicy Hotdog

2019 LIST OF PETRON PRODUCTS

PETRON PHILIPPINES

A. FUELS

Automotive Fuels
Petron Blaze 100 Euro 6
Petron XCS
Petron Xtra Advance
Petron Turbo Diesel
Petron Diesel Max

Industrial Fuels
Petron Fuel Oil

Aviation Fuels
Aviation Gasoline
Jet A-1

Household Fuels
Gasul
Fiesta
Gaas

B. AUTOMOTIVE LUBRICATING OILS

Diesel Engine Oils
Rev-X Turbo HTP
Rev-X Fully Synthetic
Rev-X Synthetic Blend
Rev-X Premium Multi-grade
Rev-X Multi-grade
Rev-X Pantra
Rev-X HD4X
Rev-X HD
Rev-X Hauler
Petron XD3
Petron Railroad Extra

Gasoline Engine Oils
Blaze Racing HTP
Blaze Racing Fully Synthetic
Blaze Racing Synthetic Blend
Blaze Racing Premium Multi-grade
Blaze Racing Multi-grade
Ultron Race / Fully Synthetic
Ultron Rallye / Synthetic Blend
Ultron Touring / Premium Multi-grade
Ultron Extra / Multi-grade
Petron MO

Motorcycle Oils
Petron Sprint 4T Fully Synthetic
Petron Sprint 4T Premium Multi-grade
Petron Sprint 4T Multi-grade
Petron Sprint 4T Monograde
Petron Sprint 4T Scooter Oil Fully Synthetic
Petron Sprint 4T Scooter Oil Synthetic Blend
Petron Sprint 4T Scooter Oil Premium Multi-grade
Petron Scooter Gear Oil
2T Powerburn
2T Premium
2T Autolube

Automotive Gear Oils
Petron GHTP Gear Oil
Petron GX
Petron GEP
Perton GST

Automotive Transmission Fluids
Petron ATF Premium HTP
Petron ATF Premium
Petron TF 38
Petron TDH 50

Other Automotive Oils
STM

C. INDUSTRIAL LUBRICATING OILS

Turbine, Hydraulic and Circulating Oils
Hydrotur AW 22 / 32 / 46 / 68 / 100
Hydrotur AWX 32 / 68 / 100
Hydrotur AW GT 32
Hydrotur EP 46
Hydrotur N 100
Hydrotur R 32 / 46 / 68 / 100 / 150 / 185 / 220 / 320
Hydrotur SX 68
Hydrotur T 32 / 46 /68
Hydrotur TEP 68 / 77

Industrial Gear Oils
Hydrotur SX 220
Hypex EP 68 / 100 / 150 / 220 / 320 / 460 / 570 / 680 / 1000 / 4000 (Oil-Based)
Hypex EP 2K / 4K / 25K (Asphalt-Based)

Milrol 5K
Gearfluid 2K / 5K / 8K
Gearkote 3K / 22K / 68K
Petrocyl S 390 / 700
Petrocyl 680

Cutting Oils
Turnol 40
Petrokut 10 / 27

Refrigeration Oils
Zerflo 68
Zerflo P68

Transformer Oil
Voltran 60

Slideway Oil
Hydrotur SW 68
Hydrotur SW 220

Other Industrial Lubricating Oils
Airlube 100 / 150 / 320
Petrosine 68
Petron Universal Tractor Fluid - new

D. MARINE LUBRICATING OILS

Crosshead Engine Cylinder Oils
Petromar DCL 7050
Petromar DCL 4000 Series

Trunk Piston Engine Oils
Petromar HF 1040 / 1540
Petromar HF 2040
Petromar HF 3000 series
Petromar HF 4000 series
Petromar HF 5040 / 5540
Petromar XC 1030 / 1040 / 1050 / 1530 / 1540
Petromar XC 2030 / 2040
Petromar XC 3030 / 3040
Petromar XC 4040 / 4050
Petromar XC 5040 / 5540
Petron MS 9250 / 9370

Crosshead Engine System Oil
Petromar 65

Marine outboard 2-stroke oil
Petron Regatta

E. GREASES

Multi-purpose Greases
Petrogrease MP 2 / 3
Molygrease Premium
Petrogrease Premium

Water Resistant Grease
Petrogrease XX

Extreme Pressure Greases
Petrogrease EP 00 / 0 / 1 / 2
Molygrease EP 2
Molygrease EP 2P
Petrogrese EP 375

High Temperature Greases
Petrogrease HT

Complex Greases
Petron Grease HTP Lithium Complex – from High Temperature Greases
Petron Premium Lithium Complex

F. ASPHALTS

Penetration Asphalt
Petropen

Cutback Asphalt
Petropen CB

Emulsified Asphalt
Petromul SS-1
Petromul CSS -1

Blown Asphalts
Asphaltseal
Asphalt Joint Sealer

Polymer Modified Bitumen
Petron Polymer Modified Bitumen

G. SPECIAL PRODUCTS

Process Oils
Stemol 68
Petrosine 68
Process Oil series

Heat Transfer Oil
Petrotherm 32

Cleaning Agent
Greaseaway
Greasolve

Protective Coatings
Petrokote 392
Marinekote
Autokote
Cablekote 70

H. AFTERMARKET SPECIALTIES
PetroMate Oil Saver
PetroMate Oil Improver
PetroMate Gas Saver
PetroMate Diesel Power Booster
PetroMate Engine Flush
PetroMate Super Coolant
PetroMate Clean N' Shine
PetroMate Penetrating Oil
PetroMate Greaseaway
PetroMate Carbon Buster
PetroMate Brake and Clutch Fluid
Petron Brake Fluid HTP DOT 4

J. PERFORMANCE ADDITIVES & CHEMICALS
pCHEM DEF (Diesel Exhaust Fluid)
pCHEM 3500
pCHEM 3500F
pCHEM 140M
pCHEM 3500MF
pCHEM 500FS
pCHEM 1000
pCHEM 100X
pCHEM 3500M
pCHEM 3000DP
pCHEM 6000DP
pCHEM BT25

LIST OF PRODUCTS AND SERVICES OF THE
SAN MIGUEL YAMAMURA PACKAGING GROUP
As of December 31, 2019

PRODUCTS

- Glass containers
- Glass and PET molds
- PET preforms
- PET bottles
- Plastic closures
- Plastic crates and pallets
- Plastic tubes
- Plastic floorings
- Plastic pails and tubs
- Plastic films
- Flexibles packaging
- Metal closures
- Two-piece aluminum cans
- Corrugated cartons
- Industrial laminates
- Radiant barriers
- Woven polypropylene/kraft sacks
- Cork stoppers
- Hoods and capsules
- Barstop stoppers

SERVICES

- Pallet leasing
- Beverage filling for PET Bottles and Cans
- Graphics design
- Packaging development and consultation
- Contract packaging
- Trading
- Wine bottling services
- Logistics services, including trucking and warehousing.

San Miguel Properties, Inc. and Subsidiaries
List of Projects
as of December 31, 2019

A. RESIDENTIAL PROJECTS

PROJECTS	LOCATION
Dover Hill (Bright Ventures Realty, Inc.)	Mabini Street corner Ortega and Pilar Streets, Barangay Addition Hills, San Juan
One Dover View (Carnell Realty, Inc.)	621 Lee Street, Barangay Addition Hills, Mandaluyong
Two Dover View (SMPI)	620 Lee Street, Barangay Addition Hills, Mandaluyong
Emerald 88 (SMPI)	598 Dr. Sixto Antonio Avenue, Barangay Maybunga, Pasig
Bel Aldea (SMPI)	Brgy. De Fuego Street, General Trias, Cavite
Maravilla (SMPI)	Brgy. San Francisco, General Trias, Cavite
Asian Leaf (SMPI)	Brgy. San Francisco, General Trias, Cavite
Wedgewoods (Excel Unified Land Resources, Inc.)	Sta. Rosa, Laguna

B. HOSPITALITY PROJECTS

PROJECTS	LOCATION
Makati Diamond Residences (SMPI Makati Flagship Realty Corporation)	118 Legazpi St., Legazpi Village, Makati

C. INDUSTRIAL PROJECTS

PROJECTS	LOCATION
Mariveles Economic Zone (E-Fare Investment Holdings, Inc.)	Mariveles, Bataan

D. SMPI-OWNED BUILDINGS / LAND / WAREHOUSE

PROJECTS	LOCATION
Building and Land Lease of San Miguel Corporation Head Office Complex (SMPI)	No. 40 San Miguel Avenue, Ortigas, Mandaluyong City
Building Lease of 808 Building (SMPI)	Meralco Avenue corner Gen. Lim Street, Barangay San Antonio, Pasig City
Building Lease of Six (6) Units in San Miguel Properties Centre (SMPI)	No. 7 Saint Francis Street, Ortigas, Mandaluyong City
Land Lease of Cauayan, Isabela Property (SMPI)	National Highway, Brgy. Prenza, Cauayan, Isabela
Warehouse Lease of Rengo Warehouse and Land Lease of Sucat Property (SMPI)	Dr. A. Santos Avenue (Sucat Road), Parañaque
Building Lease of Delgado Building (La Verduras Realty Corp.)	No. 38 Gen. Delgado St., San Antonio Village, Brgy. San Antonio, Pasig City

Land Lease of Bunawan, Davao City Property (SMPI)	Along Davao-Agusan National Highway, Brgy. Bunawan, Davao City
Land Lease of Antipolo City Property (SMPI)	Crestview Circle, Crestview Heights Subd., Brgy. San Roque, Antipolo City
Land Lease of Parking Space for El Magnifico Building (Kingsborough Realty, Inc.)	No. 37 Gen. Delgado St., San Antonio Village, Brgy. San Antonio, Pasig City
Land Lease of General Trias, Cavite Property (SMPI)	Arnaldo Highway, Brgy. San Francisco, Gen. Trias, Cavite Arnaldo Highway, Brgy. San Francisco, Sitio De Fuego, Gen. Trias, Cavite

E. TOURISM DEVELOPMENT PROJECTS

PROJECTS	LOCATION
Boracay Gateway Project Tourism Zone (La Belle Plume Realty, Inc.)	Brgy. Union, Nabas, Aklan / Brgy. Malay, Caticlan, Aklan
Beachfront Resort Hotel and Spa (Moonspring Development Inc.)	Brgy. Union, Nabas, Aklan
Aqean Bay Waterpark (Newscapes Haven Development Inc.)	Brgy. Union, Nabas, Aklan
Transit Hotel (Caticlanscapes Realty Development Inc.)	Brgy. Union, Nabas, Aklan

Annex "E"

COLLECTIVE BARGAINING AGREEMENTS
As of Dec. 31, 2019

BANK OF COMMERCE

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	EXPIRATION	
			Economic	Representation
Bank of Commerce Employees Union	**791**	1	June 30, 2020	June 30, 2020

GINEBRA SAN MIGUEL INC.

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	EXPIRATION	
			Economic	Representation
GSMI - Cebu Plant (Dailies) - Ginebra San Miguel Inc. FREEWAS Daily Paid Employees Union	22	1	December 31, 2021	December 31, 2023
GSMI - Cabuyao Plant (Dailies) - United Independent Union of GSMI-Cabuyao Plant	76	1	December 31, 2020	December 31, 2022
GSMI - Sta Barbara Plant (Dailies) - Daily Paid Workers Independent Union	63	1	December 31, 2019	March 31, 2022
GSMI - Sta Barbara Plant (Monthlies) - La Tondeña Distillers Independent Workers Union (LATODIWU)	18	1	December 31, 2019	March 31, 2022
Distilleria Bago Inc. (Monthlies) - Distileria Bago Employees Union Congress of Independent Organizations - (CIO - DBEU)	88	1	December 31, 2019	December 31, 2021
	267	**5**		

PETRON CORPORATION

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Petron Corporation (Head Office Complex, Depots) - Petron Employees Association (PEA - NATU)	184	1	December 31, 2019	December 31, 2021
Petron Corporation (Pandacan, Navotas and Batangas) - Petron Employees Labor Union (PELU)	45	1	December 31, 2021	December 31, 2023
Petron Corporation (Bataan) - Bataan Refiners Union of the Philippines (BRUP - PTGWO)	438	1	December 31, 2021	December 31, 2021
Total:	**667**	**3**		

SAN MIGUEL BREWERY INC.

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Concerned Workers of SMC – Polo Brewery	266	1	30-Jun-22	July 12, 2020
SMBI Employees Union (SMBIEU) – PTGWO (Monthlies – Polo)	92	1	30-Jun-22	30-Jun-24
San Fernando Brewery Employees Union (SFBEU) –(Dailies)	330	1	Feb. 15, 2020	Feb. 15, 2020
San Miguel Brewery Inc. Employees Union (SMBIEU-SFB)-Monthlies	97	1	Dec. 31, 2019	Dec. 31, 2019
New San Miguel Corporation Sales Force Union- GMA Sales	66	*1	Jan. 31, 2020	Jan. 31, 2020
GMA-Monthlies Employees Union – GMAEU-PTGWO	76	1	June 30, 2022	June 30, 2024
San Miguel Brewing Group - Bacolod Brewery Employees Union (SMBG-BBEU) (Dailies)	85	1	July 31, 2022	Apr. 27, 2024
Philippine Agricultural, Commercial and Industrial Workers Union-Trade Union Congress of the Philippines (PACIWU-TUCP) (Bacolod Monthlies)	48	1	Oct. 31, 2022	Oct. 31, 2024
Kahugpongan Sa Ligdong Mamumu-O (KLM) (Dailies) (Mandaue)	188	1	Dec. 31, 2020	Dec. 31, 2020
San Miguel Davao Brewery Employees Independent Union (Dailies)	101	1	Nov. 30, 2021	Nov. 30, 2022
	1349	**10**		

SAN MIGUEL FOOD GROUP

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Magnolia Inc. (Dailies) Progressive Workers' Union - IBM Local 47 KMU (PWU- IBM KMU)	158	1	February 28, 2020	February 28, 2020
San Miguel Foods Inc. (GMA Monthlies)- SMFI Employees Union (SMFIEU) - PTGWO	154	1	December 31, 2019	October 22, 2021
San Miguel Foods Inc. - South Luzon SMFI Poultry (Monthlies) - Magnolia Poultry Employees Union - PTGWO	32	1	December 31, 2019	June 30, 2021
San Miguel Mills, Inc. - Mabini Batangas Flour Mill Employees Union (Monthlies) - Purefoods Flour Mill Employees Union - (PFMEU)	36	1	December 31, 2019	July 31, 2022
	380	4		

SMC INFRASTRUCTURE

Installation, Bargaining Agent & Affiliation	Number of CBU/ Members	Number of CBAs	Expiration	
			Economic	Representation
Manila North Harbor Inc. (Dailies & Monthlies)- Waterfront Workers Union - North Harbor Inc.	892	1	November 30, 2020	November 30, 2022
Star Tollway Corporation Toll Teller Association (Monthlies)	132	1	July 31, 2019	July 31, 2021
Malayang Samahan ng Toll Tellers sa MATES - Workers Solidarity Network	649	on going negotiation		
	1673	**2**		

SAN MIGUEL YAMAMURA PACKAGING CORPORATION

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	EXPIRATION	
			ECONOMIC	REPRESENTATION
SMC Yamamura Fuso Molds Corporation (Monthlies) - SMC Yamamura Fuso Molds Monthlies Union - PTGWO PTGWO Local Chapter 842	**54**	1	Dec. 31, 2021	December 31, 2023
San Miguel Yamamura Corporation (Ex-Parent) Manila Plastics Plant (Monthlies) San Miguel Packaging Specialists, Inc Employees Union - Manila Plastics Plant - PTGWO Local 888	**64**	1	June 30, 2022	June 30, 2022
San Miguel Yamamura Corporation (Ex-Parent) Manila Glass Plant (Monthlies) San Miguel Yamamura Packaging Corp. Employees Union - Manila Glass Plant - Association of Genuine Labor Organization (SMYPCEU-MGP-AGLO)	**167**	1	June 30, 2022	June 30, 2022
San Miguel Yamamura Corporation (Ex-Parent) - Metal Closure & Lithography Plant - (Monthlies) San Miguel Packaging Specialists, Inc Employees Union - Metal Closure & Lithography Plant - PTGWO Local 890	**32**	1	June 30, 2022	June 30, 2022
Mindanao Corrugated Fireboard, Inc. (Monthlies)Mincorr Independent Workers Union - Alliance of Progressive Labor - Sentro ng mga Nagkakaisa at Progresibong Manggagawa (MIWU=APL-SENTRO)	**65**	1	Dec. 31, 2019	Dec. 31, 2022
San Miguel Packaging Specialists, Inc. Canlubang PET and CAPS Plant (Monthlies) SAMAHAN ng MALAYANG MANGGAGAWA sa BPSI-Canlubang-PTGWO	**25**	1	Dec. 31, 2019	June 13, 2022
Can Asia, Inc. - Monthlies Union - San Miguel Yamamura Packaging Corporation - Can Asia, Inc. (Independent Union)	**84**	1	Dec. 31, 2019	Dec. 31, 2019
SMC Yamamura Asia Corporation (Monthlies) Union Buo Organisadong Samahan ng Empleyado sa SMYAC - Independent (BOSES-SMYAC)	**456**	1	Dec. 31, 2019	April 01, 2023
Rightpak International Corporation (Monthlies) - Rightpak Employees Union - PTGWO	**126**	1	May 31, 2020	May 31, 2022
SMYPC - Mandaue Packaging Plants (Glass, MCLP, Power) (Dailies) Kahugpong Sa Ligdong Mamumuo - SMPSI Mandaue (KLM-SMPSI Mandaue)	**68**	1	Dec. 31, 2020	Dec. 31, 2020
	1,141	**10**		
TOTAL	**6,268**	**35**		

Annex "F"

	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 Bottling Plant	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	82,104.58	January 31, 2022	Renewable upon mutual agreement of both parties.
Region Office	Region Office - #578 P. Burgos St. Cabanatuan City, Nueva Ecija	Land & Building-Rented	Good	35,240.63	May 31, 2021	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	305,870.53	April 30, 2020	Renewable upon mutual agreement of both parties
Valenzuela Sales Office	Valenzuela S.O. - Bldg. 24 & 25 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	185,678.57	April 30, 2020	Renewable upon mutual agreement of both parties
Valenzuela Sales Office	#2 Trinidad St. Brgy. Canumay, Valenzuela City	Warehouse - rented	Good	383,928.57	October 31, 2020	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

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	118,571.43	May 30, 2020	The Contract is subject to renewal or extension under such terms and conditions as may mutually agreed upon between the parties in writing.
Warehouse	No. 344 A. Rodriguez, Manggahan, Pasig City	Warehouse-Rented	Good	261,958.43	November 30, 2020	The Contract is subject to renewal or extension under such terms and conditions as may mutually agreed upon between the parties in writing.
Warehouse	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Warehouse-Rented		283,892.40	June 15, 2020	After the lease contract has expired and the Lessee still continues to be in posession of the subject property, the Lessee shall have the priority to extend and renew the lease contract agreement under the same terms and condition unless and until a new contract or renewal hereof has been executed.
Pasig Sales Office	Pasig S.O. - Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse-Rented	Good	1,082,812.50	December 31, 2021	Renewable upon mutual agreement of both parties
Warehouse (Las Piñas Sales Office)	98 Marcos Alvarez Ave. Talon Uno, Las Piñas City	Warehouse-Rented	Good	212,147.04	March 31, 2020	Renewable upon mutual agreement of both parties
Masbate Sales Office	Bgy. Pinamarbuhan, Mobo, Masbate	Land, Warehouse and Open Space-Rented	Good	185,850.00	March 31, 2021	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	304,920.00	December 31, 2021	Renewable upon mutual agreement of both parties
Dasmariñas Sales Office	Dasmarinas S.O. - Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Warehouse-Rented	Good	455,625.00	January 31, 2022	Renewable upon mutual agreement of both parties
Bacoor Sales Office	Bacoor S.O. - Tirona Highway, Habay 1, Bacoor, Cavite	Warehouse-Rented	Good	346,987.50	March 31, 2021	Renewable upon mutual agreement of both parties
Bulan Sales Office	Bulan S.O. - T. de Castro St., Zone 8, Bulan, Sorsogon	Warehouse-Rented	Good	128,100.00	October 31, 2021	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, 2021	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, 2020	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, 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	75,000.00	October 31, 2020	Renewable upon mutual agreement of both parties
Tacloban Sales Office/Region Office	Fatima Village, Tacloban City, Leyte	Portion of Land-Rented/Portion of Land-	Good	243,705.27	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, 2020	Renewable upon mutual agreement of both parties
Region Office	Brgy. Aguada, Ozamiz City	Building-Rented	Good	99,825.00	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, 2020	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
Liloy Sales Office	Liloy S.O. - Baybay, Liloy, Zamboanga del Norte	Warehouse-Rented	Good	44,642.86	September 30, 2020	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, 2020	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
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 (4 lots)	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	Owned	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 251,898.00	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			
Shunde Sales Office	No.1 San Miguel Avenue, Longjiang Town, Shunde District, Foshan City, Guangdong, PRC	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 Baoding Brewery Company Limited	JinXia Villa, Baoding City, Hebei Province, China	Owned	Good			

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 Hong Kong Limited	9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land-Rented	Good	HKD 31,229.00	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 16,832.00	2047	No renewal options
	San Miguel (Guangdong) Brewery Co.,Ltd	Longjiang, Industrial Estate, Shunde District, Guangdong Province	Land-Rented	Good	Entire rent paid at the start of lease term	May 01, 2053	For renewal at the expiry date.
	Guangzhou San Miguel Brewery Co. Ltd.						
	Guangzhou Admin Office	Room 702, No. 98, South East Road, Yuexiu District, Guangzhou, Unit A and unit B	Office Space-Rented	Good	RMB 69,243.40	January 04, 2021	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 .
	Dongguan Sales Office	No. 1805, building 3, Grape Manor, No.9 Jinao Avenue, Xincheng District, Wanjiang District, Dongguan city	Office Space-Rented	Good	RMB 3,300.00	April 30, 2020	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 4,300.00	November 11, 2020	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	CNY 1,500.00	December 31, 2020	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$58,000.00	October 31, 2020	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	January 14, 2020	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	depends on how much space we use	December 31, 2020	Renewable upon mutual agreement of 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, 2021	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
	Shijiazhuang Sales Office	1-2-802, Kentongmingdi, Jianshe Road, Shi Jia Zhuang City , Hebei Province, China	Office Space-Rented	Good	CNY 1,600.00	March 31, 2021	Renewable upon mutual agreement of both parties
	Baobei Office	7-1-402, Shangpin Dongfang,Gaobeidian ,Baoding City,Hebei Province, China	Office Space-Rented	Good	RMB 1,400.00	May 15, 2020	Renewable upon mutual agreement of both parties
	Baonan Office	10-13-704, Mingyuehaoyuan,Dingzhou City,Baoding City,Hebei Province, China	Office Space-Rented	Good	CNY 1,200.00	March 13, 2020	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 15, 2020	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, 2020	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	September 30, 2020	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, 2020	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
	Pattaya sales office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office Space-Rented	Good	THB 25,263.16	February 28, 2020	Renewable upon mutual agreement of both parties
	San Miguel Brewery Vietnam Limited						
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa	Land-Rented	Good	VND 7,704,250.00	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 5,993.16	April 01, 2021	Renewable upon mutual agreement of both parties
	Da Nang Sales Office	180 2/9 Street, Da Nang City, Vietnam	Office Space-Rented	Good	VND 24,000,000.00	October 05, 2020	Renewable upon mutual agreement of both parties
	Nha Trang Sales Office	308 Thong Nhat street, Phuong Son, Nhatrang, Khanh Hoa, Vietnam	Office Space-Rented	Good	VND 22,000,000.00	December 31, 2021	Renewable upon mutual agreement of both parties
	Ho Chi Minh Warehouse	1500/3C, An Phu Dong Ward, Dist 12, Ho Chi Minh City	Warehouse-Rented	Good	VND 40,000,000.00	April 10, 2020	Renewable upon mutual agreement of both parties
	Vung Tau Office	215/15 Ba Cu Ward 4, Vung Tau City	Rented	Good	VND 3,000,000.00	March 31, 2020	Renewable upon mutual agreement of both parties
	Power Plant						
	San Miguel Baoding Utility	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good			
	Investment Properties						
	Guangzhou San Miguel Brewery	Room 302, Haitao Building, Marine Fisheries Pier, North Binhai Avenue, Haikou City	Owned	Good			
		1th-4th Floor, Xianda Building, Shuichan Pier, North Binhai Avenue, Haikou City	Owned	Good			
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	943,475.44 (September 2019 - August 2020); 1,009,518.72 (September 2020 - August 2021)	August 31, 2021	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 Cauayan Warehouse 1 & 3	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	323,425.00	February 29, 2020	Renewable upon mutual agreement of both parties
	GSMI Porac Warehouse and Sales Office	Sta. Cruz, Porac, Pampanga	Rented	Good	272,250.00	December 31, 2019	Renewable upon mutual agreement of both parties (Renewed in 2020)
	GSMI La Union Sales Office	Lee Building, Natl. Hiway, Brgy. Carlatan, San Fernando City, La Union	Rented	Good	17,368.42	December 31, 2019	Renewable upon mutual agreement of both parties (Renewed in 2020)
	GSMI Minien Warehouse	Brgy. Minien East, Sta. Barbara, Pangasinan	Rented	Good	25,000.00	June 30, 2020	Renewable upon mutual agreement of both parties
	GSMI Lunec Warehouse	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	778,428.00	February 29, 2020	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
GSMI Malabago Warehouse	Malabago, Mangaldan, Pangasinan	Rented	Good	408,240.00	February 29, 2020	Renewable upon mutual agreement of both parties
GSMI Cauayan Warehouse	Prenza San Fermin, Cauayan City Isabela	Rented	Good	411,230.00	March 31, 2020	Renewable upon mutual agreement of both parties
GSMI San Jacinto Warehouse	Brgy. San Vicente, San Jacinto Pangasinan	Rented	Good	130,400.00	April 30, 2020	Renewable upon mutual agreement of both parties
GSMI Salay Warehouse	National Hi-way Brgy. Salay, Mangaldan Pangasinan	Rented	Good	69,000.00	March 31, 2020	Renewable upon mutual agreement of both parties
GSMI Calasiao Warehouse	San Miguel Calasiao, Pangasinan	Rented	Good	325,000.00	March 31, 2020	Renewable upon mutual agreement of both parties
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			
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	850,878.00	June 15, 2020	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			
Warehouse	San Marcos, San Pablo City, Laguna	Rented	Good	50,000.00	May 31, 2020	Renewable upon mutual agreement of both parties
GSMI Sales Admin Office	1080 Dona Aurora Boulevard, Gulang-gulang, Lucena City	Rented	Good	21,292.00 (June 2018 to May 2019), 21,986.00 (June	November 30, 2020	Renewable upon mutual agreement of both parties
Warehouse	Brgy. Bago, Ibaan, Batangas	Rented	Good	660,750.00	February 29, 2020	Short-term lease only. Not subject for renewal
Warehouse	Barangay 42, Rawiz Legazpi City	Rented	Good	126,000.00	March 31, 2020	Short-term lease only. Not subject for renewal
Warehouse	Brgy. San Roque, Tabaco City	Rented	Good	133,925.00	February 29, 2020	Short-term lease only. Not subject for renewal
Warehouse	21 San Jose Milaor, Camarines Sur	Rented	Good	283,200.00	March 31, 2020	Short-term lease only. Not subject for renewal
Warehouse	Brgy. Dita, Sta. Rosa, Laguna	Rented	Good	414,000.00	May 31, 2020	Short-term lease only. Not subject for renewal

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	September 30, 2020	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 4 & 6)	BBTI, Bauan, Batangas	Rented	Good	720,000.00	July 31, 2020	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 5 & 7)	BBTI, Bauan, Batangas	Rented	Good	720,000.00	September 30, 2020	Renewable at the option of the lessee
	GSMI Alcohol Depot (Tanks 8 & 9)	BBTI, Bauan, Batangas	Rented	Good	384,000.00	December 31, 2020	Renewable at the option of the lessee
	Land						
	Calamba Sales Office and Warehouse (formerly GSMI HBO Tolling Plant)	Purok 1, Sitio Pulang Lupa, Makiling, Calamba, Laguna	Rented	Good	1,786,794.19 (Jan-Dec 2018); 1,876,133.90 (Jan - Dec 2019; 1,969,940.59 (Jan - Dec 2020)	December 31, 2020	Renewable upon mutual agreement of both parties
	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	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	December 31, 2019	Renewable upon mutual agreement of both parties (Renewed in 2020)
	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			
	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	21,052.63	May 31, 2020	Renewable upon mutual agreement of both parties
	GSMI Cagayan de Oro Sales Office	Unit 118 & Unit D-218 Lyl Apt., Kimwa Comp. Baloy, Brgy. Tablon, Cagayan De Oro City	Rented	Good	29,000.00	December 31, 2020	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 Office and Feedmill - 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			
	La Pacita Antipolo Office & Plant - Magnolia	#88 Garnet, Bario Mambugan, Antipolo City	Owned	Good			
	Bacolod Warehouse - San Miguel Mills Inc.	Reclamation Area, Barangay Poblacion, Bacolod 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			
	Bulacan Hog Farm - Meats	Brgy. Magmarale, San Miguel, Bulacan 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			
	Isabela Feedmill - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
	Pangasinan Feedmill - Feeds	Brgy. Bued, Binalonan, Pangasinan City	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			
	Bulacan Feedmill (San Miguel) - Feeds	Brgy., Magmarale, San Miguel, Bulacan City	Owned	Good			
	Bulacan Feedmill (San Ildefonso) - Feeds	Brgy. Malipampang San Ildefonso, Bulacan	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			

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Grain Terminal						
Mabini Bulk Grain Handling Terminal - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
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			
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 Meat Plant - Meats	Governor's Drive Bo. Langkaan 1, Dasmarinas Cavite City	Owned	Good			
Laguna Ice Cream Plant - Golden Food Management Inc. (GFMI, formerly Golden Food & Dairy Creamery Corporation)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
Processing Plant and Cold Storage						
Mandaue Poultry Processing Plant and Cold Storage - SMFI - Poultry	Riverside, Canduman, Mandaue City	Owned	Good			
Warehouse						
Quezon City Warehouse - Purefoods Hormel Company, Inc.	Regalado Ave., Fairview, Quezon City	Owned	Good			
Admin Office						
Laguna Office - Poultry	2nd & 3rd Floor, Andenson Building III, National Hi-way, Brgy. Parian, Calamba City, Laguna	Rented	Good	Jan-July: 734,400.00 Aug-Dec: 856,604.16	July 31, 2021	Renewable every 5 years
Davao Office - Poultry	3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao	Rented	Good	287,142.50	August 31, 2020	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 35,863,636.00	July 31, 2020	Renewable every 5 years
Cebu Office - Poultry	5th and 6th Flr., Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	178,200.00	June 30, 2020	Renewable every 3 years
Cebu Office - Great Food Solutions and San Miguel Integrated Sales	7th Floor Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	29,700.00 (GFS) 59,400.00 (SMIS)	June 30, 2020	Renewable upon mutual agreement of both parties
Laguna Office - Poultry	Denson Whse, Brgy Parian, Calamba, Laguna (Live Logistics Office/Vetmed Whse, Brown Egg)	Rented	Good	166,795.20	November 30, 2021	Renewable every 3 years (Brown Egg) Renewable every 5 years (Vetmed Whse)
Zamboanga Office - Poultry	Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City	Rented	Good	25,839.82	December 31, 2020	Renewable every year
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	353,075.63	June 30, 2021	Renewable every 5 years
Bacolod Office - San Miguel Integrated Sales	William Lines Warehouse, Magsaysay, Araneta St., Singcang, Bacolod	Rented	Good	21,780.00	Continuing unless terminated and agreed by both parties	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
	Dumaguete Office - Poultry	Unit 1-C, JC Building, Ipil Road, Brgy. Daro, Dumaguete City	Rented	Good	31,500.00	October 30, 2021	Renewable every 5 years
	Bacolod Office - Poultry	NFCC Cybercentre Complex, Lacson Cr. Hernaez St., Bacolod City	Rented	Good	226,737.00	June 30, 2022	Renewable every 3 years
	Davao Office - Meats	Marapangi, Toril, Davao City	Rented	Good	7,500.00	July 01, 2022	Renewable upon mutual agreement of both parties
	Mandaue Office - Poultry	245 Subangdaku, Mandaue City	Rented	Good	33,922.77	November 1, 2022	Renewable upon mutual agreement of both parties
	Batangas Office - Poultry	San Roque, Sto Tomas, Batangas	Rented	Good	17,000.00	April 30, 2020	Renewable every 3 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	45,823.22	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	21,000.00	November 30, 2024	Renewable every 5 years
	Admin Office and Cold Storage/Processing Plant/Warehouse						
	Bohol Admin Office, Cold Storage and Warehouse - Poultry	Eastern Poblacion, Alburquerque, Bohol	Rented	Good	7,200.00 (Office) 21,250.00 (Cold Storage/Warehouse)	November 30, 2022 (Office) June 30, 2020 (Cold Storage, Warehouse)	Renewable every 3 years
	Butuan Office and Cold Storage - Agro Industrial Cluster and Poultry	Km 9 Tag-ibo Butu-an	Rented	Good	7,464.29 (Office) 451,285.12 (Cold Storage)	March 31, 2023 (Office - Agro Industrial Cluster) December 31, 2023 (Cold Storage - Poultry)	Renewable every 3 years (Office) Renewable every 3 years (Cold Storage)
	Misamis Occidental Office and Cold Storage - Agro Industrial Cluster and Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	14,279.18 (Office) 271,293.72 (Cold Storage)	December 31, 2021 (Office) December 31, 2021 (Cold Storage)	The Lessee maybe pre-terminate the Contract without cause by giving a sixty (30) days prior written notice to the Lessor (Office) Negotiations for the renewal of this Agreement shall commence six (6) months before the the expiry date. The decision to renew or not to renew should be made by the parties within a period not exceeding three (3) months from date of expiry (Cold Storage)
	Valenzuela Office and Cold Storage - Poultry	No. 1787 East Service Rd. Lawang Bato, NLEX Valenzuela	Rented	Good	62,234.91 (Office) 2,363,116.88 (Cold Storage)	June 30, 2020	Renewable every 2 years

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Camarines Sur Office, Quality Assurance Office and Processing Plant - Agro Industrial Cluster and Poultry	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Rented	Good	57,500 (Office AIC) 548,500.00 (Office - Poultry) 267,857.14 (QA Office - Poultry) 1,640,821.00 (Cold Storage - Poultry) 553,797.00 (Holding Room - Poultry) 383,699.68 (Cold Storage - Meats)	November 30, 2020 (Office AIC) Continuing unless terminated and agreed by both parties (QA Office) December 31, 2021 (Cold Cold Storage - Poultry, Holding Room - Poultry and Cold Storage - Meats)	Renewable annually (Office & QA Office - AIC and SMFI - Poultry) Renewable every 2 years (Cold Storage and Holding Room)
	Iloilo Office and Warehouse - San Miguel Integrated Sales	Iloilo Sales Options, Brgy. Mali-ao Pavia Iloilo, Jentec Storage Corp. Iloilo	Rented	Good	9,000 (Office) 1,440,374.68 (Cold Storage - SMIS) 113,918.23 (Warehouse - Magnolia)	January 1, 2020 (Office) December 31, 2020 (Warehouse SMIS) May 31, 2020 (Magnolia)	Renewable upon mutual agreement of both parties
	Cebu Office, Labatory & Cold Storage - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	60,000.00 (Office and Labatory) 1,305,759.45 (Cold Storage)	December 31, 2020	Renewable every 2 years
	Cold Storage						
	Cavite Cold Storage - Magnolia, Inc., Meats and Poultry	Anabu Hills Industrial Estate, Anabu 1-c, Imus Cavite	Rented	Good	1,684,698.97 (Magnolia) 7,267,956.65 (Meats) 317,928.33 (Poultry)	June 30, 2020 (Magnolia) October 31, 2020 (Meats) April 17, 2020 (Poultry)	Renewable every year (Magnolia) Renewable upon mutual agreement of both parties (Meats) Renewable every 3 years (Poultry)
	La Union Cold Storage - Meats	Bgry. Lubing, San Juan, La Union	Rented	Good	181,500.00	June 15, 2022	Renewable upon mutual agreement of both parties
	Negros Oriental Cold Storage - Meats and Poultry	Bolocboloc Sibulan Negros Oriental	Rented	Good	1,150,087.47 (Meats) 577,170.00 (Poultry)	May 31, 2020 (Meats) June 30, 2021 (Poultry)	Renewable upon mutual agreement of both parties (Meats) Renewable every 3 years (Poultry)
	Tacloban Cold Storage - Meats	Brgy 99 Diit, Maharlika Highway, Tacloban	Rented	Good	224,087.81	September 30, 2020	Renewable upon mutual agreement of both parties
	Davao Cold Storage - Poultry	Daliao, Toril Davao	Rented	Good	4,735,982.52	February 29, 2020	Renewable every 3 years
	Cebu Cold Storage - Poultry	F.E. Zuellig Ave., North Reclamation Area, Mandaue, Cebu	Rented	Good	1,406,449.76	July 31, 2020	Renewable every 3 years (Poultry)
	Misamis Oriental Cold Storage - Poultry	IP4 El Salvador, Misamis Oriental	Rented	Good	1,843,184.15	March 03, 2020	The Lessee maybe pre-terminate the Contract without cause by giving 6 months prior written notice to the Lessor
	Navotas Cold Storage - Poultry and Purefoods Hormel Company, Inc.	Lapu-Lapu Ave. and C3 Road cor. Northbay Blvd., Navotas	Rented	Good	2,336,192.00 (Poultry) 3,185,948.82 (PHC)	September 30, 2020	Renewable every 2 years
	Misamis Oriental Cold Storage - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	400,747.62	December 31, 2021	The Lessee maybe pre-terminate the Contract without cause by giving 60 days prior written notice to the Lessor
	Misamis Oriental Cold Storage - Meats	Phividec Industrial Estate, Sugbongcogon, Tagoloan, Misamis Oriental	Rented	Good	47,698.00	February 28, 2021	Renewable upon mutual agreement of both parties (Meats)

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Palawan Cold Storage - Poultry	Puerto Princesa, Palawan	Rented	Good	417,928.57	December 31, 2021	Renewable every 2 years
Davao Cold Storage - Poultry and Meats	Purok 15, Panungtungan, Tibungco, Davao	Rented	Good	9,272,641.83 (Poultry) 102,189.64 (Meats)	September 30, 2021	Renewable every 3 years
Isabela Cold Storage - Meats	San Pedro, Roxas, Isabela	Rented	Good	75,000.00	February 28, 2023	Renewable every 3 years
Negros Occidental Cold Storage, Warehouse & Laboratory - Poultry	Singko de Noviembre St., Silay City, Negros Occidental	Rented	Good	628,404.88 (Cold Storage) 74,067.33 (Warehouse & Laboratory)	March 31, 2021 (Warehouse) March 31, 2020 (Cold Storage)	Renewable every 3 years
Pangasinan Cold Storage - Poultry	Brgy. Mabilao, San Fabian, Pangasinan 2433	Rented	Good	204,984.00	September 30, 2020	Renewable upon mutual agreement of both parties
Bacolod Cold Storage Poultry & SMIS	Calong-calong, Airport Subd, Brgy Singcang, Bacolod City	Rented	Good	145,600.38 (Poultry) 750,327.01 (SMIS)	July 1, 2020 (Poultry) September 30, 2020 (SMIS)	Renewable every 3 years
Cebu Cold Storage - Meats	Sitio, Libo Tayud, Consolacion Cebu	Rented	Good	1,031,599.25	July 31, 2020	Renewable upon mutual agreement of both parties
Misamis Oriental Cold Storage - Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	118,552.00	December 31, 2021	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
Mandaluyong Cold Storage - San Miguel Integrated Sales	10th floor San Miguel Properties Centre, 7 St. Francis st. Mandaluyong City	Rented	Good	938,936.00	June 30, 2021	Renewable upon mutual agreement of both parties
Cagayan De Oro Cold Storage - San Miguel Integrated Sales	Zone 4, Tin-ao Brgy. Agusan, Cagayan de Oro City	Rented	Good	82,307.12	September 30, 2020	Renewable upon mutual agreement of both parties
Pasig Cold Storage - San Miguel Integrated Sales	VCGT Compound, Amang Rodriguez Ave., Mangahan Pasig	Rented	Good	8,937,430.91	June 30, 2020	Renewable upon mutual agreement of both parties
Pasig Cold Storage - Great Food Solutions	Luis St., San Miguel, Pasig City	Rented	Good	1,414,643.10	June 30, 2021	Renewable upon mutual agreement of both parties
Dagupan Cold Storage - SMIS	AB Fernandez Ave., Dagupan City	Rented	Good	1,996,268.14	June 30, 2020	Renewable upon mutual agreement of both parties
Pampanga Cold Storage - SMIS	Gloria 1 Sindalan, San Fernando, Pampanga	Rented	Good	4,998,818.38	June 30, 2020	Renewable upon mutual agreement of both parties
Isabela Cold Storage - Meats	San Luis, Cauayan, Isabela	Rented	Good	48,508.95	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Isabela Cold Storage - Meats	Purok 5 Rizal, Santiago City, Isabela	Rented	Good	336,000.00	December 31, 2020	Renewal every year
Calamba Cold Storage - SMIS	Logistikus, Inc., Bldg 4, Molson Park, CA Yulo Ave, Canlubang Industrial Park, Calamba, Laguna	Rented	Good	5,193,043.92	June 30, 2020	Renewable upon mutual agreement of both parties
Cainta Cold Storage - Magnolia	Mercedes Business Par, Mercedes Ave., Cainta, Rizal	Rented	Good	3,143,685.67	May 31, 2020	Renewable upon mutual agreement of both parties
Cagayan De Oro Cold Storage - SMFI - SMIS	Door 6 Waterside Living Complex, J Pacana St., Cagayan De Oro City	Rented	Good	1,247,424.75	June 30, 2020	Renewable upon mutual agreement of both parties
Cagayan De Oro Cold Storage - SMFI - Poultry	Tablon, Cagayan de Oro City	Rented	Good	661,385.06	March 31, 2020	Renewable upon mutual agreement of both parties
Mandaue Cold Storage - Poultry	Lot 2459-B1&B2 Batiller Street, Barangay Umapad, Mandaue City	Rented	Good	674,722.74	March 31, 2020	Renewable upon mutual agreement of the parties
Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse/Processing Plant/Mixes Storage/Office						
Bulacan Cold Storage and Holding Room - Poultry	#95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	175,067.00 (Cold Storage) 178,685.00 (Holding Room)	June 30, 2022	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
Bulacan Cold Storage and Holding Room - Poultry	111 Pulong Gubat, Balagtas Bulacan	Rented	Good	2,391,480 (Cold Storage) 811, 795.00 (Holding Room)	December 31, 2021	Renewable every 2 years
Pampanga Cold Storage- SMFI - Meats & Mixes Storage - Poultry	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	2,463,965.79 (Cold Storage) 6,752.00 (Mixes Storage)	December 31, 2021	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) 35,000.00 (Office and Labatory)	August 31, 2020	Renewable every 5 years
Bulacan Cold Storage, Holding Room and Laboratory - Poultry and Office - Meats	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	2,308,759 (Cold Storage) 990,746.00 (Holding Room) 30,164.56 (Laboratory) 12,632.79 (Office)	February 28, 20122 (Office) February 28, 2022 (Cold Storage, Holding Room, Laboratory)	Renewable every 3 years (Cold Storage, Holding Room, Laboratory) Renewable upon mutual agreement of both parties (Office)
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) 72,081.00 (Laboratory)	September 30, 2020	Renewable every 3 years
Iloilo Cold Storage - Poultry and Meats	Brgy. Sambag Jaro Iloilo	Rented	Good	222,320.61 (Poultry) 148,250.00 (Meats)	June 30, 2020	Renewable every year
Pampanga Cold Storage, Holding Room and Labatory - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	654,877.00 (Cold Storage) 284,680.00 (Holding Room) 54,980.80 (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	2,027,277.28 (Cold Storage) 1,357,245.12 (Holding Room) 37,882.07 (Laboratory)	December 31, 2020 (Cold Storage and Holding Room) September 15, 2022 (Laboratory)	Renewable every 3 years (Cold storage)
Bataan Cold Storage and Holding Room - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	1,440,202.40 (Cold Storage) 1,192,551.36 (Holding Room) 32,215.84 (Labatory)	December 31, 2020	Renewable every 3 years
Nueva Ecija Cold Storage, Holding Room and Labatory- Poultry	Km104, Brgy Tabuating, San Leonardo, Nueva Ecija	Rented	Good	728,205.66 (Cold Storage) 998,682.72(Holding Room) 24,478.72 (Labatory)	March 8, 2021	Renewable every 3 years
Isabela Processing Plant - Poultry	Purok 5, Rizal, Santiago City, Isabela	Rented	Good	191,158.97 (Processing Plant Poultry)	September 30, 2020	Renewable every 3 years
Bulacan Cold Storage - Poultry and Meats and Warehouse - San Miguel Integrated Sales	Rosas Norte, Brgy Saluysoy, Meycauyan, Bulacan	Rented	Good	2,075,073.73 (Poultry) 1,717,778.28 (Meats) 1,541,725.09 (SMIS)	September 30, 2020 (Poultry) September 30, 2020 (Meats) June 30, 2020 (SMIS)	Renewable every 2 years (Poultry) Renewable every 2 years (Meats) Renewable upon mutual agreement of both parties (SMIS)

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Iloilo Cold Storage and Processing Plant - Poultry	Barangay Tungay, Sta. Barbara, Iloilo	Rented	Good	947,433.33 (Cold storage) 34,641.77 (Processing plant)	December 31, 2020	Renewable every 3 years
Foreshore						
Mabini Bulk Grain Handling Terminal Foreshore - GBGTC	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	Jan-Feb : 13,965.50 Mar-Dec : 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	4,824.31	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 : 3,325,757 July -Dec : 3,492,045	May 31, 2031	Renewable upon mutual written agreement of the parties
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			
Processing Plant						
Lipa Dressing Plant - Poultry	Brgy Kayumanggi, Lipa	Rented	Good	694,522.10	February 28, 2020	Renewable every 3 years
Quezon Processing Plant - Poultry	Brgy Lagalag, Tiaong, Quezon	Rented	Good	2,783,599.00	May 31, 2021	Renewable every 3 years
Puerto Princesa Dressing Plant - Poultry	Brgy Tagburos, Puerto Princesa	Rented	Good	20,000.00	December 31, 2021	Renewable upon mutual agreement of both parties
Albay Processing Plant - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	163,578.00	July 31, 2021	Renewable every 3 years
Lucena Processing Plant - Poultry	Brgy. Bocohan, Lucena	Rented	Good	1,416,227.58	June 30, 2021	Renewable every 3 years
Davao Processing Plant - Poultry	Sirawan Toril, Davao	Rented	Good	2,628,000.00	March 31, 2021	Renewable every year
Davao Dressing Plant - Poultry	Tugbok Dist., Calinan Davao	Rented	Good	10,236,971.13	Continuing unless terminated and agreed by both parties	Renewable every 2 years
Isabela Processing Plant - Poultry	Garit Sur, Echague Isabela	Rented	Good	633,400.00	March 15, 2021	Renewable every 3 years
South Cotabato Processing Plant - Poultry	Polomolok, South Cotabato	Rented	Good	1,595,792.28	December 31, 2020	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
Davao City Processing Plant - SMFI - Poultry	R.Castillo, Davao City	Rented	Good	2,799,200.00	Continuing unless terminated and agreed by both parties	Renewable every year
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
Quezon City Sales Office	Unit 108A The Strips AT Blue Residences Katipunan Avenue Loyola Heights 3, Quezon City	Rented	Good	Jan-Oct: 21,080.54 Nov- Dec: 22,763.99	October 31, 2020	Renewable upon mutual agreement of both parties
Antipolo City Sales Office - SMMI	KM23 Sumulong Highway, Brgy. Sta. Cruz, Antipolo City	Rented	Good	24,500.00	February 17, 2024	Lessee shall notify lessor of its intention to renew this Contract, and any renewal agreement shall be subject to mutual written agreement by both parties
Bacoor City Sales Office (Kambal Pandesal) - SMMI	Spring Ville Central Park, Ph3 Molino 3, Bacoor, Cavite	Rented	Good	10,000.00	June 17, 2024	Either party may terminate agreement by giving at least 30 days notice. If the lessee is not able to pay the monthly rent for 2 consecutive months, the Lessor has the option to terminate the contract.
Las Piñas City Sales Office (Kambal Pandesal) - SMMI	Casimiro Commercial Center, Las Piñas City	Rented	Good	34,000.00	August 22, 2024	Any renewal or extension must be approved and agreed on in writing by both the Lessor and the Lessee
Selling Outlets						
Pembo Makati Selling Outlet - Foodcrave Marketing, Inc.	199 Lot 20A Sampaguita St., Pembo, Makati City	Rented	Good	21,052.63	December 31, 2022	Continuing unless terminated and agreed by both parties
East Rembo Makati City Selling Outlet - Foodcrave Marketing, Inc.	184-A 20th Ave., Brgy. East Rembo, Makati City	Rented	Good	15,789.47	January 31, 2021	Renewable by mutual agreement of the parties.However should there be some operational losses on the part of the lessee he could terminate this contract with prior niotice to the lessor in writing at the least (2) moths before its termination.
Damayan Quezon City Selling Outlet - Foodcrave Marketing, Inc.	50 Tolentino St. Cor. F. Bautista St., Damayan, Quezon City	Rented	Good	12,631.58	November 30, 2021	Continuing unless terminated and agreed by both parties
Village East Quezon City Selling Outlet - Foodcrave Marketing, Inc.	113 Maginhawa St., Brgy. Teacher's Village East, Quezon City	Rented	Good	36,842.11	December 14, 2021	Continuing unless terminated and agreed by both parties
Batasan Hills Quezon City Selling Outlet - Foodcrave Marketing, Inc.	030 Filinvest Rd. 1, Batasan Hills, Quezon City	Rented	Good	15,789.47	January 06, 2021	Either party may pre-terminate the contract by giving the other party written notice, at least 30 days prior to the intended date of termination
Pasong Tamo Quezon City Selling Outlet - Foodcrave Marketing, Inc.	328 Tandang Sora Ave, Brgy. Pasong Tamo 6, Quezon City	Rented	Good	26,315.79	January 31, 2021	This lease may be renewed under the terms and conditions as may be agreed upon between the parties, after written notice to renew is given by the LESSEE to thr LESSOR at least (30) days prior to the expiration of this lease.
Teacher's Village Quezon City Selling Outlet - Foodcrave Marketing, Inc.	31 Matino St., Teacher's Village, Quezon City	Rented	Good	20,000.00	March 14, 2021	The lessee shall inform the LESSOR if its intent to renew this contract at least one (1) month prior to its expiry date.
San Isidro Quezon City Selling Outlet - Foodcrave Marketing, Inc.	Unit 103 G/F #Bayani St., San Isidro, Quezon City	Rented	Good	10,000.00	January 31, 2022	renewable upon written advice of the LESSEE not less than two (2) months before expiration and the discretion of the LESSOR.

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Kamuning Quezon City Selling Outlet - Foodcrave Marketing, Inc.	L. Sianghio St. Cor K-3rd St, Kamuning, Quezon City	Rented	Good	25,000.00	March 31, 2022	Continuing unless terminated and agreed by both parties
	North Fairview 5 Quezon City Selling Outlet - Foodcrave Marketing, Inc.	Block 72 Lot 24 Phase 8, Dollar St., North Fairview 5, Quezon City	Rented	Good	12,631.58	April 26, 2021	Continuing unless terminated and agreed by both parties
	Project 8 Quezon City Selling Outlet - Foodcrave Marketing, Inc.	No. 38-A Grants cor. GSIS Ave, GSIS Village, Brgy. Sangandaan, Project 8, Quezon City	Rented	Good	15,789.47	May 21, 2022	Continuing unless terminated and agreed by both parties
	Commonwealth Quezon City Selling Outlet - Foodcrave Marketing, Inc.	Katuparan St., Brgy. Commonwealth, Quezon City	Rented	Good	15,789.47	August 31, 2021	Continuing unless terminated and agreed by both parties
	Concepcion Uno Marikina City Selling Outlet - Foodcrave Marketing, Inc.	783 J Rizal St., Concepcion Uno, Marikina City	Rented	Good	12,631.58	November 30, 2021	Continuing unless terminated and agreed by both parties
	Tumana Marikina City Selling Outlet - Foodcrave Marketing, Inc.	Blk 38 Farmers 1 Ave., Tumana, Marikina City	Rented	Good	14,368.42	June 04, 2020	Continuing unless terminated and agreed by both parties
	Tanong Marikina City Selling Outlet - Foodcrave Marketing, Inc.	199 A Bonifacio Ave, Tanong, Marikina City	Rented	Good	15,789.47	June 14, 2020	Continuing unless terminated and agreed by both parties
	Concepcion Uno Marikina City Selling Outlet - Foodcrave Marketing, Inc.	32 Bayan Bayanan Ave. Concepcion Uno, Marikina City	Rented	Good	26,315.79	August 31, 2020	Continuing unless terminated and agreed by both parties
	Tutktukan Taguig City Selling Outlet - Foodcrave Marketing, Inc.	47 Gen Luna St., Brgy. Tuktukan, Taguig City	Rented	Good	28,037.38	December 19, 2021	Either party may pre-terminate the contract by giving the other party written notice, at least 30 days prior to the intended date of termination
	Bicutan Taguig City Selling Outlet - Foodcrave Marketing, Inc.	Blk 184 Lot 10 Purok 1A, Central Bicutan, Taguig City	Rented	Good	26,315.79	February 28, 2021	Continuing unless terminated and agreed by both parties
	New Lower Bicutan Taguig City Selling Outlet - Foodcrave Marketing, Inc.	15 M.L. Quezon St., Purok 1 New Lower Bicutan, Taguig City	Rented	Good	26,315.79	December 31, 2022	Continuing unless terminated and agreed by both parties
	Pinagsama Taguig City Selling Outlet - Foodcrave Marketing, Inc.	Barretto Bldg, Phase 2, Pinagsama, Taguig City	Rented	Good	28,421.05	April 04, 2022	Continuing unless terminated and agreed by both parties
	South Signal Village Taguig City Selling Outlet - Foodcrave Marketing, Inc.	#17 Luzon St., South Signal Village, Taguig City	Rented	Good	30,000.00	June 04, 2022	Continuing unless terminated and agreed by both parties
	Brgy Central Signal Village Taguig City Selling Outlet - Foodcrave Marketing, Inc.	42 Balleser St. Zone 8, Barangay Central Signal Village, Taguig City	Rented	Good	18,947.37	September 23, 2021	Continuing unless terminated and agreed by both parties
	Upper Bicutan Taguig City Selling Outlet - Foodcrave Marketing, Inc.	Osano Park A. Bonifacio Ave. corner Chavez St. Upper Bicutan, Taguig City	Rented	Good	20,400.00	September 25, 2021	Continuing unless terminated and agreed by both parties
	San Dionisio Parañaque City Selling Outlet - Foodcrave Marketing, Inc.	Buenaventura St. cor. Quirino Ave, San Dionisio, Parañaque City	Rented	Good	15,789.47	January 31, 2021	Continuing unless terminated and agreed by both parties
	Vito Cruz Manila Selling Outlet - Foodcrave Marketing, Inc.	City Lofts Condominium, Dominga St., Vito Cruz, Manila	Rented	Good	20,000.00	January 31, 2020	This agreement may be renewed under such terms and conditions as may be mutually agreed upon by both parties, provided, however, that the LESSEE shall manifest in writing its desire to renew at least 1 month before the expiration.
	Sampaloc Manila Selling Outlet - Foodcrave Marketing, Inc.	675 M. Dela Fuente St., Zone 044, Brgy. 449, Sampaloc, Manila	Rented	Good	35,000.00	March 31, 2022	The LESSEE shall be given priority by the LESSOR to renew the lease against other prospective tenants, PROVIDED, that the LESSEE shall give (30) days advance notice of its intention to extend or renew this Contract before the expiry date.

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Tondo Manila Selling Outlet - Foodcrave Marketing, Inc.	2551 Pinoy St., Balut, Brgy. 146 Zone 12, Tondo, Manila	Rented	Good	26,315.79	March 31, 2022	Continuing unless terminated and agreed by both parties
	Sta. Ana Manila Selling Outlet - Foodcrave Marketing, Inc.	Tejeron, Sta. Ana, Manila	Rented	Good	25,000.00	July 31, 2022	Continuing unless terminated and agreed by both parties
	Zone 17 Tondo Manila Selling Outlet - Foodcrave Marketing, Inc.	1146 R Papa St., Brgy. 187, Zone 17, Tondo, Manila	Rented	Good	17,894.74	July 31, 2021	Continuing unless terminated and agreed by both parties
	Rizal Ave. Manila Selling Outlet - Foodcrave Marketing, Inc.	LRT1 Abad Santos Station, Rizal Ave. Manila	Rented	Good	15,000.00	October 21, 2021	Renewable upon agreement of both parties
	Putatan Muntinlupa City Selling Outlet - Foodcrave Marketing, Inc.	Beside Caltex National Road, Brgy. Putatan, Muntinlupa City	Rented	Good	21,052.63	March 31, 2022	Continuing unless terminated and agreed by both parties
	Almanza Uno, Las Piñas City Selling Outlet - Foodcrave Marketing, Inc.	L6 #26 Pilar Road Almanza Uno, Las Piñas City	Rented	Good	13,684.21	January 14, 2021	Continuing unless terminated and agreed by both parties
	Maybunga Pasig City Selling Outlet - Foodcrave Marketing, Inc.	78 Dr. Sixto Antonio Ave, Maybunga, Pasig City	Rented	Good	26,315.79	April 04, 2020	Continuing unless terminated and agreed by both parties
	Rosario Pasig City Selling Outlet - Foodcrave Marketing, Inc.	78A ECM Bldg, Dr. Sixto Ave, Rosario, Pasig City	Rented	Good	15,789.47	June 14, 2020	Continuing unless terminated and agreed by both parties
	Navotas City Selling Outlet - Foodcrave Marketing, Inc.	1438 M. Naval St, Tangos North District II, Navotas City	Rented	Good	13,684.21	June 30, 2021	Continuing unless terminated and agreed by both parties
	Brgy. Dalandanan Dist. I Valenzuela City Selling Outlet - Foodcrave Marketing, Inc.	302 G. Lazaro St., Mc Arthur Highway, Brgy. Dalandanan Dist. I, Valenzuela City	Rented	Good	13,684.21	May 31, 2022	Continuing unless terminated and agreed by both parties
	Tipas Taguig City Selling Outlet - Foodcrave Marketing, Inc.	590-D Tipas Town Center, Lot 2839, HR Capistrano St., Tipas, Taguig City	Rented	Good	11,214.96	August 27, 2020	Continuing unless terminated and agreed by both parties
	Camarin Caloocan City Selling Outlet - Foodcrave Marketing, Inc.	Area D, 7770 Ilang Ilang St. (Zapote St.) Camarin, Caloocan City	Rented	Good	21,052.63	August 04, 2021	Continuing unless terminated and agreed by both parties
	San Juan Taytay Rizal Selling Outlet - Foodcrave Marketing, Inc.	Velasquez St., Brgy San Juan, Taytay, Rizal	Rented	Good	14,000.00	April 30, 2022	Continuing unless terminated and agreed by both parties
	San Juan Taytay Rizal Selling Outlet - Foodcrave Marketing, Inc.	Cuatro Cantos Rizal Ave., Brgy. San Juan, Taytay, Rizal	Rented	Good	15,789.47	March 31, 2020	This lease may be extended upon the mutual agreement of the parties atleast (30) calendar days prior to the expiration of the lease. Failure of the LESSEE to initiate negotiations for the renewal of the lease thirty (30) days preceding the expiry thereof sahll give the LESSOR the right to show the Leased PRemises to other prospective lesses.
	Cainta Rizal Selling Outlet - Foodcrave Marketing, Inc.	CRV Bldg, F.P. Felix Ave. Cor. Karangalan Drive, Gate 2 PH 1, Karangalan Village, Brgy San Isidro,Cainta, Rizal	Rented	Good	18,000.00	July 04, 2022	Continuing unless terminated and agreed by both parties
	Sto. Tomas Batangas City Selling Outlet - Foodcrave Marketing, Inc.	National Highway Sto. Tomas, Batangas City	Rented	Good	10,526.32	December 14, 2021	Continuing unless terminated and agreed by both parties
	Cabuyao Laguna Selling Outlet - Foodcrave Marketing, Inc.	#77 Brgy. San Isidro, Cabuyao, Laguna	Rented	Good	10,526.32	December 03, 2020	Continuing unless terminated and agreed by both parties
	Calamba Laguna Selling Outlet - Foodcrave Marketing, Inc.	173 Mary Help of Christian St., Calamba City, Laguna	Rented	Good	15,789.47	November 30, 2021	Continuing unless terminated and agreed by both parties
	Cabuyao Laguna City Selling Outlet - Foodcrave Marketing, Inc.	J.P. Rizal St., Brgy Uno Cabuyao, Laguna	Rented	Good	26,315.79	February 29, 2020	Continuing unless terminated and agreed by both parties
	San Juan Calamba City Laguna Selling Outlet - Foodcrave Marketing, Inc.	#74 Brgy. San Juan, Calamba City, Laguna	Rented	Good	10,526.32	March 31, 2022	Continuing unless terminated and agreed by both parties
	Parian Calamba City Laguna Selling Outlet - Foodcrave Marketing, Inc.	Brgy. Parian, Calamba City, Laguna	Rented	Good	15,789.47	May 31, 2021	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Sta. Cruz Laguna Selling Outlet - Foodcrave Marketing, Inc.	1453 P. Guevarra Ave, Brgy. Poblacion IV, Sta. Cruz, Laguna	Rented	Good	15,789.47	May 31, 2021	Continuing unless terminated and agreed by both parties
	Los Baños Laguna Selling Outlet - Foodcrave Marketing, Inc.	6947 Brgy. San Antonio, Los Baños, Laguna	Rented	Good	13,684.21	June 30, 2020	Continuing unless terminated and agreed by both parties
	Cabuyao City Laguna Selling Outlet - Foodcrave Marketing, Inc.	151 Brgy. Pulo National Highway, Cabuyao City, Laguna	Rented	Good	10,526.32	June 30, 2021	Continuing unless terminated and agreed by both parties
	Banay-Banay Cabuyao City Laguna Selling Outlet - Foodcrave Marketing, Inc.	Brgy. Banay-Banay National Hi-way Cabuyao City Laguna	Rented	Good	20,000.00	September 30, 2021	Renewable upon agreement of both parties
	GMA Cavite Selling Outlet - Foodcrave Marketing, Inc.	Blk 3, Lot 15, Congressional Rd, San Gabriel, GMA, Cavite	Rented	Good	31,578.95	April 15, 2021	Continuing unless terminated and agreed by both parties
	Bacoor Cavite Selling Outlet - Foodcrave Marketing, Inc.	Lot 7 Blk 3, PH5, Gawaran Ave, Springville Heights, Molino 7, Bacoor Cavite	Rented	Good	10,526.32	May 31, 2020	Upon the "9th" month of the contract the LESSEE must notify the LESSOR whether they want to extend the Term. Both parties must agree on the terms before contract extendsion is to be executed. If the lessee does not opt to extend, the LESSEE is given one week after the expiration of Contract to clear out, vacate and remove its fixtures inside the Leased Premises.
	Bacoor Cavite Selling Outlet - Foodcrave Marketing, Inc.	6 Aniban IV, Bacoor, Cavite	Rented	Good	10,526.32	January 31, 2020	the contract may be renewed at LESSEE's option upon written agreement of the parties, after written notice to renew ois given by LESSEE or LESSOR atleast (30) days before the expiry date.
	TPLEX Northbound Tarlac Selling Outlet - Foodcrave Marketing, Inc.	Petron TPLEX Km 134 Northbound, Poroc Pura, Tarlac	Rented	Good	14,000.00	February 28, 2022	Renewable upon agreement of both parties
	TPLEX Sourthbound Tarlac Selling Outlet - Foodcrave Marketing, Inc.	Petron TPLEX Km 134 Southbound, Poroc Pura, Tarlac	Rented	Good	14,000.00	February 28, 2022	Renewable upon agreement of both parties
	Sto. Domingo Laguna Selling Outlet - FMI	Orodoveza Business Center, Brgy Sto Domingo Bay, Laguna	Rented	Good	20,000.00	November 01, 2020	Renewable upon agreement of both parties
	Apalit Pampanga Selling Outlet - FMI	132 Sto Nino Subd., San Juan, Apalit, Pampanga	Rented	Good	11,770.00	November 30, 2021	The sublease maybe renewed for another period subject to the terms and conditions as may be mutually agreed upon by the parties.
	Concepcion 1 Marikina City Outlet - FMI	40 L De Guzman St, Concepcion 1, Marikina City	Rented	Good	23,000.00	November 19, 2022	This Contract may be renewed for any period at LESSEE's option upon written agreement of the parties, after written notice to renew is given by LESSEE to LESSOR at least sixty (60) days before the expiry date.
	General Mariano Alvarez Cavite Outlet - FMI	#47B Blk 8 Lot 33, Brgy Poblacion 2, General Mariano Alvarez, Cavite	Rented	Good	15,789.47	October 31, 2021	This Contract may be renewed for any period at LESSEE's option upon written agreement of the parties, after written notice to renew is given by LESSEE to LESSOR at least sixty (60) days before the expiry date.
	San Antonio Pasig Selling Outlet - FMI	9th Floor, Ortigas Bldg, Ortigas Ave, Ortigas Center. Brgy San Antonio, Pasig City	Rented	Good	16,763.40	December 01, 2020	Renewable upon 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 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) 1,285,606.50 (Processing Plant, Cold Storage & Holding Area) 30,745.45 (Laboratory) 25,000.00 (Warehouse)	June 30, 2020 (Office, Warehouse) December 31, 2023 (Processing Plant, Cold Storage, Laboratory)	Renewable every 3 years
	Warehouse						
	Bataan Warehouse - Feeds	10th Avenue, FAB, Mariveles, Bataan	Rented	Good	3,149,496.00	January 31, 2020	Renewable every year
	AFSI-Managed Warehouses - Feeds	1st Industrial Park Zamboanga City Special Economic Zone Authority Sitio San Ramon, Brgy. Talisayan, Zamboanga	Rented	Good	269,010.00	December 31, 2020	Renewable every year
	Bulacan Warehouse - San Miguel Mills, Inc.	Baliuag, Bulacan	Rented	Good	Jan-Jun: 94,380.00 Jul-Dec: 103,818.00	August 31, 2021	Renewable upon mutual written agreement of the parties
	LSL Multi-Serve-Managed Warehouses - Feeds	Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City; Km. 11, Sasa, Davao	Rented	Good	544,000.00	December 31, 2020	Renewable every year
	Isabela Warehouse - Feeds	Bgry. Mabini, Alicia Isabela	Rented	Good	1,325,892.86	December 31, 2020	Renewable every year
	Pangasinan Warehouse - Feeds	Carmay East, Rosales, Pangasinan	Rented	Good	330,610.00	December 31, 2020	Renewable every year
	Pangasinan Warehouse - Feeds	Carmen East, Rosales, Pangasinan	Rented	Good	951,295.29	December 31, 2020	Renewable every year
	MMIJOE-Managed Warehouses - Feeds	Diversion Rd., Buhangin, Davao City; Km 10, Sasa, Davao City	Rented	Good	1,021,540.00	December 31, 2020	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	32,971,707.49	December 31, 2020	Renewable upon mutual agreement of both parties
	D Meter-Managed Warehouses - Feeds	Cristo Rey Capas, Tarlac 2315; Brgy Bungad, SFDM, Quezon City	Rented	Good	1,558,306.36	June 30, 2021	Renewable every three years
	Maybunga Warehouse - San Miguel Mills, Inc.	Jose Ong Street, Maybunga, Pasig	Rented	Good	Jan-May:422, 460.10 Jun-Dec: 443,582.91	June 14, 2020	Renewable upon mutual written agreement of the parties
	Tarlac Warehouse - Feeds	Mabini, Moncada, Tarlac	Rented	Good	298,675.00	December 16, 2020	Renewable every year
	Laguna Warehouse - Feeds	Maharlika Highway, Calamba Laguna	Rented	Good	1,676,413.66	May 31, 2020	Renewable every year
	Pangasinan Warehouse - Feeds	Nancayasan, Urdaneta, Pangasinan	Rented	Good	284,400.00	December 15, 2020	Renewable every year
	Camarines Sur Warehouse - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	221,785.71	December 31, 2020	Renewable every 6 months
	Isabela Warehouse - Feeds	Sinabbaran, Echague, Isabela	Rented	Good	2,633,470.00	June 30, 2020	Renewable every year
	La Union Warehouse - Feeds	Taboc, San Juan, La Union	Rented	Good	345,446.43	December 31, 2020	Renewable every year
	South Cotabato Warehouse - Poultry	Tumbler, Polomolok South Cotabato	Rented	Good	2,962,206.14	March 10, 2020	Renewable every 3 years
	Pangasinan Warehouse - Feeds	Urdaneta, Pangasinan	Rented	Good	1,124,800.00	December 31, 2020	Renewable every year
	Bukidnon Warehouse - Feeds	Mambatangan, Manolo Fortich, Bukidnon	Rented	Good	766,277.10	December 31, 2020	Renewable every 2 years
	Davao Warehouse - San Miguel Integrated Sales and Magnolia	Purok 9 KM 20 Tibungco, Davao City	Rented	Good	2,278,535.57 (SMIS) 165,853.98 (Magnolia)	September 30, 2020 (SMIS) May 31, 2020 (Magnolia)	Renewable upon mutual agreement of both parties
	Pasig Warehouse - San Miguel Integrated Sales	Manggahan Light Industrial Park, Manggahan, Pasig City	Rented	Good	1,028,839.06	December 31, 2020	Renewable upon mutual agreement of both parties
	Mandaluyong Warehouse - Feeds	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	Jan-Jun: 150,000.00 Jul - Dec: 160,000.00	June 30, 2020	Renewable every year
	Camarines Sur Warehouse - Feeds	Brgy. San Jose, Pili, Camarines Sur	Rented	Good	201,600.00	December 31, 2020	Renewable upon mutual agreement of both parties
	Cebu Warehouse - San Miguel Integrated Sales and Magnolia	G. Ouano Street, Brgy. Opao, Mandaue City	Rented	Good	1,594,014.64 (SMIS) 157,801.83 (Magnolia)	December 31, 2020 (SMIS) May 31, 2020 (Magnolia)	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
	Parañaque Warehouse - SMFI - SMIS, SMFI - AIC, SMFI - Great Food Solutions (GFS)	Pacific Coast Plaza Building, 1St Villamor Street, Parañaque	Rented	Good	152,384.80 (SMIS) 16,984.42 (AIC) 51,126.60 (GFS)	December 31, 2020	Mutually be agreed upon between the parties.
	Iloilo Warehouse - Poultry	Cabugao Norte, Sta. Barbara, Iloilo	Rented	Good	93,409.59	July 31, 2020	Renewable every 3 years
	General Santos Warehouse - Feeds	Hadano Avenue, Brgy. Labangal, General Santos City	Rented	Good	1,893,375.00	December 31, 2020	Renewable every year
	Tarlac Warehouse - Magnolia & SMFI - SMIS	LIP Hacienda Luisita San Miguel Tarlac City, Tarlac	Rented	Good	294,202.64 (Magnolia) 164,614.24 (SMIS)	May 31, 2020 (Magnolia) December 31, 2020 (SMIS)	Renewable upon mutual agreement of both parties
	Iloilo Warehouse (Leganes) - Feeds	Brgy. Napnud, Leganes, Iloilo	Rented	Good	2,616,760.35	December 31, 2020	Renewable upon mutual agreement of both parties
	Tarlac Warehouse - Feeds	Brgy. Estrada Capas, Tarlac	Rented	Good	944,864.29	December 31, 2020	Renewable every year
	Cebu Warehouse - Feeds	Sitio Tawagan Brgy. Tayud, Consolacion, Cebu	Rented	Good	1,195,720.50	December 31, 2020	Renewable every year
	Ormoc Warehouse - Feeds	Cogon, Ormoc City,Leyte	Rented	Good	225,000.00	July 15, 2020	Renewable every year
	Batangas Warehouse - Meats	Catleya St. City Park Subdivision, Sabang, Lipa City, Batangas	Rented	Good	8,500.00	December 31, 2020	Renewable upon mutual agreement of both parties
	Camarines Warehouse - Magnolia	Zone 1, Brgy. Caroyroyan, Pili, Camarines Sur	Rented	Good	90,295.05	May 31, 2020	Renewable upon mutual agreement of both parties
	Mandaue Warehouse - SMFI - AIC	M.L. Quezon St., Casuntingan, Mandaue City	Rented	Good	33,922.77	October 31, 2022	Renewable every 3 years
	Mandaue Warehouse - SMFI - Meats	Lot 2459-B1 & B2 Bastiller Street Barangar Umapad, mandaue City Cebu	Rented	Good	28,264.32	March 31, 2020	Renewable every year
	Bulacan Warehouse - SMFI -Feeds	Brgy. Pulong Bayabas, San Miguel Bulacan	Rented	Good	700,000.00	February 29, 2020	Renewable every year
	Pangasinan Warehouse - SMFI -Feeds	San Nicolas, Villasis, Pangasinan	Rented	Good	163,200.00	December 31, 2020	Renewable every year
	Others (Blast Freezing Facility/Selling Station/Slaughterhouse)						
	Pampanga Training Facility - San Miguel Mills Inc.	540 New York St. Villasol Subs, Anunas, Angeles City	Rented	Good	20,000.00	August 31, 2020	Renewable upon mutual agreement of both parties
	Nueva Ecija Selling Station - SMFI - Meats	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	58,000.00	June 30, 2024	Renewable every 5 years
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.,	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,	Owned	Good			
	SMYPC Cebu Beverage Packaging Plant & SMYPC Cebu Glass Plant						
	Warehouse	SMC Wharf, Tipolo, Mandaue City, Cebu	Owned	Good			
	SMYPC Cebu Glass Plant, SMYPC Cebu Beverage Packaging Plant						
	Warehouse	Quano Wharf, Mandaue City	Owned	Good			
	SMYPC Cebu Glass Plant						
	Warehouse	Casuntingan, Manduae City	Rented	Good	1,365,691.26	December 31, 2020	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Sitio Bangkerohan, Tayud, Consolacion	Rented	Good	453,065.00	July 31, 2020	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Ouano Wharf, Mandaue City, Cebu	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Warehouse	Mega Warehouse, 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			
	SMYPC Manila Glass Plant						
	Land	Muelle dela Industria St., Binondo, Manila City	Owned	Good			
	Warehouse	San Fernando Brewery, San Fernando, Pampanga	Owned	Good			
	Warehouses	No. 35 Calle Malusak, San Pablo, Malolos City, Bulacan	Rented	Good	727,005.00	June 2020	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	172,125.00	December 31, 2019	Renewable for a period in accordance with the mutual written agreement of both parties (Renewed in 2020)
	Warehouse	Sitio Torres, Sta. Cuz, Porac, Pampanga	Rented	Good	176,446.57	December 31, 2019	Renewable for a period in accordance with the mutual written agreement of both parties (Renewed in 2020)
	Warehouse	LIIP-PEZA, Mamplasan, Biñan, Laguna	Rented	Good	1,239,444.64	December 31, 2019	Renewable for a period in accordance with the mutual written agreement of both parties (Renewed in 2020)
	SMYPC Glass Business Office						
	Land	Barrio Halayhay, Tanza, Cavite	Owned	Good			
	SMYPC Manila Plastics Plant						
	Land	Tomas Claudio St., Beata, Pandacan, Manila City	Owned	Good			
	SMYPC Manila Plastics Plant						
	Warehouses	#30, #32, #33 and #34 T. Santiago Street, Canumay, Valenzuela City	Rented	Good	1,271,455.66	December 31, 2020	Annual (Renewed in 2019 until 2020)
	Warehouse	Tomas Claudio Street, Pandacan, Manila City	Rented	Good	308,700.00	November 05, 2024	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Pulang Lupa, Valenzuela	Rented	Good	1,066,682.10	March 31, 2022	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Sta. Mesa Manila	Rented	Good	1,060,714.29	April 14, 2020	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse	Quano Wharf, Mandaue City	Owned	Good			
	SMYPC MPP Cebu Operations						
	Warehouse	Mandaue Cebu	Rented	Good	574,980.00	July 31, 2020	Renewable for a period in accordance with the mutual written agreement of both parties
2	**SAN MIGUEL YAMAMURA ASIA CORPORATION**						
	Land	Km 27, Aguinaldo Highway, Imus, Cavite	Owned	Good			
	Land & Warehouse	Canlubang Industrial Estate, Canlubang, Laguna	Owned	Good			
	Warehouse 1 and 2	7001 Aguinaldo Highway, Brgy. Salitran, Dasmariñas City	Rented	Good	2,538,331.60	December 31, 2019 and April 15, 2020	Renewable for a period in accordance with the mutual written agreement of both parties (Renewed in 2020)

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Warehouse	Quezon Road, San Simon, Pampanga	Rented	Good	2,020,000.00	October 31, 2021	Renewable for a period in accordance with the mutual written agreement of both parties
3	**SMC YAMAMURA FUSO MOLDS CORPORATION**	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
4	**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, 2020	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouses	Brgy. Casinglot, Tagoloan, Misamis Oriental	Rented	Good	339,045.00	March 31, 2020	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouses	Phil Japan Highway, Buhangin, Davao City	Rented	Good	498,000.00	July 16, 2020	Planned to terminate by January 2020
5	**CAN ASIA, INC.**						
	Land	Bgy. San Francisco de Malabon, Gen. Trias, Cavite	Owned	Good			
	B. INTERNATIONAL						
6	**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			
7	**ZHAOQING SAN MIGUEL YAMAMURA GLASS COMPANY LTD.**						
	Plant	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC	Land Use Rights	Good			
	Warehouse	Duanzhou Science and Technology Industrial Area, Zhaoqing City	Rented	Good	192,855.69	September 30, 2020	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	495,522.11	October 31, 2022	Renewable for a period in accordance with the mutual written agreement of both parties
8	**FOSHAN SAN MIGUEL YAMAMURA PACKAGING COMPANY LTD.**	3 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good			
9	**SAN MIGUEL YAMAMURA HAIPHONG GLASS COMPANY LTD.**	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good			
10	**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			
11	**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			
12	**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			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
13	**SAN MIGUEL YAMAMURA WOVEN PRODUCTS SDN. BHD.**						
	Office Space	Lot 9 and 10, Jalan Usuha 4, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia Lot 4305, Jalan Usaha 8, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Owned	Good			
	Warehouse	Lot 4320, Jalan Usaha 6, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Rented	Good	RM 5,500.00	October 31, 2020	Renewable upon mutual agreement of both parties
14	**SAN MIGUEL YAMAMURA AUSTRALASIA**						
	Office	1 Culverston Road, Minto NSW, Australia	Rented	Good	AUD 113,841.71	July 31, 2027	Renewable upon mutual agreement of both parties
	Production	21 Huntsmore Road, Minto NSW, Australia (Unit 1)	Rented	Good	AUD 22,184.65	July 31, 2027 - Unit 1	Renewable upon mutual agreement of both parties
	SMYC PTY LTD						
	Warehouse	117-121 Lewis Rd, Knoxfield, Victoria	Rented	Good	AUD 57,592.67	July 31, 2027	Renewable upon mutual agreement of both parties
	Warehouse	Warehouse 5, Acacia Link Industrial Estate, 25 Industrial Crescent, Willawong, Queensland	Rented	Good	AUD 28,656.69	April 30, 2022	Renewable upon mutual agreement of both parties
	Warehouse	30-32 Rosberg Rd, Wingfield, South Australia	Rented	Good	AUD 53,162.88	June 18, 2022	Renewable upon mutual agreement of both parties
	Warehouse	52 McDowell Street Welshpool, Western Australia	Rented	Good	AUD 35,213.02	September 30, 2024	Renewable upon mutual agreement of both parties
	Warehouse	22 Kinta Drive, Beresfield, Newcastle	Rented	Good	Jan-Nov 2019 - AUD6,936; Dec 2019 - AUD7,053.91	November 30, 2020	Renewable upon mutual agreement of both parties
	Warehouse	10-12 Linear Court, Derwent Park, Tasmania	Rented	Good	AUD 14,176.72	November 16, 2020	Renewable upon mutual agreement of both parties
	SMYP PTY LTD						
	Plant	21 Huntsmore Road, Minto NSW, Australia (Unit 2)	Rented	Good	AUD 19,705.13	July 31, 2027	Renewable upon mutual agreement of both parties
	Warehouse	21 Huntsmore Road, Minto NSW, Australia (Unit 3)	Rented	Good	Jan-Nov 2019 - AUD28,657.68; Dec 2019 -	July 31, 2030	Renewable upon mutual agreement of both parties
	Plant	114-118 Talinga Road, Cheltenham, Victora	Rented	Good	AUD 70,158.07	January 01, 2028	Renewable upon mutual agreement of both parties
	Plant	13-15 Wangara Road, Sandringham, Victoria	Rented	Good	AUD 43,733.08	November 06, 2022	Renewable upon mutual agreement of both parties
	Plant	160 May Terrace Ottoway, South Australia	Rented	Good	AUD 77,185.11	October 17, 2026	Renewable upon mutual agreement of both parties
	Plant	Lionels Vineyard, Payne Road Jindong, Western Australia (Margaret River)	Rented	Good	AUD 24,207.66	October 04, 2022	Renewable upon mutual agreement of both parties
	Plant	Cnr Sayer and Mandogalup Road, Hope Valley, Western Australia (Perth)	Rented	Good	AUD 25,166.66	December 31, 2025	Renewable upon mutual agreement of both parties
	Plant	Barrel Store Number 2, Hanwood Estate Winery, Jack McWilliams Road, NSW (Griffith)	Rented	Good	AUD 7,750.00	September 30, 2023	Renewable upon mutual agreement of both parties
	SMYV PTY LTD						
	Plant/Office	34-38 Aldershot Road, Lonsdale South Australia	Owned	Good			
	Barossa Bottling Pty Ltd						
	Plant/Office	Lot 147, Sturt Highway, Nuriootpa, South Australia	Rented	Good	AUD 10,669.73	July 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
	SMYBB Pty Ltd						
	Plant/Office	463-469 & 487-501 Cowra Avenue, Mildura, Victora	Rented	Good	AUD 60,728.76	August 01, 2022	Renewable upon mutual agreement of both parties
	Plant/Office	503-513 Cowra Avenue, Mildura, Victora	Rented	Good	AUD 26,514.08	May 16, 2020	Renewable upon mutual agreement of both parties
	SMYJ Pty Ltd						
	Plant/Office	50 Bond Street Mordialloc Victora	Rented	Good	AUD 24,597.47	July 10, 2023	Renewable upon mutual agreement of both parties
	Plant/Office	48 Bond Street Mordialloc Victora	Rented	Good	AUD 18,838.22	July 29, 2020	Renewable upon mutual agreement of both parties
15	**COSPAK LIMITED**	27 Ross Reid Place, East Tamaki, Auckland, New Zealand	Rented	Good	NZD 126,571.16	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	Rented	Good	¥ 51,258.00	October 31, 2020	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	2,974,659.67	Aug 26, 2039	Renewable upon mutual agreement of both parties
	Terminal (Rosario)	Gen. Trias, Rosario, Cavite	Rented Except Building & Facilities	Good	245,815.45	August 31, 2018	Renewable upon mutual agreement of both parties
	Terminal (Pandacan)	Jesus St., Pandacan, Manila	Rented Except Building & Facilities	Good	2,370,987.29	August 31, 2018	Renewable upon mutual agreement of both parties
	Lube Oil Manufacturing Plant	Block 12, 13 and 14 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	785,472.12	December 31, 2035	Renewable at the option of the lessee
	Luzon Operations						
	Terminal (Palawan)	Brgy. Masipag, Puerto Princesa City	Rented Except Building & Facilities	Good	Jan to Nov 2019: 24,098.45 Dec 2019: 25,785.34	November 30,2020	Renewable at the option of the lessee
	Terminal (Palawan)	Parola, Brgy. Maunlad, Puerto Princesa City, Palawan	Rented Except Building & Facilities	Good	3,873.00	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
	Terminal (Pasacao)	Brgy. Balogo, Pasacao, Camarines Sur	Owned	Good			
	Sales Office (Pasacao)	Sitio Camangui, Brgy. Santa Rosa del Sur, Pasacao, Camarines Sur	Rented Except Building & Facilities	Good	Jan to May 2019: 444,150.00 June to Dec 2019: 466,357.50	May 31, 2027	Renewable upon mutual agreement of both parties
	Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented Except Building & Facilities	Good	Jan to Feb 2019: 280,208.00 Mar to Dec 2019: 297,020.48	February 28, 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
Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented Except Building & Facilities	Good	21,861.00	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Terminal (Poro)	Poro Pt.,San Fernado, La Union	Rented except Building & Facilities	Good	25,300.00	June 01, 2021	Renewable upon mutual agreement of both parties
Sales Office (Calapan)	Sixteen Enterprises Compound, Brgy. Masipit, Calapan City, Oriental Mindoro	Rented	Good	25,467.75	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, 2021	Renewable upon mutual agreement of both parties
Sales Office (Mamburao)	Mindoro Oil Depot, Paluan Road, Barangay Tayamaan, Mamburao, Occidental Mindoro.	Rented	Good	Jan 2019: 15,913.50 Feb to Dec 2019: 16,390.91	January 31, 2021	Renewable upon mutual agreement of both parties
Terminal (Batangas)	Bo. Mainaga, Mabini, Batangas	Rented Except Building & Facilities	Good	40,065.37	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Terminal (Bataan)	Limay, Bataan	Rented Except Building & Facilities	Good	6,275.32	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Sales Office (Odiongan)	Brgy Poctoy, Odiongan, Romblon	Rented	Good	Jan to Dec 2019: 63,976.50	December 31, 2051	Renewable at the option of the lessee
Visayas Operations						
Depot (Amlan)	Tandayag, Amlan, Negros Oriental	Rented Except Building & Facilities	Good	54,851.58	November 30, 2033	Renewable at the option of the lessee
Terminal (Bacolod)	Bo. San Patricio, Bacolod City, Negros Occidental	Rented Except Building & Facilities	Good	78,109.95	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Depot (Siquijor Mini BP)	Candanay Sur, Siquijor	Owned	Good			
Terminal (Iloilo)	Lapuz, Iloilo City	Rented Except Building & Facilities	Good	1,128,093.14	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 10,218.75 - PEZA	September 2020 - MCIAA 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	24,788.06	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
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 - 14,073.15 Domingo Lot - 375,000	August 31, 2018 January 2, 2039	Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case)
Depot (Tagbilaran)	Graham Ave., Tagbiliran, Bohol	Rented Except Building & Facilities	Good	4,315.60	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Terminal (Mandaue)	Looc, Mandaue City, Cebu	Rented Except Building & Facilities	Good	469,679.00	August 31, 2018 March 31, 2028 January 1, 2038	Renewable upon mutual agreement of both parties (Expired in 2018 - With pending court case)
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)
Mindanao Operations						
Terminal (Davao)	Km. 9, Bo. Pampanga, Davao City	Rented Except Building & Facilities	Good	139,314.01	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
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	8,391.66	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Terminal (Iligan)	Bo. Tuminobo, Iligan City, Lanao del Norte	Owned	Good			
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 (Tagoloan)	Tagoloan, Misamis Oriental PNOC- 13,836 sq m	Rented Except Building & Facilities	Good	12,773.15	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
	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
	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
	Tagoloan, Misamis Oriental - 25,000 sq. m	Rented Except Building & Facilities	Good	No agreed rate yet		On-going preparation of lease contract
	Tagoloan, Misamis Oriental - 13,500 sq. m	Rented Except Building & Facilities	Good	No agreed rate yet		On-going preparation of lease contract
Terminal (Zamboanga)	Bgy. Campo Islam, Lower Calarian, Zamboanga City	Rented Except Building & Facilities	Good	25,133.65	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Airport Installations	Laguindingan, Misamis Oriental CAAP- 4000 sq m.	Rented Except Building & Facilities	Good	200,187.50	March 31, 2040	Renewable upon mutual agreement of both parties
Airport Installations	Davao Airport	Rented Except Building & Facilities	Good	32,262.50	May 31, 2028	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	38,056.60	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Depot (Gasul - San Fernando)	Brgy Dela Paz Norte, San Fernando, Pampanga	Rented Except Building & Facilities	Good	8,543.46	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
Terminal (Gasul – Pasig)	Bo. Ugong, C5,Pasig, M.M	Rented Except Building & Facilities	Good	842,309.29	August 31, 2018	Renewable upon mutual agreement of both parties (With pending court case)
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 MYR 17,258.16 Terminal 2 MYR 16,270.95	Terminal 1 Dec 2027 Terminal 2 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 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. 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 thirty (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	334,750.00	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 2	Brgy. Alangan, Limay, Bataan	Owned	Good			
	Land - Project Expansion	San Carlos City, Negros Occidental	Owned	Good			
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			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
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	Ongoing construction of power plant			
	10 MW battery energy storage project	Brgy. Bani, Masinloc, Zambales	Owned	Good			
	Land (where Units 1-3 power plant, and related facilities, and the 10 MW battery energy storage project are situated)	Brgy. Bani, Masinloc, Zambales	Rented	Good	US$47,597.17	April 2028	With assignable option to purchase
11	**SMCGP PHILIPPINES ENERGY STORAGE CO. LTD.**						
	Land	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Good			
	2 X 20 MW battery energy storage system	Brgy. Binicuil, Kabankalan, Negros Occidental	Owned	Ongoing construction of battery energy storage system			
12	**ALBAY POWER AND ENERGY CORPORATION**						
	Land used for operating and maintaining the 15-MVA Substation.	Legazpi City Albay.	Rented	Good	270,000.00	December 2021	Renewable upon mutual agreement by both parties.
13	**MARIVELES POWER GENERATION CORPORATION**						
	Land (where the 4 X 150MW coal-fired power plant will be located)	Mariveles, Bataan	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	Unit A - 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center Pasig City	Owned	Good			

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2	VERTEX TOLLWAYS DEVT. INC.						
	Office Space	No. 40 San Miguel Ave., Mandaluyong City	Owned	Good			
	Office Space	Ground Floor, TOB Doña Soledad Avenue, Bicutan, Paranaque 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	Suite 2402 Discovery Suites, 25 ADB Avenue, Ortigas Center, Pasig City	Rented by Gerodias Suchianco Estrella Law Firm (Service Provider)	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.						
	Buildings (Offices, Stockrooms, Barracks, Staff Houses, Residential Building, etc.)	Caticlan, Malay, Aklan	Rented	Good	923,571.43	October 1, 2021	Subject to renewal or extension as mutually agreed between the parties
	Interim Terminal	Caticlan, Malay, Aklan	Rented	Good	80,000.00	July 13, 2020	Subject to renewal or extension as mutually agreed between the parties
	Interim Terminal	Caticlan, Malay, Aklan	Rented	Good	40,000.00	July 12, 2023	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	RAPID THOROUGHFARES, 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			
7	PRIVATE INFRA DEV CORPORATION						
	Head Office (Old)	Unit 06 UG Pioneer Highlands Condo Tower 2, Pioneer corner Madison Streets, Mandaluyong City	Owned	Good			
	Site Office Space (ROW/Legal Services)	Brgy. Asan Norte, Municipality of Sison, Pangasinan	Rented	Good	DPWH Legal Services Staff - 13,000.00	December 31, 2020	Subject to renewal or extension as mutually agreed between the parties
	Site Office Space (Construction)	Manila North Road, Brgy. Bued, Binalonan, Pangasinan	Rented	Good	Octagon for Core Office - 380,000 for all (Octagon, Annex, Villa)	December 31, 2020	Subject to renewal or extension as mutually agreed between the parties
			Rented	Good	Ruperto's Annex for IC Office - 87,846	February 29, 2020	
			Rented	Good	Villa Office Space for Engineer's Staff House - 380,000	December 31, 2020	
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			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
11	**ATLANTIC AURUM INVESTMENTS B.V.**						
	Office Space	Peperstraat 9, 5211 KM 's Hertogenbosch, 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	**CITRA CENTRAL EXPRESSWAY CORP**						
	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 D - 18th Floor of the JMT Corporate Condominium ADB Avenue, Ortigas Center Pasig City	Owned	Good			
14	**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			
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			
17	**JETHANDLER ASIA SERVICES, INC.**						
	Office Space	Boracay International (Godofredo P. Ramos) Airport, Caticlan Malay, Aklan	Rented	Good	42,105.26	September 01, 2021	Renewable upon mutual agreement in writing by the parties through their duly authorized representatives
	Office Space	16/F 45 San Miguel Building, 45 San Miguel Avenue, Barangay San Antonio, Pasig City	Rented	Good	227,350.00	May 31, 2021	Upon mutual agreement of the LESSOR and the LESSEE, the lease may be renewed under such terms and conditions acceptable to 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	**SOUTH LUZON TOLLWAYS CORPORATION**						
	LAND	Lot 3122-C, Sitio Latian, Brgy. Mapagong, Calamba, Laguna	Owned	Good			
21	**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			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Office Space	Unit B 18th Floor of the JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig 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			
	SIDC OFFICE	7th Floor Electra House Condominium, 115- 117 Esteban St., Legaspi Village, Makati City	Rented	Good	48,049.82	January 31, 2020	Subject to renewal or extension as mutually agreed between the parties
	Office Space	2F Operations and Control center, Km 44 South Luzon Expressway, Sitio Latian, Brgy. Mapagong ,Calamba City	Rented	Good	23,818.75	December 31, 2020	Subject to renewal or extension as mutually agreed between the parties
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			
	Parking Space	San Antonio Village, Brgy. San Antonio, Pasig City	Owned	Good			
	Office Space	20/F San Miguel Properties Centre St. Francis Street, Mandaluyong City	Owned	Good			
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	16th Floor Unit A, 45 San Miguel Building, 45 San Miguel Avenue, Ortigas Center, Pasig City	Rented	Good	211,250.00	May 31, 2021	Upon mutual agreement of the Lessor and the Lessee, the lease may be renewed under such terms and conditions acceptable to the parties, provided, however, that within ninety (90) days prior to the expiration of the Lease Period, the Lessee shall inform the Lessor in writing of its intention to renew the lease. If no written notice of renewal is received by the Lessor from the Lessee during the said 90-day period, the lease shall automatically terminate upon the expiration of the original Lease Period.

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	Office Space	KM 44 South Luzon, Brgy. Mapagong, Sitio Latian, Calamba, Laguna	Rented	Good	159,135.00	December 31, 2020	May be renewed upon mutual written agreement of the parties. Either party may serve a written request for renewal on the other party within ninety (90) days prior to the expiration of the Lease Period; provided that the party, upon whom such notice is served, shall not be obliged to agree to the renewal of the lease.
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			
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	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			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	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			
	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			
	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			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	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			
	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 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			
	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			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	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			
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	2,476,025.52	September 30, 2030	Renewable upon mutual agreement of the parties
	Land	Yard 2, Engineering Island, Baseco Compound, Port Area, Manila City	Rented	Good	2,781,931.34	January 02, 2022	Renewable upon mutual agreement of the parties
	Land at Iloilo Fish Port Complex	Iloilo Fishport Complex (IFPC), Tanza, Iloilo City	Rented	Good	1,077,635.79	December 11, 2029	Renewable upon mutual agreement of the parties
	Land at Bataan Warehouse 1 & 2	Freeport Area, Mariveles, Bataan	Rented	Good	402,513.27	May 31, 2023	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	Block 22 Manila Harbor Center, Tondo, Manila City	Rented	Good	1,016,305.47	April 14, 2020	Renewable upon mutual agreement of the parties
	Land	San Pedro, Bauan, Batangas	Rented	Good	450,000.00	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	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			
	Warehouse	Zone 3, Upper Agusan, Cagayan de Oro City	Rented	Good	1,718,019.07	December 31, 2020	Renewable upon mutual agreement of the parties
	Warehouse	Brgy. Masaya, Rosario Batangas	Rented	Good	1,802,822.50	December 31, 2020	Renewable upon mutual agreement of the parties
	Warehouse (1 to 2)	Bicol Oil Mill Cmpd. Balogo, Pasacao, Camarines Sur	Rented	Good	1,017,600.00	December 31, 2020	Renewable upon mutual agreement of the parties
	Warehouse (2, 3, 4)	Herma Industrial Complex, Mariveles, Bataan	Rented	Good	337,500.00	December 31, 2020	Renewable upon mutual agreement of the parties
	Warehouse rental for Feedmill Plant	CDO	Owned	Good			
	Warehouse rental for Feedmill Plant	Iloilo	Owned	Good			
	Warehouse	National Highway, Baloy, Tablon, Cagayan De Oro City	Rented	Good	900,000.00	July 14, 2020	Renewable upon mutual agreement of the parties
	Warehouse	National Highway, Baloy, Tablon, Cagayan De Oro City	Rented	Good	630,000.00	July 31, 2020	Renewable upon mutual agreement of the parties
	Warehouse	Casisang, Malaybalay City, Bukidnon	Rented	Good	123,200.00	February 5, 2020	Renewable upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Owned	Good			
	Foreshore Area	Looc, Lapu Lapu City	Owned	Good			
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	27,994.66	January 24, 2020	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	1,763.17	October 03, 2020	Renewable after one (1) year or upon mutual agreement of the parties
	Foreshore Area	Looc, Lapu Lapu City	Rented	Good	5,246.54	February 15, 2020	Renewable after one (1) year or 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	673,134.92	April 30, 2021	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
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	December 31, 2021	Renewable upon mutual agreement of the parties
SMC Shipping and Lighterage Corporation and various subsidiaries						
Buildings	2F to 6F VIP Bldg., Roxas Blvd., Ermita, Manila City	Rented	Good	303,571.43	Various dates from December 31, 2019 to March 31, 2023	Renewable upon mutual agreement of the parties (On-going renewal)
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	363,747.00	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	275,465.00	April 29, 2024	Renewable upon mutual agreement of the parties
Land	Road Lot 3, Manila Harbour Centre, Tondo, Manila City	Rented	Good	233,019.60	May 14, 2023	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
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			

Company Name / Subsidiary	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
Land	Barrio Kitang, Limay, Bataan (228,616 sqm)	Rented	Good	363,745.00	December 31, 2019	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 (On-going renewal)
Land	Block 15, Lots 7, Manila Harbour Centre, Tondo, Manila	Rented	Good	1,329,347.09	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
Land	Block 15, Lots 1-6, Manila Harbour Centre, Tondo, Manila	Rented	Good	1,123,727.17	Continuing unless terminated and agreed by both parties	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	3,394,050.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
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	Land with an area of 5,167.53 sqm located at Manila Harbour Center, Blk 15, Lot 7.	Rented	Good	1,329,347.09	December 09, 2021	Prior to the termination of the contract, the lessor shall conduct a public bidding, wherein the lessee may participate. The lessee shall have the right to equal the highest bid if he manifests such right in writing not more than 5 days from the opening of the bid which shall be the basis for the renewal of the lease contract. If the lessee did not participate in the bidding and there is no other bidder, the lessee shall equal the minimum bid price to qualify for award. This right of the lessee can be exercised only once.
Land	386,755 sqm land in Manila Harbour Center	Rented	Good	141,029.11	April 30, 2020	Renewable upon mutual agreement of the parties
Foreshore and Offshore Areas	Land with an area of 41,682 sq. m. located at Gracia, Tagoloan, Misamis Oriental	Rented	Good	27,145.23	March 07, 2029	May be renewed for 25 years upon terms and conditions mutually agreed upon by 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 and Offshore Areas	Land with an area of 50,152 sq. m. located at Gracia, Tagoloan, Misamis Oriental	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	Land with an area of 121,396 sq. m. located at Gracia, Tagoloan, Misamis Oriental	Rented	Good	272,496.17	Continuing unless terminated and agreed by both parties	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	172,453.70	March 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			
	SMC Shipyard Cebu Land Inc.						
	Land and Building	Dad Cleland Ave., Looc, Lapu Lapu City	Owned	Good			
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 1505-07 Robinsons Equitable Tower, ADB Avenue corner Poveda, Pasig City	Owned	Good			
	Parking Space	Parking Slots No. 31, 32 & 33 Robinsons Equitable Tower, ADB Avenue corner Poveda, Pasig City	Owned	Good			
7	**SAN MIGUEL PAPER PACKAGING CORPORATION**	Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Good			
8	**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			
	Primero Cemento Industries Corp.						
	Land	Agno, Pangasinan	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal / Options
	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			
	San Miguel Northern Cement, Inc.						
	Land	Brgy. Labayug, Sison Pangasinan	Rented	Good	9,222,763.20	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
	Cement Grinding Plant	Brgy. Labayug, Sison Pangasinan	Owned	On-going Construction			
9	**MINING BUSINESS**						
	Clariden Holdings, Inc., V.I.L. Mines, Incorporated, Excelon Asia Holding Corporation, New Manila Properties, Inc., Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, Philnico Processing Corp.						
	Office Space	155 EDSA, Brgy. Wack-Wack, Mandaluyong City	Owned	Good			
	Prima Lumina Gold Mining Corp.						
	Office Space & Warehouse	Purok 8, Bañez Residence, Pobalcion Compostela, Comval Province	Rented	Good	15,625.00	July 31, 2020	Renewable upon mutual agreement of both parties
	V.I.L. Mines, Incorporated						
	Office Space	Brgy. Poblacion, Labo, Camarines Norte	Rented	Good	11,000.00	July 31, 2020	Continuing unless terminated and agreed by both parties
	Asia-Alliance Mining Resources Corp.						
	Office Space	23rd Floor 88 Corporate Center, Valero cor. Sedeño Sts., Salcedo Village, Makati City	Owned	Good			
	Pacific Nickel Philippines, Inc						
	Mine Site Admin/Central Office	Brgy. Talisay, Nonoc Island, Surigao City	Owned	Good			
	Philnico Processing Corp						
	Mine Site Admin/Central Office	Brgy. Talisay, Nonoc Island, Surigao City	Owned	Good			
	Processing Plant	Brgy. Talisay, Nonoc Island, Surigao City	Owned	New plant for construction			

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.

Annex "G"

Top Frontier Investment Holdings, Inc.
List of Top 20 Stockholders
As of December 31, 2019

Rank	Name of Stockholders	No. of Common Shares	No. of Preferred Shares	Total No. of Shares	% out of Total Outstanding Shares
1	Iñigo U. Zobel	199,601,517	0	199,601,517	59.6198%
2	Master Year Limited	49,799,800	0	49,799,800	14.8749%
3	Privado Holdings, Corp.	36,814,051	0	36,814,051	10.9961%
4	PCD Nominee Corporation (Filipino)	25,837,309	0	25,837,309	7.7174%
5	San Miguel Corporation	2,561,031	1,904,540	4,465,571	1.3338%
6	PCGG In Trust For The Comprehensive Agrarian Reform Program	2,763,633	0	2,763,633	0.8255%
7	PCD Nominee Corporation (Non- Filipino)	1,788,385	0	1,788,385	0.5342%
8	Millennium Energy, Inc.	1,080,738	0	1,080,738	0.3228%
9	Sysmart Corporation	345,700	0	345,700	0.1033%
10	Marine Shore Investment Holdings, Inc.	258,767	0	258,767	0.0773%
11	Columbus Capitana Corporation	239,233	0	239,233	0.0715%
12	PCD Nominee Corporation	202,223	0	202,223	0.0604%
13	Everett Steamship Corporation	190,333	0	190,333	0.0569%
14	Gingoog Holdings Corporation	183,008	0	183,008	0.0547%
15	El Superior de la Corporacion Filipina de Padres Agustinos Recoletos, Inc.	170,000	0	170,000	0.0508%
16	Eduardo M. Cojuangco, Jr.	127,354	0	127,354	0.0380%
17	Macrina Leyson	114,475	0	114,475	0.0342%
18	Carmel of the Divine Infant Jesus of Prague Inc. A/C No. 2	95,751	0	95,751	0.0286%
19	Pac Rim Realty & Development Corp.	91,205	0	91,205	0.0272%
20	The Roman Catholic Bishop of Tuguegarao	85,663	0	85,663	0.0256%
	TOTAL	322,350,176	1,904,540	324,254,716	96.8530%

Annex "H"

TOP FRONTIER INVESTMENT HOLDINGS, INC.
SUMMARY LIST OF REPORTS UNDER SEC FORM 17-C FILED DURING THE YEAR 2019

Date Reported	Subject
February 7, 2019	Disclosure in relation to the resignation of Atty. Nelly A. Favis-Villafuerte as a member of the Board of Directors of Top Frontier Investment Holdings, Inc. (the "Corporation)
March 14, 2019	Reports on the following matter which were approved during the Board of Directors Meeting held on March 14, 2019: i. the approval of the audited financial statements of the Corporation for the year ended December 31, 2018, the details of which shall be reported to the Securities and Exchange Commission ("SEC") and the Philippine Stock Exchange, Inc. (PSE) under the SEC Form 17-A due to be filed on or before April 15, 2019; ii. the declaration of cash dividends to shareholders owning preferred shares, as of March 14, 2019, amounting to Php531,366,660.00, or Php279.00 per preferred share, payable on March 14, 2019; and iii. the approval of the 2019 Internal Audit Plan.
May 10, 2019	Disclosure on the details of the 2019 Annual Stockholders Meeting of the Corporation as approved during the Board of Directors Meeting held on May 10, 2019.
July 09, 2019	Reports on the following matters which were approved during the meetings held on July 09, 2019: a. Annual Meeting of the Stockholders i. Approval of the Minutes of the Annual Stockholders' Meeting held on July 10, 2018; ii. Presentation and approval of the Annual Report; iii. Ratification of all acts and proceedings of the Board of Directors and corporate officers of the Corporation since the Annual Stockholders' Meeting held on July 10, 2018 up to July 09, 2019, as set forth in the minutes of the meetings of the Board of Directors; iv. Appointment of R.G. Manabat & Co. as external auditors for 2019; and v. Election of the following as members of the Board of Directors of the Corporation; 1. Iñigo U. Zobel 2. Ramon S. Ang 3. Ferdinand K. Constantino 4. Aurora T. Calderon 5. Consuelo M. Ynares-Santiago – Independent Director 6. Minita V. Chico-Nazario – Independent Director 7. Teresita J. Leonardo-De Castro – Independent Director b. Organizational Meeting of the Corporation i. Election of Minita V. Chico-Nazario as the Lead Independent Director of the Corporation; ii. Election of the following as officers of the Corporation: 1. Iñigo U. Zobel - Chariman of the Board 2. Ramon S. Ang - President and Chief Executive Officer 3. Aurora T. Calderon - Treasurer 4. Bella O. Navarra - Chief Finance Officer

	5. Virgilio S. Jacinto - Corporate Secretary and Compliance Officer 6. Irene M. Cipriano - Assistant Corporate Secretary 7. Maria Rosario B. Balanza - Investment Relations Officer 8. Ramon R. Bantigue - Internal Audit Group Head iii. Appointment of the following as members of the Board Committees: <u>Audit and Risk Oversight Committee</u> 1. Minita V. Chico-Nazario - Chairperson 2. Consuelo M. Ynares-Santiago - Member 3. Teresita J. Leonardo-De Castro - Member 4. Ferdinand K. Constantino - Member 5. Aurora T. Calderon - Member <u>Related Party Transaction Committee</u> 1. Teresita J. Leonardo-De Castro - Chairperson 2. Consuelo M. Ynares-Santiago - Member 3. Minita V. Chico-Nazario - Member 4. Ferdinand K. Constantino - Member 5. Aurora T. Calderon - Member <u>Corporate Governance Committee</u> 1. Consuelo M. Ynares-Santiago - Chairperson 2. Minita V. Chico-Nazario - Member 3. Teresita J. Leonardo-De Castro - Member 4. Ferdinand K. Constantino - Member 5. Virgilio S. Jacinto - Member iv. Designation of depository banks and appointment of authorized signatories for banking and other corporate transactions.
August 08, 2019	Report on the following matters approved during the Regular Meeting of the Board of Directors of Top Frontier held on August 8, 2019: a. approval of the financial performance and financial position of the Corporation as of June 30, 2019, the details of which shall be reported to the SEC and the PSE under SEC Form 17-Q due to be filed on August 14, 2019; and b. declaration of cash dividends to shareholders owning preferred shares as of August 8, 2019, amounting to Php265,683,330.00, or Php139.50 per preferred share, payable on August 9, 2019; and c. adoption of the Corporation's Policy on Material Related Party Transactions and delegation to Management of the appointment of an external independent party to evaluate the fairness of the terms of the material related party transactions before the execution of such material related party transaction. d.
October 07, 2019	Report the updated contact details of the Corporation, effective October 06, 2019.
November 07, 2019	Report on the following matters approved during the Regular Meeting of the Board of Directors of the Corporation held on November 07, 2019: a. approval of the financial performance and financial position of the Corporation as of September 30, 2019, the details of which shall be reported to the SEC and PSE, under SEC Form 17-Q due to be filed on November 14, 2019; and

	b. declaration of cash dividends to shareholders owning preferred shares as of November 14, 2019, amounting to Php531,366,660.00, or Php279.00 per preferred share, payable on November 14, 2019.

Annex "I"

Top Frontier Investment Holdings, Inc.

Contextual Information

Company Details	
Name of Organization	Top Frontier Investment Holdings, Inc. ("Top Frontier" or "Company").
Location of Headquarters	5th floor, ENZO Bldg., Sen. Gil Puyat Avenue, Makati City
Location of Operations	**CLARIDEN HOLDINGS, INC.** Clariden Holdings, Inc. ("Clariden"), holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden's various subsidiaries, include: (i) Mineral Production Sharing Agreements ("MPSAs") for the Nonoc Nickel Project under Pacific Nickel Philippines Inc. ("PNPI") and Mt. Cadig Nickel Project under VIL Mines Inc. ("VMI"), (ii) Exploration Permits ("EPs") for certain areas under the Bango Gold Project under Prima Lumina Gold Mining Corp. ("PLGMC"), and (iii) pending Application for Production Sharing Agreement ("APSA") and pending Exploration Permit Applications ("EXPA") for other areas of the Bango Gold Project. A subsidiary of Clariden was also chosen as the contractor under a Joint Operating Agreement to be executed for the North Davao Project. VMI also has three (3) applications for Offshore Exploration Permits ("OEPs") and a Government Seabed Quarry Permit ("GSQP") while PLGMC also has two (2) applications for OEPs. On November 06, 2019, the Department of Environment and Natural Resources ("DENR") approved the assignment of parts of the MPSA of PNPI in favour of PLGMC and VMI. **SAN MIGUEL CORPORATION** Please refer to San Miguel Corporation's ("SMC") SEC 17-A Annex D: List of Properties.
Report Boundary: Legal entities (e.g. subsidiaries) included in this report	This report includes information from the local operations of the following companies and their respective subsidiaries, unless otherwise stated: **CLARIDEN HOLDINGS, INC.** Excelon Asia Holdings, Corporation Pacific Nickel Philippines, Inc.

	SAN MIGUEL CORPORATION San Miguel Food and Beverage, Inc. (“SMFB”)* San Miguel Foods, Inc. (“SMFI”) San Miguel Brewery, Inc. (“SMB”)* Ginebra San Miguel, Inc. (“GSMI”)* San Miguel Yamamura Packaging Corp. (“SMYPC”) Petron Corporation (“Petron”)* SMC Global Power Holdings Corp. (“SMCGP”) San Miguel Holdings Corp. (“SMHC”) San Miguel Foundation, Inc.
Business Model, including Primary Activities, Brands, Products, and Services	Top Frontier is organized and registered with the Securities and Exchange Commission as a holding company. Top Frontier is the largest shareholder of SMC which is engaged in various businesses, including beverage, food, packaging, energy, fuel and oil, infrastructure, and real estate property management and development. On August 30, 2013, Top Frontier acquired 100% of the outstanding common stock of Clariden, a holding company with interests in exploration, mining and development through its subsidiaries. PNPI’s Nonoc Nickel Project is Clariden’s most advanced project and is at its Exploration Stage. Currently, PNPI is renewing its exploration period under the MPSA and is continuously implementing a voluntary Annual Environmental Protection and Enhancement Program (“AEPEP”) and Annual Social Development and Management Program (“ASDMP”) in recognition of its responsibility to manage and maintain the various environmental structures on site left behind by previous mining and processing operations, and to its host communities.
Reporting Period	January 1, 2019 to December 31, 2019
Highest Ranking Person responsible for this report	Atty. Virgilio S. Jacinto Corporate Secretary and Compliance Officer

**These subsidiaries are submitting their respective sustainability reports to the Securities and Exchange Commission.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.
Material topics were determined through two (2) processes by Top Frontier's subsidiaries, Clariden and SMC, and consolidated at the Top Frontier level. Clariden used the Sustainability Accounting Standards Board's ("SASB") Industry Standard for the Metals and Mining Sector to determine material topics. For SMC, pertinent heads and management teams underwent a process that included a series of interviews, mapping exercises, and consultations to identify material topics for each business unit using their respective industry standards as prescribed by the SASB. Metrics for the material topics in this standard were juxtaposed with those in the SEC template and added as additional disclosures in this document. Since Top Frontier is a holding company, most of its impacts, risks, opportunities, and their management approaches are primarily experienced and applied by its two (2) subsidiaries, Clariden and SMC. Moreover, SMC, as a listed company, also has its own sustainability report which are likewise disclosed in this report. SMC is also a large conglomerate on its own, and if its disclosures will be combined with Clariden, the latter's disclosures could be diluted in the discussion. For these reasons, whenever applicable, especially in the environmental and social aspects, the numbers and narratives for both subsidiaries are discussed separately. However, whenever a Top Frontier groupwide-level disclosure is suitable (i.e. applicable to both SMC and Clariden, such as in economic performance, which is based on the consolidated financial statements of Top Frontier, and in several management approaches, impacts, risks, and opportunities, the heading, **"Top Frontier (Groupwide)"**, is placed. For this purpose, "Group" shall mean Top Frontier, together with its major subsidiaries: SMC and Clariden, and their respective subsidiaries. Also, the terms "SMC"/"SMC Group" and "Clariden"/"Clariden Group" will refer to "SMC and its subsidiaries" and "Clariden and its subsidiaries", respectively, when the context of the discussion so suggests. As Top Frontier continues to improve its processes, enhance its policies and develop responsive products and services, the Company's materiality process and topics shall be reviewed and updated accordingly.

Note: To avoid repetitions on management approaches, the discussions on some impacts, risks, and opportunities are made per main topic, instead of per subtopic, such as but not limited to Anti-corruption and Energy. The discussion on Economic Performance includes Procurement Practices since suppliers are also considered stakeholders who receive economic value from the Company.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Top Frontier (Groupwide)

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,030,958	million PhP
Direct economic value distributed:		
a. Operating costs	709,409	million PhP
b. Employee wages and benefits	41,982	million PhP
c. Payments to suppliers, other operating costs	Included under operating costs	million PhP
d. Dividends given to stockholders and interest payments to loan providers	87,889	million PhP
e. Taxes given to government	142,593	million PhP
f. Investments to community (e.g. donations, CSR)	950	million PhP

Impacts & Risks

Top Frontier (Groupwide):

The Company recognizes that it has a significant economic impact due to the scale of economic value that it generates as a Group through numerous product and business lines. This economic value is distributed to various stakeholders such as the government, employees, stockholders and investors, suppliers, and various communities. This distribution enables wealth to be cycled in the economy, enabling national, institutional, even personal, development.

The ability to generate revenue / economic value, and corollarily, the ability to distribute such value, is posed with competition risks, operational risks (including accidents, equipment breakdown, power interruptions, human error, natural disasters), legal and regulatory risks, social and cultural risks (including customer acceptance of products, customer purchasing power, negative publicity on some products), raw material sourcing risks, and financial risks (including interest rate risk, foreign currency risk, liquidity risk, and credit risk). The major business risks for the Company have been identified in its 2019 SEC Form 17-A, specifically pages 30-32 thereof, together with the risk management strategies adopted by the Management to address the same.

Stakeholders affected: Employees, Partners, Regulators, Investors, Communities

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The Company's existing risk management policies are established to identify and analyze the risks faced by the Company and its subsidiaries, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Specifically, to minimize competition risks, the Group introduces new products in its businesses, improves product propositions and packaging, and redefines product distribution systems.

Operational risks are managed by undertaking necessary precautions such as maintenance practices. Legal and regulatory risks are mitigated with constant consultation with relevant government agencies and maintaining a strong compliance culture and process to adhere to laws and regulations.

Further, social and cultural risks are addressed by introducing products that address or are attuned to the lifestyles and needs of consumers. Risks on raw material sourcing are minimized by entering into various commodity derivatives and manage price fluctuations in raw material prices, especially strategic commodities.

Lastly, financial risks, which are most directly related with economic performance, are addressed through prudent fund management, using a combination of natural hedges, and close monitoring of liquid assets.

Moreover, the Board of Directors ("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 quality and integrity of the financial statements and financial reporting process, performance of internal auditors, independent audit of the consolidated financial statements, compliance with tax and other regulatory requirements, and evaluation of management's process to assess and manage enterprise risk issues.

The major business risks for the Company have been identified in its 2019 SEC Form 17-A, specifically pages 30-32 thereof, together with the risk management strategies adopted by the Management to address the same.

Opportunities

Top Frontier (Groupwide):

Risk management system is reviewed annually. The BOD's criteria for assessing the effectiveness of the risk management system are whether such risk management policies reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand.

Stakeholders affected: Employees, Partners, Regulators, Investors, Communities

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Mindful of its social, economic, and environmental responsibilities, Top Frontier continuously and consistently studies all prospects and aspects of its business operations as part of its commitment to its established goal to build shareholder value with integrity, honesty, and fairness. The Company will continue in implementing the management approaches that will minimize the risk to further enhance its ability to generate and distribute economic value.

Climate-related risks and opportunities

Having a diversified portfolio, Top Frontier recognizes that there could be climate change-related financial risks in some form or another throughout the Group. This could include supply chain disruptions and logistical challenges due to typhoons in the country. Raw material sourcing could be affected if drought impacts a particular region where it has significant operations. There could also be regulatory risks on fuel and oil, conventional power plants, and mining – industries often mentioned in climate change dialogues.

Knowing these, there is an opportunity to look at the Group's portfolio and evaluate which ones are at most risk of climate change and which ones would have natural advantages or could take advantage of climate change scenarios.

Currently, Top Frontier is still studying how to incorporate the guidelines of the Task Force on Climate-related Financial Disclosures ("TCFD") given the large portfolio of the Group. In the coming reporting cycles, the Company shall look at how climate change could be integrated in Board agenda, risk frameworks, and strategies, and further on, measure and manage climate change impacts by analyzing different scenarios using scientifically approved tools and methodologies.

Procurement Practices

Proportion of spending on local suppliers

This topic is considered not material to Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover SMC Group only.

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers[1]	88	%

[1]Number represents percentage of total accredited local suppliers only

Impacts & Risks

SMC Group:

In a diversified conglomerate such as SMC, materials, equipment, and services should be procured in a timely manner to avoid delays in production, construction and services. In addition, the materials, equipment, and services must be of the highest quality to ensure that SMC maintains its operational excellence.

Stakeholders affected: Suppliers, Management

Management Approach to Identified Impacts and Risks

SMC Group:

SMC believes the size and scale of its distribution network operations provide significant economies of scale and opportunities for synergy in production, research and development, distribution, management, and marketing. This is one of the benefits resulting from the vertical integration strategy of SMC, enabling it to supply to its other subsidiaries. The size and scale of SMC also result to advantages and bargaining powers with suppliers and retailers.

With this in mind, SMC has centralized its procurement to streamline the procurement activities of all SMC business units, thus increasing its efficiency. SMC's Corporate Procurement Group, governed by its Procurement Policy Manual, lays out specific procedures for the accreditation of suppliers, vetting them to guarantee that SMC will get the right supplier with the best materials and services for the right price. SMC supports local suppliers and prioritizes them in sourcing materials and services given that quality and quantity requirements are met at competitive rates. SMC also provides capacity-building opportunities to enable deserving local businesses to meet the SMC Group's standards, increasing partnership with local merchants.

SMC also formulates its business strategies to enhance bargaining power for common materials and to manage its price risks on strategic commodities. Through hedging, prices of commodities are fixed at levels acceptable to the business units, thus protecting raw material cost and preserving margins. Additionally, alternative sources of raw materials are used in operations to avoid and manage risks on unstable supply and higher costs.

Opportunities

SMC Group:

There is an opportunity to add environmental, social, and governance qualifiers when accrediting and choosing suppliers to help influence sustainability in the supply chain.

Stakeholders affected: Suppliers, Management

Management Approach to Identified Opportunities

SMC Group:

Should environmental, social, and governance topics will be added in the accreditation process, appropriate policies and procedures could be also set in place.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Top Frontier (Groupwide):

Disclosure[1]	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%

Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

[1]*Annual training on good governance attended by the BOD and management may include anti-corruption discussions. There is no specific training for management or employees, that caters solely on the topic.*

Incidents of Corruption

Top Frontier (Groupwide):

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Impacts & Risks

Top Frontier (Groupwide):

Corruption and all its forms disrupt normal economic flows from society to the Company and vice versa and gives undue and unfair benefits and favor to an individual or stakeholder group.

Incidents of corruption can negatively impact the Group's various companies and brands. Additionally, it may have legal repercussions and strain the trust between the Company and its stakeholders.

Stakeholders affected: Employees, Partners, Regulators, Investors

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The Company's Code of Conduct and Ethics enjoins its directors, officers, and employees to conduct business in a manner which is ethical, fair and right, and in all reasonable circumstances, above reproach and with utmost discretion. All employees are enjoined to refuse to grant personal favors, or decline any gift or benefit, that may compromise the independence of the Group or create a sense of obligation on its part or potentially influence its business judgment. It is also the Company's policy to compete fairly and honestly, believe in profit with honor, and commit to good governance and the highest moral standards in the performance of duties and responsibilities. Compliance with and respect in all applicable laws, rules and regulations governing the Group's businesses in all jurisdictions where such is conducted, is part of the Company's Code of Conduct and Ethics.

As such, the Company is committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability and integrity in the conduct of its business and expects each of its directors, officers and employees in their dealings with all stakeholders.

All employees are expected and directed to comply with all laws and applicable regulations, and to conduct business in accordance with the highest standards of business ethics. This includes compliance with applicable laws, rules and regulations on bribery and corruption. It is every employee's responsibility to know and to understand legal and policy requirement as they apply the same to their task, and to notify management when they believe a violation of law or a Company policy has been committed.

The Company's Code of Conduct and Ethics also states that employees who fail to comply with the standards and abide by the values set forth in the same shall be subject to disciplinary action, including termination, as the Company may deem appropriate to the nature of the violation, without prejudice to the Company's right to avail of criminal and civil remedies available to it under law. The Company does not tolerate any retaliation in any form against any employee who, in good faith, raises a concern or reports a possible legal or ethical violation under the said Code.

The Code of Conduct and Ethics can be found in this link:
https://www.topfrontier.com.ph/index.php/sp/page/34.html.

In addition, the Company has developed policies and guidelines on Related Party Transactions, Material Related Party Transactions, Conflicts of Interest, and Whistleblowing to bolster anti-corruption in its operations. Details on these can be found in this link:
https://www.topfrontier.com.ph/smc_files/corporate_files/CompanyPolicies/TF_Policy_onRelatedPartyTransactions10Nov2014.pdf

Opportunities

Top Frontier (Groupwide):

The Company recognizes that fight against corruption needs constant vigilance. Thus, it ensures that there are opportunities to regularly review and evaluate guidelines, policies, and initiatives related to anti-corruption. Likewise, through the Company's whistleblowing framework, a suitable system for whistleblowing is established such that employees are allowed to freely communicate their concerns about illegal or unethical practices, without fear of retaliation. Moreover, there are opportunities to further disseminate and conduct trainings on anti-corruption throughout the Company.

Stakeholders affected: Employees, Partners, Regulators, Investors

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

The Company is proactive in consistently studying the business and legal environment to ensure that its regulations relating to all forms of graft and corruption remain relevant and effective. It shall report any changes to the said policies and regulations, if any, in the next reporting cycles.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Clariden Group:

Disclosure[1]	Quantity	Units
Energy consumption (renewable sources)	N.A.	GJ
Energy consumption (gasoline)	0.0007327824	GJ
Energy consumption (LPG)	0.0000595791	GJ
Energy consumption (diesel)	0.02860212233	GJ
Energy consumption (electricity)	682,733.30	kWh

[1] Power at the Nonoc mine site is sourced from diesel-powered generators.

SMC Group:

Disclosure[1]	Quantity	Units
Energy consumption (renewable sources)	2,300,933.92	GJ
Energy consumption (gasoline)	370.92	GJ
Energy consumption (LPG)	2,051,619.56	GJ
Energy consumption (diesel)	7,872,400.92	GJ
Energy consumption (electricity)	1,764,557,168.60	kWh

[1] Includes partial data from SMC's business units. Measures to collect groupwide data for energy consumption are being evaluated.

Reduction of energy consumption

Clariden Group:

Disclosure	Quantity	Units
Energy reduction (electricity)	15,439.90	kWh

SMC Group:

Disclosure	Quantity	Units
Energy reduction (electricity)[1]	7,925,578.10	kWh

[1]This disclosure includes data from Petron and SMCGP. Measures to collect groupwide data for energy reduction are being evaluated.

Impacts & Risks

Clariden Group:

Mining is an energy-intensive industry. Energy requirements of mines are usually sourced from on-site combustion of vehicles and generator sets, and electricity purchases from the grid.

Combustion of diesel and gasoline produces emissions that have negative impacts on human health and the environment.

Electricity consumption of the mines poses a risk of competition for energy supply in the area. The main impacts of electricity consumption, however, lies in its generation. In 2018, Mindanao's energy mix was 60% fossil fuel, mainly from coal-fired plants, and 40% renewable energy. Despite having a higher renewable energy mix compared to Luzon and Visayas, the present mix in Mindanao is still dominated by coal-fired plants.

Since PNPI is at the exploration stage, risks associated with electricity consumption, on-site combustion of vehicles and generator sets, and combustion of diesel and gasoline are deemed minimal in this reporting period.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

SMC's energy consumption is primarily electric. This powers the SMC Group's offices, manufacturing plants, construction projects, and other facilities. Although the Philippines, including SMC's energy business, is gradually increasing its clean energy capacity, the country still relies mostly on coal-fired power plants. While it is still the most affordable technology for energy production, coal plants generate GHG emissions and air polluting substances that negatively affect people and the environment.

The growing demand for SMC's products and services will naturally result in increased energy consumption, which in turn will enlarge the SMC Group's impacts on various environmental measures. In addition, the absence of an efficient energy management system may lead to higher operational costs, capacity overload affecting daily output, and possible power outages in SMC's facilities and fence-line communities with unstable energy capacities or weak distribution systems.

Stakeholders affected: Employees, Local Communities, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

Clariden implements energy and fuel conservation measures in adherence to its ISO 14001:2015 certification. Regular maintenance and repair of equipment are conducted to ensure efficient usage of fuel resources and effective reduction of emissions from diesel and gasoline combustion. Rotational provision of electricity is also implemented as part of the Clariden's electricity conservation strategies.

SMC Group:

SMC has established Environmental Management Systems tailor-fitted to address the varying impacts of the SMC Group's corporate offices and manufacturing plants. Each facility has clear targets in the form of KPIs for the reduction of electricity and fuel consumption. Air emissions, effluents and solid waste volumes are also being monitored and addressed.

SMC addresses this concern by making sure that its operations implement or are moving towards the implementation of an applicable Energy Management System, specifically the globally recognized ISO 50001 certification.

SMC's various subsidiaries develop engagement programs and hold trainings on conservation measures for all employees. Additionally, they are given the opportunity to suggest ways to conserve energy through the Work Improvement Suggestions by Employees (WISE) and Work Improvement Team (WIT) programs.

Main offices also implement a Power Scheduling Program that allows for the regulation of energy consumption of air conditioners, elevators, and lights. Light bulbs were converted from fluorescent to LED bulbs which translated to a 40 percent reduction in building lighting operation. Solar energy panels are also installed in some head offices to add renewable source to SMC's energy consumption mix.

Opportunities

Clariden Group:

Clariden could further analyze its energy consumption trends to determine opportunities for improvement.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

SMC believes that the first step towards reduction is to be aware of the impact of contributing facilities and the overall impact of energy consumption. With SMC's power business as its leader, they are looking forward to accumulating baseline data of energy consumption in order to strategically reduce consumption.

Stakeholders affected: Employees, Local Communities, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden could explore strategies and initiatives in integrating energy-saving technologies and other measures for energy efficiency.

SMC Group:

SMCGP has already begun a "Weekly Environment Watch" publication wherein consumption and emissions of the Limay Circulating Fluidized Bed (CFB) Powerplant is recorded for the information of its stakeholders. This presents an opportunity to extend such initiative to all plants of SMCGP, as well as different operating facilities in SMC.

Water consumption within the organization

Clariden Group:

Disclosure	Quantity	Units
Water consumption	49,075.56	Cubic meters
Water recycled and reused	N.A.	Cubic meters

[1] These include regulations of the DENR and of the National Water Resources Board.

SMC Group:

Disclosure[1]	Quantity	Units
Water consumption	29,662,744.74	Cubic meters
Water recycled and reused	960,178.01	Cubic meters

[1]Measures to collect SMC's group-wide data for water withdrawal and discharge are being evaluated.

Impacts & Risks

Clariden Group:

Mining operations have high demand for water thus posing a risk on its availability and quality in areas where mines are located. The mining operation competes with local communities for limited water resources.

With a large area of land being exposed due to mining operations, siltation caused by soil erosion and sediment spills become a major concern. Siltation impacts human and aquatic life by degrading water quality, as well as altering the physical layout of the streams and rivers near the mining site.

The impacts of wet tailings on water quality can be severe. These toxic substances could leach from the wet tailings impoundment facilities and cause groundwater contamination.

Since PNPI is at the exploration stage, the risks associated with competition for limited water resources, and siltation and soil erosion are deemed to be minimal in this reporting period.

Disturbed areas and structures from previous mining and processing operations are addressed through temporary revegetation and reforestation activities under the AEPEP and other appropriate management strategies.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

Working with a broad array of industries, water is consumed not only for the sanitation of facilities, but most importantly as process water and as a product ingredient. The instability of water supply in the Philippines, specifically in the areas of operations, could entail this risk of price hikes and supply shortages, consequently adversely affecting SMC's businesses.

Most business units, like the beverage business, source water requirements from deep wells and from water utility service providers. Presidential Decree No. 1067, otherwise known as The Water Code of the Philippines (the "Water Code"), 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 company, its financial condition, results of operations, and prospects.

Stakeholders affected: Employees, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

In order to mitigate the impacts of its activities on the water resources of the nearby communities, PNPI will utilize the Sabang Dam as a future source of water in the planned mineral processing activities. Excess water from the dam is to be shared with the host barangays. Currently, it sources its water from the Duyangan reservoir for domestic use.

To address the risk of siltation, Clariden maintains ten (10) siltation ponds within Nonoc Island. Regular desilting is being conducted. In addition, 85 fascines were also installed and being maintained to minimize siltation.

Temporary rehabilitation of previously disturbed, but still mineralized, areas with napier grass is also undertaken. While reforestation is being undertaken in other identified areas, i.e., buffer zones.

Water quality monitoring is undertaken on a monthly basis to ensure compliance with regulatory standards.

SMC Group:

In 2017, SMC has made the commitment to cut utility and domestic (non-scarce and non-product) water use across the entire SMC Group by 50 percent. SMC Group aims to achieve this goal by 2025 through higher water management efficiency by (1) elimination of water wastage across operations, (2) reusing and recycling more water and, (3) reducing the use of ground and surface water.

Opportunities

Clariden Group:

Clariden could further analyze its water consumption and water quality trends to determine opportunities for improvement.

Stakeholders affected: Local Communities, Employees Stationed in the Site

SMC Group:

Through the "Water for All" initiative, SMC has managed to save approximately 6.5 billion liters of water, representing a 21.3 percent reduction in its overall use in 2019. The SMC Group believes that it is well ahead of its goal to reduce consumption by 20 percent in 2020 and is confident that its targets will be achieved. Petron remains the biggest contributor with a 37.55 percent reduction in use, and SMCGP placing second with 37.31 percent. SMC realizes the importance of documenting practices and approaches of leading business units, for the benefit of other businesses making their own strategies, as well as for preparing group-wide implementation of initiatives. Regular monitoring of this program was published in one of the issues of SMC's internal newsletter, *Kaunlaran*, encouraging one another to strengthen efforts to increase water use efficiency – in workplace operations and individual activities.

Stakeholders affected: Employees, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden could explore strategies and initiatives in integrating water efficient technologies and other measures for water conservation.

SMC Group:

SMC could incorporate the right administrative controls to further support the "Water for All" initiative.

Materials used by the organization

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover SMC Group only.

SMC Group:

Disclosure	Quantity	Units
Materials used by weight or volume[1]		
renewable	319,833,734.67	kg
	187,298,418.00	L
non-renewable	5,131,799,235.79	kg
	5,703,377,540.00	L
Percentage of recycled input materials used to manufacture the organization's primary products and services[2]	8	%
Percentage of reused input materials used to manufacture the organization's primary products and services (second-hand bottles)[3]	56	%

[1]This data on materials includes inputs from the SMC Head Office, Petron and SMCGP.
[2]Percentage is from the bottom ash recycling capability of SMCGP.
[3]Includes data from reused second-hand bottles from GSMI.

Impacts & Risks

SMC Group:

The products and businesses of SMC, specifically, the beverage, food, packaging, fuel and oil, and power 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.

Acquisition of high-quality raw materials and use of efficient production processes are key factors in the success of SMC's operations. Using substandard materials will produce substandard products for the customers, whereas if SMC's processes are inefficient, the resulting low yields will lead to wasted raw materials. With the large quantities needed as input for SMC's products, such wastage of these materials due to process inefficiency may impact the local (Philippine or Southeast Asia) supply of raw materials.

Stakeholders affected: Employees, Suppliers

Management Approach to Identified Impacts and Risks

SMC Group:

The SMC Group manages its material consumption through efficient processing systems and inventory management within plant operations.

Operational processes are engineered to be efficient, fully utilizing input materials with minimal wastage. Businesses are equipped with the latest technology managed by highly skilled teams who ensure processes are constantly efficient and regularly monitored. SMC also invests in research and development of better materials and more efficient processes that could lessen the overall impact of consumption. To further minimize wastage, materials leftover from production processes are assessed for viability. If materials are deemed viable and will not compromise the batch, they will be re-used in production. SMC's inventory management entails diligent monitoring and use of materials, ensuring the delivery of suppliers and contingency suppliers, and use of alternative primary materials. SMC is not dependent on one or a limited number of suppliers for its primary raw materials and essential supplies.

Opportunities

SMC Group:

With SMC's wide business portfolio, material inputs for one subsidiary may be supplied through the other.

Stakeholders affected: Employees, Suppliers

Management Approach to Identified Opportunities

SMC Group:

Through vertical integration, SMC combines strengths and finds the complementary capabilities of their diverse businesses to maximize the value of materials. For example, the packaging business feeds into the food and beverage businesses to answer a significant part of the supply chain. There is an opportunity to develop this strategy as a way to manage the company's consumption of materials efficiently across all of SMC's businesses.

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Clariden Group:

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	#
Habitats protected or restored	None	ha
IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	None	#

SMC Group:

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	5	#
Habitats protected or restored	116	ha
IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	2	species

[1] International Union for Conservation of Nature

Impacts & Risks

Clariden Group:

Mining operations can have a range of impacts on biodiversity, such as alterations of landscape, vegetation removal, generation of noise, and impacts to wildlife habitats.

Displacement of wildlife species due to excavation activities is the most direct impact of mining. Land is cleared before mining activities begin. This deforestation reduces the livability of wildlife habitats since vegetation provides essential food, nesting sites, and cover for escape from predators.

Siltation of rivers and streams near mines impacts aquatic life by changing growing conditions and the physical shape of the waterbody. Mining processes also expose nearby waterbodies to heavy metals and toxic chemicals.

Chronic noise exposure brought about by the mining operations is especially destructive to species which rely on sound for communication and hunting. Studies have shown that bird species avoid areas with noise pollution[1]. This decrease in bird population could adversely affect seed dispersion, and several ecological processes.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period.

Stakeholders affected: Local Communities

SMC Group:

The impact of industry on ecosystems and biodiversity cannot be understated. SMC's operations have reached a level that leaving an indelible mark in the communities in locations of operations is unavoidable. With SMC's widespread locations of operations, business units are responsible for assessing and decreasing impacts to surrounding ecosystems and biodiversity. Certain realities are unavoidable, such as the loss of trees due to clearing activities for construction, natural systems being interrupted because of operations, loss of biodiversity due to noise pollution, depletion of groundwater resources, and degradation of water systems due to wastewater effluents. Across SMC's operations, there are five (5) high biodiversity areas that are adjacent to its business operations:

- **Angat Watershed Area** (Protected as per Proclamation no. 391, s.1968). The Angat Watershed Reservation, proclaimed protected since 1968, is managed by the National Power Corporation. Apart from its rich forests and water reservoir, it also houses 165 terrestrial flora species belonging to 94 genera and 64 families, as well as 51 terrestrial vertebrate species. SMCGP's Angat Hydroelectric Power plant has the least pollution impact across the Company's portfolio but also has its corresponding environmental impacts. The hydropower facilities may disrupt the natural flow of water and natural habitats in the dam area.
- **Masinloc Oyon Bay Marine Reserve** (Protected as per Proclamation no. 231, s. 1993). The Masinloc Power Plant is within this multiple-use zone. Coal handling, wastewater treatment, cooling water, and ash handling activities are among the operations that are near or inside the marine reserve. With this said, activities may impact marine resources in the reserve should levels of byproducts surpass the threshold.
- **New Argao Fish Sanctuary**. Located 3 km South of the Malita Power Plant location, this fish sanctuary has been protected since 2003.

[1]Ravi K. Jain, Zengdi Cui, and Jeremy K. Domen, "Chapter 4 - Environmental Impacts of Mining," *Environmental Impact of Mining and Mineral Processing*, 2016, pp. 53157).

- **Guimaras Strait.** Located between Panay and Negros, Guimaras Strait is a highly productive fishing ground that is also the home to the critically endangered Irrawaddy dolphins (*Orcaella brevirostris* and vulnerable sea cow (*Dugong dugon)*. Discharges from GSMI's distilling plant, if not managed properly, may contribute to the deterioration of the water quality of the Strait and adversely affect its biodiversity.
- **Sarangani Bay Protected Seascape.** A proclaimed National Integrated Protected Area System (NIPAS) by virtue of Presidential Proclamation No. 756 issued in 1996. It is also classified as Category V Protected Area by the International Union for Conservation of Nature (IUCN).

Stakeholders affected: Local Communities, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

Clariden conducted advance implementation of temporary revegetation of disturbed areas as well as periodic maintenance of reforestation and areas and an eco-farm project. It has also done several nursery operations such as germination, collection, and production of several tree species. Reforestation programs of the Company are aligned with the National Greening Program and the Mining Forest Program of the government, as well as the government-mandated Temporary Rehabilitation Program for previously disturbed but still mineralized areas.

Fascines were installed and maintained regularly within Nonoc Island to reduce siltation. Desilting activity with the use of heavy equipment was also conducted. The tailings pond is lined with impervious material to prevent leakage, and continuous monitored to ensure the integrity of the structure.

Monthly noise monitoring is also conducted to ensure that operations are within the regulatory standards.

SMC Group:

SMC is fully aware of its role in the mitigation, restoration, and conservation of the areas wherein their operations are located. The company believes that conservation of the environment is a crucial aspect of achieving excellence in operational efficiency. Given the scale of their operations, SMC holds its business units responsible for assessing and decreasing impacts to surrounding ecosystems and biodiversity. This entails closely monitoring facility effluents and emissions and obtaining environmental management certifications as a standard for mitigating impact. The management ensures that facilities across all business units are compliant to the standards set by DENR and equipped with assessment tools for ecological monitoring reports. Moreover, impact areas are addressed as follows:

- **Angat Hydroelectric Power Plant.** SMCGP and K-Water initiated the Angat Dam and Dykes Strengthening Project (ADDSP) as a precautionary measure to preserve and protect this crucial source of water for Metro Manila, as part of its commitment to the operators of the Angat Dam. This Php 1.08 billion initiative included structural improvements to the dam as well as the main and secondary dykes. This major undertaking ensures the structural integrity of the Angat Dam.
- **Masinloc Power Plant.** The Masinloc power plant implements a ridge-to-reef program that includes maintenance of plantation on watersheds leading to the Bar Reserve, seagrass enhancement planting, mangrove planting, and coral transplantation in artificial reefs. In 2018, SMCGP was able to rehabilitate 500 sqm. of seabed through ten (10) artificial reefs in the area.
- **Malita Power Plant.** SMCGP, through its subsidiary, partnered with the local government to adopt a kilometer of the Malita River in an effort to protect the surrounding body of water and its aquatic life. Cleanups and monitoring activities have resulted in the increase in dissolved

oxygen levels to greater than 7mg/L which aids organism proliferation and survival. SMCGP conducted an underwater resource assessment and observed an increase in the species of fish along newly installed Unit 3 Intake pipes. In a bid to step up their monitoring systems, SMCGP established a Butterfly Sanctuary for the butterflies to serve as bioindicators.

- **Distileria Bago, Inc. Plant.** All discharges from GSMI's distilling plant are compliant to regulatory standards, which reduces, if not eliminates, possible negative impacts to the environment. Adjacent to the operational site, a mangrove reforestation area has been adopted and the survival rate of planted mangroves is at 96%. The area also reduces the risk of flooding, soil erosion, and storm surges and serves as habitat to numerous animals. Regular coastal and *estero* clean-ups and shoreline and mangrove monitoring are done with local government units and nearby communities.
- **Petron Bawing Depot**. Petron prepared a ten (10)-year rehabilitation plan for 2020 – 2030 that covers 91,737 m2 of foreshore area along the Sarangani Bay Protected Seascape and focusses on addressing its environmental (including water pollution and habitat destruction) and socio-economic issues (alternative livelihood). This rehabilitation plan will be reviewed and updated every ten (10) years, or at a shorter duration if warranted, to account for developments in the area and changes in regulations.

Opportunities

Clariden Group:

There are opportunities to conduct close monitoring of the survival rate of planted tree species in the revegetated disturbed areas. This data could serve as input for evaluating the success of the revegetation program.

Annual biodiversity mapping could also be considered to accurately document existing flora and fauna species near the area of the mine and identify priority species for conservation and propagation.

Stakeholders affected: Local Communities

SMC Group:

The Group continuously seeks ways to improve and find opportunities within their operations in order to minimize impacts on neighboring ecosystems. Strengthened by the plans and capabilities of the Group's infrastructure arm, the company has the opportunity to have a more thorough assessment for upcoming development projects.

Stakeholders affected: Local Communities, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden proactively explores strategies and initiatives to integrate biodiversity conservation as part of standard operating procedures and preparatory to future mining activities.

SMC Group:

From the planning stage to the completion of greenfield projects, the company takes the opportunity to ensure that installations and new technology is not only suitable to the natural resources and existing ecosystem, but also induces the improvement of and proliferation of biodiversity.

Environmental impact management

Air Emissions

GHG

Clariden Group:

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0.002053	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	544.62	Tonnes CO2e

SMC Group:

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions[1]	7,811,452.04	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions[2]	384,664.21	Tonnes CO_2e

[1]Includes data from SMFB, SMYPC, SMCGP, Petron, and SMHC.

[2]Includes data from SMYPC, SMCGP and Petron.

Impacts & Risks

Clariden Group:

Direct or Scope 1 GHG emissions are derived from fuel combustion of generator sets and company vehicles. GHG emissions have negative impacts on the environment as they contribute to climate change.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period.

Stakeholders affected: Local Communities, Employees Working in the Site

SMC Group:

GHG emissions of SMC are primarily generated from powerplants, consumption of electricity to power facilities and head offices, as well as through fuel refining and storage business lines. Processes involved in the processing of materials to produce products emit pollutants which may also impact air quality. Coal-fired powerplants are one of the biggest industrial sources of mercury. Fuel mixes and formulas may emit high concentrations of carbon monoxide (CO) and nitrogen oxide (NOx). Activities such as these deteriorate air quality within the vicinity of sites of operations and significantly contributes to climate change. Other than the negative consequent effects of climate change, emissions may be a health and safety risk to employees, customers, and nearby communities as concentrations of air pollutants may cause respiratory ailments.

Stakeholders affected: Local Communities, Regulators, Employees

Management Approach to Identified Impacts and Risks

Clariden Group:

Since GHG emissions are directly related to energy consumption, regular maintenance and repair of equipment are conducted to ensure efficient usage of fuel resources and effective reduction of emissions from diesel and gasoline combustion.

SMC Group:

SMC manages air emissions by closely monitoring production by-product levels, making sure that reduction target levels are met. This is in accordance with the different EMS systems in place in different facilities, as well as environmental compliance standards (sulfur oxide (SOx), NOx, Particulate Matter, CO and Opacity) set by the DENR and World Bank ("WB").

Aside from the groupwide effort to reduce emissions, business units have different strategies in place to achieve this. The energy business implements bike health/emission programs, fleet management strategies, technology integration for business tasks and a weekly update on emission data. Petron ensured that its 29 terminals are certified with EMS ISO 14001, ensuring that their system is capable of emission reductions, supplemented with a terminal Eco-watch program.

These efforts are complemented by SMC's investment on instruments to measure and reduce emissions such as electrostatic precipitators which is a device that abates air pollution generation in certain processes.

Opportunities

Clariden Group:

Since GHG emissions are directly related to energy consumption, Clariden could further analyze its energy consumption trends to determine opportunities for improvement.

Stakeholders affected: Local Communities, Employees Working in the Site

SMC Group:

The issue of climate change and global emissions reductions has paved the way for the emergence of green technologies. Advancements in green technology includes certain process and materials that not only streamline operation but also manages air emissions.

Stakeholders affected: Local Communities, Regulators, Employees

Management Approach to Identified Opportunities

Clariden Group:

Clariden could explore strategies and initiatives in integrating energy-saving technologies and other measures for energy efficiency.

SMC Group:

SMC is continuously studying technological developments in order to find ways to integrate these new practices and equipment to increase efficiency.

Air pollutants

Clariden Group:

Disclosure	Quantity	Units
NOx	N.A.	kg
SOx	N.A.	kg
Persistent organic pollutants (POPs)	N.A.	kg
Volatile organic compounds (VOCs)	N.A.	kg
Particulate matter (PM)	0.000000008	kg

SMC Group:

Disclosure	Quantity	Units
NOx[1]	1,808,572.38	Kg
SOx[2]	14,519,816.92	kg
Persistent organic pollutants (POPs)	0	kg
Volatile organic compounds (VOCs)	18,070.00	kg
Particulate matter (PM)	105,616.16	kg

[1]Includes data from SMC Head Office, SMCGP, Petron and SMHC.
[2]Includes data from SMCGP and Petron.

Impacts & Risks

Clariden Group:

Small dust particles can be easily dispersed by the wind especially when there is frequent disturbance on the land surface. Mobilizing mining personnel and large amounts of material in and out of the mining site disperses loose dust particles. The vehicles used to transport personnel and mining materials produce GHG emissions from the combustion of fuel. Air pollution from these sources can have significant impacts on human health and the environment.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period.

Stakeholders affected: Local Communities, Employees, Regulators

SMC Group:

Various steps involved in the processing of materials to produce the Company's products emit pollutants and impact air quality. Coal-fired power plants are one of the biggest industrial sources of mercury. Fuel mixes and formulas may emit high concentrations of CO and NOx. All these deteriorate air quality within the vicinity of sites of operations and significantly contribute to climate change. Other than the negative consequent effects of climate change, emissions may be a health and safety risk to employees, customers, and nearby communities as concentrations of air pollutants may cause respiratory ailments.

Stakeholders affected: Local Communities, Employees, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

Monthly ambient air quality sampling is conducted at ten (10) stations through a third party provider to ensure that the project operates within regulatory limits. The level of polluting emissions from Clariden's vehicles are also mitigated through regular maintenance and repair. Dust suppression strategies are also implemented within the site.

SMC Group:

SMC manages air emissions by closely monitoring by-product levels, making sure that reduction target levels are met. This is in accordance with EMS systems in place in different facilities, as well as environmental compliance standards (SOx, NOx, PM, CO and opacity) set by DENR and the WB. SMC's business units have different strategies in place to achieve this.

Opportunities

Clariden Group:

Clariden has been consistently compliant with air pollution standards, and it shall ensure that it will proactively monitor and explore ways to continue and enhance its compliance.

Stakeholders affected: Local Communities, Employees, Regulators

SMC Group:

SMC ensures that manufacturing facilities have established systems that meet environmental compliance standards. Its presence in different industries allows for capabilities for research and development. The Company believes that research and development play vital roles in maintaining its position and market leadership, and consequently setting the mark for cleaner and more efficient processes.

Stakeholders: Local Communities, Employees, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden is constantly studying opportunities for further improvement in its compliance with all applicable standards, and will integrate the same into its operational strategies and procedures.

SMC Group:

SMC is continuously studying these developments in order to find ways to integrate these new practices and technologies to increase efficiency. As an example, SMCGP plans to explore the use of catalytic reduction technology to further improve NOx emissions. This advanced active emission control technology injects reductant agents to capture and remove NOx emissions. SMC is also looking into increasing air pollutant monitoring across all business units, especially those with high impact operations.

Solid and Hazardous Wastes

Solid Waste

Clariden Group:

Disclosure	Quantity	Units
Total solid waste generated	1, 983.50	kg
Reusable	6.15	kg
Recyclable	1,112.25	kg
Composted	262.00	kg
Incinerated	N.A.	kg
Residuals/Landfilled	603.10	kg

SMC Group:

Disclosure	Quantity	Units
Total solid waste generated[1]	497,513,617.52	kg
Food waste diverted	2,069	kg
Reusable[2]	0	kg
Recyclable[3]	709,728	kg
Composted[2]	1,562,281.00	kg
Incinerated	0	kg
Residuals/Landfilled[2]	378,313,486.32	kg

[1]Includes data from SMC parent company, SMCGP, Petron, SMHC.
[2]Includes disclosure from SMCGP and Petron.
[3]Includes disclosure from SMC parent company, SMCGP, and Petron.

Impacts & Risks

Clariden Group:

Wastes generated from daily operations are handled appropriately by Clariden's Environmental Department who ensures that it is compliant to all relevant waste regulations in the country. Improper solid waste disposal could lead to land and water pollution. Solid wastes are usually transported to landfills. However, landfills also raise several concerns such as land degradation, toxic substance leaching, and marine litter.

Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period.

Stakeholders affected: Local Communities, Employees, Regulators, Solid Waste Hauler

SMC Group:

Solid wastes are produced in industrial facilities, as well as in corporate offices. Improper solid waste disposal has a significant impact to working environments and financial expenses. Unmanaged solid wastes can impact the sanitation of facilities, which is a crucial aspect that SMC prioritizes in delivering quality products. Moreover, this poses a human health risk to employees as well as nearby communities. Additional costs may also be accumulated due to regulatory ramifications and penalties, as well as loss for contaminated products.

Stakeholders affected: Employees, Regulators, Customers, Local Communities, Solid Waste Hauler

Management Approach to Identified Impacts and Risks

Clariden Group:

Clariden's Environmental Department handles the collection, segregation, and disposal of solid and industrial wastes. Residual wastes are transported to legally operated landfills that meet the standards of the DENR. There is also a Materials Recovery Facility located at Nonoc Island which is regularly maintained.

SMC Group:

In line with the Ecological Solid Waste Management Act (Republic Act No. 9003), SMC is committed in protecting public health and the environment by implementing a comprehensive solid waste management program.

SMC's facilities engage in efforts to reduce the amounts of solid wastes they produce, these include:

- Collection of production scraps for recycling
- Proper waste segregation
- Banning single use plastics
- Returning damaged of substandard materials to suppliers
- Selling of scrap metals to 3rd parties
- Recycling of plastics
- Recycling and reusing paper

Furthermore, SMC strives to increase their value to customers through developing products and initiatives that integrates the sustainability mindset such as the returnable glass bottle system for beer business, and the use of recyclable products for packaging business.

SMC takes a further step in reducing the country's food waste by redirecting possible wastages to food banks before they expire. Processed meat and products that are not able to meet distribution standards but are still of quality are donated to SMC Group's adopted indigent community in Tondo, Manila. More than a feeding program initiative, this program aims to eradicate poverty through capacity-building initiatives for the said community.

Opportunities

Clariden Group:

With increasing awareness on the negative impacts of landfills, there is an opportunity for re-processing residual wastes that could be considered and effectively divert residual wastes from the landfills.

Stakeholders affected: Local Communities, Employees, Regulators, Solid Waste Hauler

SMC Group:

There is an opportunity to implement strategies that minimize solid wastes as part of SMC's operational efficiency. The packaging business has the technology and research capacity to test for ways of recycling packaging materials.

Stakeholders affected: Local Communities, Employees, Regulators, Solid Waste Hauler

Management Approach to Identified Opportunities

Clariden Group:

If there are opportunities for more improvement in solid waste management, Clariden could look into ways that it could integrate these into strategies and procedures.

SMC Group:

As it moves toward sustainability through operational efficiency, SMC looks into new methods and technology that could be integrated in the solid waste management procedures and initiatives of each business unit.

Hazardous Waste

Clariden Group:

Disclosure	Quantity	Units
Total weight of hazardous waste generated[1]	1,758.15	liters
Total weight of hazardous waste transported	N.A.	kg

[1]Hazardous waste generated are waste oil, used batteries, busted lamps and bulbs, contaminated materials, mixture of H_2SO_4 and HCl, pathogenic and infectious wastes, asbestos, and pharmaceuticals and drugs. No tailings and mineral processing waste were generated in 2019 because PNPI is in its exploratory stage. The tailings impoundment was constructed by the previous owner in the 1970s.

SMC Group:

Disclosure	Quantity	Units
Total weight of hazardous waste generated[1]	4,777,843.15	kg
	45,686.00	L
Total weight of hazardous waste transported[2]	9,830,844.09	kg

[1]Data in weight is the consolidated hazardous wastes of SMC Head Office, SMCGP, Petron, SMYPC, SMHC, and SMFB whereas additional data recorded in volume is from SMFI.
[2]Includes data from SMC Head Office, SMCGP and Petron.

Impacts & Risks

Clariden Group:

Mismanagement of hazardous wastes poses a serious threat on human health and the environment. Storage facilities for hazardous wastes, if not constructed and maintained properly, can present significant threats of collapse, leakage, and groundwater contamination. The same can also be said if these wastes are not transported properly. Since PNPI is in its exploratory stage, these risks are deemed to be minimal in this reporting period. The hazardous waste present at the Project site were generated during the mining and mineral processing and refining activities by the original owners during the period 1974 to 1986 and are being managed by Clariden.

Stakeholders affected: Local Communities, Employees, Regulators, Hazardous Waste Hauler

SMC Group:

SMC's business lines produce a large volume of hazardous wastes. These wastes come from the processes involved in company operations. If not properly stored, treated and transported, these wastes may lead to serious risks to human and ecological health.

Stakeholders affected: Employees, Regulators, Customers, Local Communities, Hazardous Waste Hauler

Management Approach to Identified Impacts and Risks

Clariden Group:

Hazardous wastes are collected, stored, and properly labelled in a Hazardous Waste Storage Facility which is regularly monitored and maintained by trained personnel. DENR-accredited waste haulers are engaged for the transport and treatment of the hazardous wastes.

No tailings were generated by the project in 2019. Iron tailings that are currently stored in the tailings pond were generated from the previous operations prior to acquisition. Clariden maintains the integrity of its tailings storage facilities to prevent spills and leakages.

SMC Group:

SMC's facilities have their own hazardous wastes storage located in strategic locations inside facilities, away from regular foot traffic, direct sunlight and are readily accessible by hazardous wastes transporters. Necessary emergency equipment and procedures are also in place in the event that a spill occurs in order to neutralize and contain spilled hazardous wastes. Some machines also have capabilities to recycle hazardous waste such as the Bottom Ash Recycling Systems of the energy business' boilers. The bottom ash will be sieved within the system and will be reused as bed material for the furnace or silica sand replacement.

SMC is in coordination with several of the country's top waste treaters, and have engaged their services for the transport, treatment and disposal of hazardous wastes. They are also negotiating with their suppliers with regards to the collection of broken light bulbs, old car and generator batteries, printer toner and other wastes that need special handling.

Opportunities

Clariden Group:

Clariden could look into the possibility of re-processing the tailings that are stored in its facilities. Based on laboratory analyses, there is only a negligible presence of heavy metals in the iron fines/tailings. Clariden is studying the most effective technologies and procedures of re-processing the tailings based on these findings.

Stakeholders affected: Local Communities, Employees, Regulators, Hazardous Waste Hauler

SMC Group:

SMC is looking into the possibility of integrating their own hazardous waste recycling or neutralization facility within terminals, refineries, power plants and manufacturing plants.

Stakeholders affected: Employees, Regulators, Customers, Local Communities, Hazardous Waste Hauler

Management Approach to Identified Opportunities

Clariden Group:

If there are opportunities for more improvement in hazardous waste management, Clariden could look into ways that it could integrate these into strategies and procedures. Clariden is evaluating the most cost-effective offsite and onsite disposal methods to manage the hazardous waste in the area.

SMC Group:

SMC will continuously work towards the improvement of hazardous waste management systems and look into new methods and technology, should the opportunity arise.

Effluents

Clariden Group:

Disclosure	Quantity	Units
Total volume of water discharges	9,760	Cubic meters
Percent of wastewater recycled	N.A.	%

SMC Group:

Disclosure	Quantity	Units
Total volume of water discharges[1]	95,780,534.97	Cubic meters
Percent of wastewater recycled[2]	N.A.	%

[1]*Includes data from SMFB, Petron and SMHC.*

[2]*Percent water recycled cannot be computed as measures to collect group wide data for water discharge are still being evaluated.*

Impacts & Risks

Clariden Group:

Wastewater from the mines' processes are highly concentrated with various chemicals which could pollute nearby water sources if left untreated. Discharge of untreated wastewater puts Clariden at the risk of losing its license to operate as well as paying of fines as a result of its non-compliance to environmental laws and regulations.

Since PNPI is in its exploration stage, the risks from the potential discharge of wastewater to the surrounding environment and result to non-compliance to environmental laws and regulations are deemed to be minimal in this reporting period.

Stakeholders affected: Local Communities, Regulators, Employees Working in the Site

SMC Group:

As mentioned, SMC's production plants may involve a significant number of by-products, which include effluents. The various processes by the different businesses in the SMC Group may have an impact to the water bodies surrounding operational locations, possibly contributing to water pollution especially if discharges do not meet DENR effluent standards. The company's sewage discharges or liquid wastes may contain microplastics or harmful chemicals detrimental to nearby water systems if they fail to undergo careful treatment and management.

Stakeholders affected: Employees, Regulators, Customers, Local Communities

Management Approach to Identified Impacts and Risks

Clariden Group:

Settling pond effluent monitoring and oil and grease sampling are conducted regularly. Strict compliance to the environmental laws and regulations is ensured.

SMC Group:

SMC sees to it that facilities have efficient wastewater treatment system, manned with technical experts to monitor and regulate effluents. The management ensures that these systems are at par with industry standards by aiming to achieve and go beyond standards set by their EMS ISO 14001 certifications. This involves monitoring the properties and quality of effluents, as well as the marine life where it is discharged to fully understand impact.

Opportunities

Clariden Group:

Clariden could explore strategies on how it could effectively implement water conservation and wastewater recycling in its facilities and operations pursuant to its ISO 14001:2015 management system.

Stakeholders affected: Local Communities, Regulators

SMC Group:

The "Water for All" initiative was effective in reducing the company's water consumption, as well as engage employees to contribute to the company's targets toward sustainability. This may be an opportunity to tackle effluents management as an integral part of going towards a holistic water management system.

Stakeholders affected: Employees, Regulators, Customers, Local Communities

Management Approach to Identified Opportunities

Clariden Group:

As this is connected with water use, Clariden could explore strategies and initiatives in integrating water efficient technologies and other measures for water conservation as well as wastewater treatment. It could also look into best practices in tailings impoundment, even possibly monetize it as much as practicable, to further ensure that the risk of leaching is minimized.

SMC Group:

With the said initiative in place, SMC could move toward examining baseline data on company effluents and set targets to achieve a minimum to zero discharge operations by a carefully planned water recycling scheme whose implementation can be tailor fitted to each of SMC's business processes.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Top Frontier (Groupwide)[1]:

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

[1] *For SMC Group: Includes SMC Head Office only.*

Impacts & Risks

Clariden Group:

Mining operations are subject to several regulations on environmental management. Due to the nature of mining, environmental laws and regulations are set up to act as safeguards to ensure the ecological soundness of the project. As discussed in the earlier sections, mining operations are energy- and water-intensive. The industry also produces a significant amount of solid and hazardous wastes. Thus, mining companies run the risk of non-compliance to these regulations. Failure to comply have economic, social, and environmental impacts. Economic impacts include monetary fines, and worse, possible suspension of license to operate. These scenarios impact employees and investors. Since these laws are intended as safeguards from environmental degradation, failure to comply grossly impacts the natural environment and the nearby communities.

Stakeholders affected: Employees, Investors, Local Communities, Regulators

SMC Group:

Ensuring the SMC's facilities are compliant with all national and local environmental laws, regulations and ordinances not only protects the environment and natural resources, but it allows for SMC's facilities to continue their operations. SMC recognizes that the DENR-EMB as well as the local government units in its location of operations hold the authority to stop SMC's operations when they deem that any of the businesses do not have the relevant permits and controls in place to mitigate pollution caused by facilities' processes. This applies to daily operations, plant maintenance, production of materials, and corporate head offices. Other than the cost of penalties, there might be a significant amount of loss if operations are disrupted for a day or more. Non-compliance can lead to both safety and reputational risks to products as well as these laws and regulations may be the baseline standards of quality for consumers.

Stakeholders affected: Employees, Investors, Regulators, Customers

Management Approach to Identified Impacts and Risks

Clariden Group:

Compliance is core to the business. Clariden's regulatory compliance is ensured through close coordination between the Head Office and the mine site staff. Clariden also studies industry trends to adequately prepare a management plan in anticipation of new regulations that the government might implement.

SMC Group:

In order to maintain a high level of compliance to environmental laws and regulations, SMC ingrains in their employees a strong culture of compliance, ensuring that all requirements, permits and approvals are secured in a timely manner. SMC secures full compliance to all of the relevant laws of the Philippine Government applicable to their operations. As an extension of environmental compliance, SMC's employees play a proactive role in participating in the environmental audits of the facilities, as well as local Multi-Partite Monitoring Teams. This shows the communities near operations the transparency SMC and their willingness to work with experts to further improve their service.

Facilities are also certified under EMS ISO 14001 standards, guaranteeing top environmental compliance and performance. More than regulatory compliance, SMC adopts internationally recognized standards to ensure that its plants are operating in safe and efficient conditions. The SMC Group has sought out accreditations from both locally and internally renowned institutions to attest to their dedication to operational excellence.

Opportunities

Clariden Group:

Clariden keeps track of policy/regulatory improvements as well as best mining and environmental management practices, techniques, and methodologies in the industry to ensure continuing compliance to regulations and industry standards.

Stakeholders affected: Employees, Investors, Local Communities, Regulators

SMC:

Together with the Internal Audit, Audit and Risk Committee, and Monitoring Teams per business divisions, SMC will strive to make sure that all business activities will remain compliant to all pertinent regulations

Stakeholders affected: Employees, Investors, Regulators, Customers

Management Approach to Identified Opportunities

Clariden Group:

If there are opportunities for more improvement in its environmental performance and if laws are updated, Clariden could look into ways that it could integrate these into strategies and procedures pursuant to its ISO 14001:2015 management system.

SMC Group:

Synergizing its environmental systems and centralized IT system, SMC can streamline the process of obtaining data relevant to compliant documents. SMC is also looking into training most if not all departments involved regarding these regulations. SMC will also seek consultations from outside organizations who expertise in environmental metrics for a check-and-balance and proper audit of prepared compliance documents.

Production Metric

Mining Production

This topic is considered not material to SMC Group. This section will cover the Clariden Group only.

Disclosure	Quantity	Units
Production of metal ores	0	Tonnes
Production of finished metal products	0	Tonnes

Impacts & Risks

Clariden Group:

Commercial mining operations have been halted in the Nonoc Nickel Project since mid-2014. The Project is currently in the exploration stage. The risks mentioned in the earlier sections are still present in the current context of the Project. However, the current impacts are significantly lower compared to operations in the commercial operations/extraction stage.

The exploration stage is a lengthy process of drilling, sampling and analysis aimed at determining the quality and quantity of mineral resources within the contract areas. The activity involves utilization of natural resources, and possible generation/emission of gaseous substances, dispersal of dust particles, and production of solid and hazardous wastes, which If left unmanaged could have negative impacts on human health and the environment as discussed in the previous sections.

Stakeholders affected: Local Communities, Employees, Regulators

Management Approach to Identified Impacts and Risks

Clariden Group:

Acknowledging the extent of impacts, Clariden, for the year 2019, continued to implement the AEPEP which focused on seven activities on land resource, water resource and quality monitoring, noise and vibration, air quality monitoring, conservation, environmental research, and periodic coordination meetings and communications.

Opportunities

Clariden Group:

Clariden, along with the regulatory agency, other relevant government agencies, and relevant stakeholder Groups, assess the results of the AEPEP annually. Clariden is currently looking into ways on how it could further improve its processes.

A new Environmental Compliance Certificate, AEPEP and Final Mine Rehabilitation and/or Decommissioning Plan will be acquired and developed to consider the potential impacts of planned mining (and mineral processing) activities.

Stakeholders: Local Communities, Employees, Regulators

Management Approach to Identified Opportunities

Clariden Group:

Clariden will proactively integrate industry best practices during the commercial operations stage to ensure it operates beyond compliance.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Clariden Group:

Disclosure	Quantity	Units
Total number of employees	104	
a. Number of female employees	20	#
b. Number of male employees	84	#
Attrition rate	9.6	rate
Ratio of lowest paid employee against minimum wage	N.A.	ratio
Percentage of workers who are contractors	45	%

SMC Group:

Disclosure	Quantity	Units
Total number of employees	44,024	
a. Number of female employees	13,647	#
b. Number of male employees	30,377	#
Attrition rate	10.03	rate
Ratio of lowest paid employee against minimum wage	1.02:1	ratio

Employee benefits

Clariden Group:

List of Benefits[1]	Y/N
SSS	Y
PhilHealth	Y
Pag-ibig	Y
Parental leaves	Y
Maternity leave	Y
Paternity leave	Y
Solo parent leave	Y
Vacation leaves	Y
Sick leaves	Y
Medical benefits (aside from PhilHealth)	Y
Housing assistance (aside from Pag-ibig) / Housing Accommodation	Y
Retirement fund (aside from SSS)	Y
Further education support	N
Company stock options	N
Telecommuting	N
Flexible working hours	N
(Others) Life Insurance	Y
Accident Insurance	Y

Emergency Leaves	Y
Burial Assistance	Y
Travel Assistance (field break)	Y

SMC Group:

List of Benefits[1]	**Y/N**
SSS	Y
PhilHealth	Y
Pag-ibig	Y
Parental leaves	Y
Vacation leaves	Y
Sick leaves	Y
Medical benefits (aside from PhilHealth)	Y
Housing assistance (aside from Pag-ibig)	Y
Retirement fund (aside from SSS)	Y
Further education support	Y
Company stock options	N
Telecommuting	Y
Flexible-working Hours	Y
Others	Y

[1]*Government mandated benefits are given to all regular employees. Telecommuting and flexible-working hours are approved on a case to case basis.*

Impacts & Risks

Top Frontier (Groupwide):

Top Frontier and its subsidiaries provide decent work to its employees, giving appropriate benefits to them. This leads to better employee satisfaction. However, there is always the risk of turnover since each employee would have his or her own individual preference as well as different levels of (dis)satisfaction to co-workers, management, or the given tasks.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

To mitigate the negative impacts and risks, the Human Resources Departments of the Group ensure that there are grievance mechanisms in place in cases of dissatisfaction in the workplace and try to resolve these cases.

Moreover, to provide decent work and provide employees beyond what the law requires, pursuant to the relevant Health and Welfare Programs of the Company and its subsidiaries, it has its own clinic and accredited third party medical personnel. The plan provides for hospitalization and medical benefits under the plan for qualified employees. The employee may enjoy the benefits under the plan as long as he has accrued sick leave credits. The following are provided: free hospitalization, medical consultation, medicines and medical services.

There is a Health and Welfare Program for the dependents of the employees, provided that the dependents are registered with the relevant company in the Group. The Health and Welfare Program covers hospitalization, dental, diagnostic procedures, and out-patient services. The employee and the relevant company share on a 50-50 basis the insurance premiums. The Health and Welfare Program covers room and board, doctors' fees, surgical fees and miscellaneous expenses of eligible dependents, outpatient benefits, subject to certain limits.

Opportunities

Top Frontier (Groupwide):

Top Frontier and its subsidiaries continue to monitor and comply with employment laws as well benchmark with industry in terms of benefits and other provisions. The Group will also continue to analyze reasons for attrition and create policies and practices to help arrest it.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Management approaches to opportunities will be identified in succeeding reporting cycles.

Employee Training and Development

Clariden Group:

Disclosure	Quantity	Units
Total training hours provided to employees	3,132	hours
Average training hours provided to employees		
a. Female employees	37.2	hours/employee
b. Male employees	44.9	hours/employee

SMC Group:

Disclosure	Quantity	Units
Total training hours provided to employees[1]	329,333	Hours
Average training hours provided to employees[2]	8	Hours
a. Female employees	8	Hours/Employee
b. Male employees	8	Hours/Employee

[1]*Includes data from SMC parent company, SMFB, Petron.*
[2]*Data is from SMC parent company.*

Impacts & Risks

Top Frontier (Groupwide):

The Company provides avenues for training in accordance with its training and education policy to improve the employees' competency and increase their productivity and contribution to the organization. Without training, skills could not be updated and competences could stagnate leading to a decline in productivity, leading to less promotion. Moreover, succession planning could be impeded by a lack of identified second liners because the necessary leadership skills were not imparted beforehand.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The Group, through their respective Employee Manuals, recognizes its responsibility to shape and develop the knowledge skills, and attitudes of its human resources. Its training and education policy is defined by the following:

- Business contribution – training should be anchored on the needs of the business and help optimize the productivity and performance of the employees
- Alignment of needs – the Company's framework creates an environment where employees have the opportunity to chart their own progress as long as these are supportive of the Company's strategic directions
- Holistic development – the training should not only focus on technical or functional expertise but also on work support skills and leadership. It is also not just limited to traditional classroom settings but also to experiential and mentoring approaches
- Collaborative Partnership and Involvement – planning, design, and delivery of education solutions are done in partnership with clients and accredited service providers

The Group also has an education benefit which provides assistance to employees who wish to pursue further studies, and also extends interest-free loans for employees and their dependents.

TF's training and education philosophy is set out in "Excerpts from the Employee Manual Regarding the Company Policy and Data Relating to Health, Safety and Welfare, and Training of Employees" which may be accessed through this link:
http://www.topfrontier.com.ph/smc_files/corporate_files/CompanyPolicies/TF_Policy_onHealthSafetyWelfare_andTraining_excerptsfromEmployeeManual_10Nov2014.pdf

Opportunities

Top Frontier (Groupwide):

There is an opportunity to take a review the training programs of each of the companies in the Group and benchmark with each company's industry peers.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Management approaches to opportunities will be identified in succeeding reporting cycles.

Labor-Management Relations

Clariden Group:

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	0	#

SMC Group:

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements[1]	14	%
Number of consultations conducted with employees concerning employee-related policies	Not being tracked as of the moment	#

[1]Includes labor union members from Philippines operations. SMC shall work on improving data collections to keep track of the number of consultations conducted.

Impacts & Risks

Top Frontier (Groupwide):

The entire Group has entered into 35 existing Collective Bargaining Agreements ("CBAs"). Good labor-management relations are essential in providing a safe and secure working environment for employees. This gives them a sense of security that grievances, issues, and concerns are properly addressed without negative ramifications on their part. It also ensures management that there is continued productive work from employees.

If these good relations are not maintained, there will be risks of strikes and lockouts, which will affect productivity and performance, while also putting a dent on the companies' reputations.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

All labor laws are sought to be complied by the Group. Each company in the Group has created formal grievance mechanisms for labor issues. Whenever, CBAs are expiring, labor-management negotiations are organized to hear concerns of each side and chart the best way forward for all parties involved. Employee sentiments are also collected through employee surveys.

On an individual level, employees could communicate their concerns to their supervisors, and to the HR Department, if needed. Whenever these occasions arise, employees with grievances are protected by the Whistleblowing Policy.

Opportunities

Top Frontier (Groupwide):

The entire Group is looking for ways to enhance the work experience of its employees and to build better labor-management relations.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

The Group could revisit previous concerns and key discussion points gathered from both collective and individual engagement channels and, based on these, could come up with policies and initiatives for better labor-management relations moving forward.

Diversity and Equal Opportunity

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover SMC Group only.

SMC Group:

Disclosure	Quantity	Units
% of female workers in the workforce	31	%
% of male workers in the workforce	69	%
Number of employees from indigenous communities and/or vulnerable sector	Not being tracked since employee acquisition takes merit-based approach	#

Impacts & Risks

SMC Group:

SMC employee candidates are given equal opportunity regardless of race or sexual orientation as well as other backgrounds. SMC recognizes the need for a diversified workplace to keep doors open for dialogue and varying perspectives. Should favoritism of any kind occur (e.g. men are hired over women due to perceived superiority in the required technical skills), SMC might face reputational risks, thereby decreasing the chance of acquiring the right talent. This would also induce a biased working atmosphere and culture that suppresses new ideas and points of view.

Management Approach to Identified Impacts and Risks

SMC Group:

Business units in the SMC Group adopt its mother company's mantra of being a progressive employer, giving opportunities to all people regardless of gender, race, or background. SMC is an equal opportunity employer that hires based on personal skills, knowledge, and capabilities of each candidate. As an inclusive employer, it gives opportunities to individuals especially those belonging to SMC's fenceline communities, no matter their social status. The standard of conduct is also followed during the hiring process:

- Respect for People: recognize each other as individuals and commit to nurturing each other's individual capabilities.
- Integrity: conduct business in a manner which is ethical, fair and right, and in all reasonable circumstances, above reproach.

Opportunities

SMC Group:

The whole SMC Group shall continue in its practice of being an equal opportunity employer.

Management Approach to Identified Opportunities

SMC Group:

Management approaches to opportunities will be identified in succeeding reporting cycles.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Clariden Group:

Disclosure	Quantity	Units
Safe Man-Hours	687,856	Man-hours
No. of work-related injuries	5	#
No. of work-related fatalities	0	#
No. of work-related ill-health	531	#
No. of safety drills	8	#
Near miss frequency rate	No data	rate

SMC Group:

Disclosure	Quantity	Units
Safe Man-Hours	14,924,359	Man-hours
No. of work-related injuries[2]	44	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills[3]	103	#

[1]*Data from SMCGP and Petron only.*
[2]*Data from Petron only.*
[3]*Data from SMC Head Office and Petron.*

Impacts & Risks

Clariden Group:

In mining operations, the health and safety of employees are two of the top priorities due to the hazards that come naturally with the work. Safe and healthy employees could help ensure uninterrupted productivity and a satisfied workforce. Accidents in mining activities coming from vehicle and heavy equipment operations, falling debris, slips and falls, exposure to hazardous materials, among others, could lead to injuries, and even deaths, leading to losses in man-hours and, more importantly, priceless lives.

SMC Group:

Clear measures for occupational health and safety, compliance to labor standards, and respect for human rights constitute good working conditions and enable employees to perform to their full potential. SMC has identified various risks to maintain good working conditions that may hamper the productivity of its business and its people.

Employees, especially those working in manufacturing plants, are exposed to industrial risks and hazards that may cause injury or even death. Common risks in manufacturing plants include the following hazards:

- Physical hazards due to moving parts, uneven and slippery surfaces, as well as broken tools and equipment.
- Cuts and wounds due to sharp objects, pinch points and other equipment/materials; Electric hazards due to powerlines, exposed electrical components, weather and environmental conditions, and corroded components,
- Respiratory health hazards due to air pollution and dangerous chemicals
- Idiopathic environmental hypersensitivity due to exposure to electric and magnetic fields

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

Top Frontier endeavors to provide an environmental where the holistic wellness of employees is nurtured and protected. It also supports several wellness programs and maintains facilities that take care of the well-being of its employees. It also provides comprehensive health care service directed at prevention of disease and protection from health hazards and maintenance of health. As such, it has its own clinic and accredited third party medical personnel.

The Company also seeks to have accident-free operations in all its offices and facilities. The policy on safety is derived from principles, values, legal and regulatory requirements, and is operationalized through the implementation of standards of performance and standard operating procedures. These are further reinforced by audits and proactive education of the workforce.

More details on health, safety, and welfare can be found on this link:
https://www.topfrontier.com.ph/smc_files/corporate_files/CompanyPolicies/TF_Policy_onHealthSafetyWelfare_andTraining_excerptsfromEmployeeManual_10Nov2014.pdf

Clariden Group:

In the Clariden Group, particularly PNPI, this emphasis on health and safety is operationalized in its own Safety and Health Policy. On site, the company has a dedicated Safety and Health Department staffed by a safety engineer supported by safety inspectors, a part-time physician and a full-time nurse, and a clinic. Various types of safety meetings are done on a daily, weekly, and monthly basis in compliance with the Department of Labor and Employment ("DOLE") and the Mines and Geosciences Bureau ("MGB") rules. Employees are also regularly trained on safety topics such as defensive driving, incident command system, firefighting, first aid, and the Republic Act No. 11058, otherwise known as the OSH Law. A variety of emergency drills are also conducted every year. Annual physical and drug testing as well as lectures on Hepatitis B, HIV and TB, among others are also conducted. The Safety and Health Department and regulators also regularly conducts inspections. All workers are also required to wear Personal Protective Equipment ("PPE") in the site.

SMC Group:

SMC maintains a high standard of safety and encourages its employees to foster a culture of safety in their workplaces. A task force is assigned to address immediate concerns that affects the health and safety of its employees should emergencies such as disease outbreak arise. SMC spares no expense in providing its workers with PPEs available for their tasks.

For high-risk operations, the SMC Group ensures that workplace conditions are conducive to productivity, safety, efficiency, and excellence. In order to support this, the facilities have attained the following relevant certifications:

- Integrated Management Systems (IMS)
- Occupational Health/Safety Management Systems (OHSAS 18001:2007)
- Quality Management System (ISO 9001)
- Environmental Management Systems (ISO14001)

SMC's facilities also undergo yearly safety audits to monitor its workplace conditions, safety performance, and other key metrics. Findings from these audits are used to improve existing procedures and controls to further boost SMC's productivity without sacrificing the safety of its employees. At the ground level, daily toolbox meetings are conducted prior to the start of work, wherein hazard hunts and safety briefings are done to keep employees aware of the hazards found in the workplace. Plants and sites are also equipped with disaster preparedness kits, along with people with the proper training to execute emergency safety protocols. Visitors to any of the facilities are also required to undergo safety briefings before they enter.

All of SMC's facilities also conduct regular disaster and emergency drills. These are done in coordination with the local fire department, police department and the Philippine Red Cross/Crescent.

A summary of SMC's policies, such as the Policy and Data Relating to Health, Safety, and Welfare of Employees, Including Training can be found on this link:
https://www.sanmiguel.com.ph/page/companys-policies

Opportunities

Clariden Group:

In mining, whenever there is a case of injury, there is always an opportunity do better. There were five reported cases this year, and the goal is to bring this to zero in the succeeding reporting cycles.

SMC Group:

SMC and its business units are continuously developing initiatives to make sure its employees receive sufficient training for their line of work, and team building activities to induce a healthy work culture.

Management Approach to Identified Opportunities

Clariden Group:

When it comes to safety, there are standard operating procedures in place governed by MGB and DOLE rules. As there were incidents of injuries this year, the Company is mandated to report accidents to the MGB within 24 hours and conduct incident/accident analysis as basis for corrective actions.

SMC Group:

SMC and its business units will employ the necessary administrative controls for identified opportunities. SMC puts their people first above every concern – their safety and well-being is the priority

Labor Laws and Human Rights

Top Frontier (Groupwide):

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Top Frontier's Mission, Vision and Core Values states:

"Respect for People: The Company instills unity in purpose in its entire organization, focusing on trust and respect for its people, promoting camaraderie and open communication, upholding professional growth, and uplifting dignity of labor, as it works toward shared goals along its organizational structure."

More specific policies pertaining to labor laws and human rights by the Clariden Group and the SMC Group are listed in the tables below:

Clariden Group:

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	Y	Clariden • Ref. No. 21 of Company's General Labor Standards stating the Policy on Child Labor-Free Workforce (effective October 23, 2015) in line with the DOLE regulation.
Human Rights	Y	Clariden • Ref. No. 16 of Company's General Labor Standards stating the Policies and Procedures on Sexual Harassment; • Ref. No. HIV/AIDS Workplace Policy and Program; • Ref. No. 22 Leave for Victims of Violence against Women and Children (adopted provisions of the Republic Act No. 9262). • Alcohol-free Workplace per Clariden Company Rules & Regulations • Drug-Free Workplace Policy per Clariden Policy Manual • Anti-Sexual Harassment Policy (per Republic Act No. 1877) • No Smoking Policy per Clariden Company Rules & Regulations

SMC Group[1]:

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	SMC complies with all existing laws; which includes labor and employment laws.
Child labor	Y	Section 9.5 of SMC's Corporate Human Resources policy manual: "The minimum age requirement for applicants is eighteen (18) years old...With the exception of minimum age requirement, San Miguel adheres to a non-discriminatory policy on applicant qualifications"
Human Rights	Y	Policy on Health, Safety and Welfare of Employees as summarized in the Company's website[1]: "As stated in the Company's Employee Manual, in acknowledgement of the varying needs inherent in every individual, the Corporation endeavours to provide an environment where the holistic wellness of employees is nurtured and protected...The Corporation also strives to protect its employees from harassment of any form. The Corporation actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints."

[1] *A summary of SMC's Policies is available at https://www.sanmiguel.com.ph/page/companys-policies.*

Impacts & Risks

Top Frontier (Groupwide):

There are no cases of forced and child labor and human rights violations in the whole Group. This gives the Top Frontier Group an indication that all employees are given decent work in their respective industries. Violations on labor and human rights are ethical and moral violations; moreover, they carry with them regulatory and legal risks that will affect the reputation of the entire Group.

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

Top Frontier strives to protect its employees from harassment of any form. The Company actively implements mechanisms for dealing with such occurrences and ensures that it will act justly, swiftly and decisively in addressing such complaints.

Clariden Group:

Operationalizing labor laws and human rights in the workplace are enumerated in the policies mentioned in the table above.

SMC Group:

As stated in SMC's Code of Business Conduct and Ethics, policies to protect its employees are guided by the principles of Industrial Peace, Respect for Rights, Right to Discipline and Good will and Faith. Should there be grievances towards the management, employees have the right to raise them as espoused in its Whistleblower Policy. On the other hand, employees found guilty of an offense shall undergo due process. Rules and regulations within the company are written and implemented in accordance with the labor law.

Opportunities

Clariden Group:

There is an opportunity to create a policy explicitly disallowing forced labor in the Clariden Group.

SMC Group:

SMC and its business units will continuously develop initiatives to ensure a healthy work culture that upholds human rights and labor rights.

Management Approach to Identified Opportunities

Clariden Group:

Management approaches and policies pertaining to forced labor could be studied and created.

SMC Group:

SMC and its business units will employ the necessary administrative controls for identified opportunities.

Supply Chain Management

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover SMC Group only.

While the Company has its supplier accreditation policy, it will not be disclosed as it is deemed confidential. The supplier accreditation policy demands that an accredited supplier abide by statutory requirements as well as standards set by the Company. Each supplier contract includes a clause that ensures adherence to laws that tackle topics such as, but not limited, to environmental performance, forced labor, child labor, human rights, bribery, and corruption.

Impacts & Risks

SMC Group:

SMC has recently established its Corporate Procurement Group ("CPG") in an effort to streamline the process of accrediting suppliers. SMC does not depend on a limited list of suppliers. Although supplier accreditation involves thorough screening by the CPG, there may be inherent supply chain management risks that may impact the performance and reputation of SMC.

Risks in the supply chain could involve awarding contracts to suppliers that do not meet SMC's standards and are not compliant to environmental regulation standards and labor laws. Violations to these laws by suppliers would negatively impact the SMC's brands and reputation. Moreover, these would cause project delays and would also result in higher construction and production costs. Expiring legal documents and hidden grievances that could have been missed during the accreditation process may pose reputational risks to SMC, as well as possible disruption to operations. The negligence of suppliers and other contractors in environmental, labor, human rights, and corruption parameters stand to adversely affect SMC's reputation and performance. As an example, outsourced employees from labor contractors, who do not give importance to human rights and forced labor, claim to have employer-employee claims should said contractors violate said topics.

Management Approach to Identified Impacts and Risks

SMC Group:

Other than legality and capacity, the SMC Group requires to provide trade references to validate previous performance and DENR certifications to applicable third party suppliers.

The SMC Group also follows good governance practices, such as:

- supporting the protection of human rights and making sure that people's rights are not abused with the help of SMC HR's policies and guidelines which CPG adheres to
- working to eliminate forced labor, child labor, and discrimination in the workplace
- preventing corruption in all forms such as fraud, bribery, and extortion. As part of the supplier

management policy, the suppliers are asked to accept the policy on integrity and honesty in all of its dealings with SMC, specifically the procurement Group.

As discussed in its policies, suppliers must follow laws that protect their workers and abide by relevant laws, rules, and regulations. These specific compliance requirements are stated in each of their contracts. This standard set of requirements and/or contract clauses is to be followed by all subsidiaries.

Opportunities

SMC Group:

The Supplier Management Policy is a work in progress as the conglomerate has just launched the automated registration and accreditation system and is coping with moving all of SMC's suppliers into the system.

Management Approach to Identified Opportunities

SMC Group:

There could be more support for suppliers to stabilize supply chain performance such as the Food Division's partnering with farmers and backyard livestock operators to transfer technology and help raise rural incomes.

Relationship with Community

Significant Impacts on Local Communities

Clariden Group:

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable Groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community
Mining exploration	Clariden (through PNPI) host communities: Brgys. Nonoc, Talisay, Cantiasay, and San Pedro in Surigao City and Brgys. Mabini and Tigbao in	Vulnerable Groups identified in the host communities include PWDs, elderly, BOPs (4Ps beneficiaries), and children	N	Limited environmental impact which are addressed by the Environmental Work Program Employment and project/programs and activities implemented under the Social Development and

	Cagdianao, Province of Dinagat Islands			Management Program and the Community Development Program which have positive community impacts

Disclosure	Quantity	Units
Number and duration of non-technical delays	0	Number, days

SMC Group:

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable Groups (if applicable)	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community
SMFB farms and piggeries	Several locations across the country	N/A	N	Potential impacts from smell and wastewater from the farms and piggeries
Sourcing of Raw Materials for SMFB's Food Division	Several locations across the country	N/A	N	Employment is the primary concern of communities residing near manufacturing facilities
Distileria Bago, Inc. (DBI) of the Spirits Segment	Bacolod, Negros Occidental	N/A	N	Employment is the primary concern of communities residing near DBI's operational facility in Bacolod.
Petron Refinery Operations	Limay, Bataan	N/A	N	Local employment and local procurement Potential odor and waste
Angat Dam and Dykes Strengthening Projects	Angat, Bulacan	15 Dumagat families	Y	Relocation
Malita power plant operations	Malita, Davao Occidental	N/A	Y	Local employment and procurement opportunities
Road Construction and Improvement Projects	Region III, Region IV-A	N/A	N	Unnecessarily heavy traffic and accidents

Mitigating measures:

Clariden Group:

The majority of land use in host communities are classified as mineral lands or mining areas. Primary industries in the host barangays of Surigao City and the Province of Dinagat are fisheries and mining. Impacts of mining are primarily environmental in nature, and if left without mitigation, could impact health and livelihood of host and neighboring communities. Mitigating these impacts are discussed in the environmental section of this report.

In accordance with The Philippine Mining Act of 1995 (Republic Act No. 7942) and its Implementing Rules and Regulations, for an operating mine, a Social Development and Management Plan ("SDMP") shall be prepared "towards the sustained improvement in the living standards of the hosts and neighboring communities by creating responsible, self-reliant, and resource-based communities capable of developing, implementing, and managing programs, projects, and activities in a manner consistent with the principle of people empowerment." For a project under exploration, a company is mandated to implement a Community Development Program ("CDP") in areas actively covered by its exploration activities. With this, Clariden allots 1.5% of operating costs to implement its voluntary SDMP and 10% of the cost of implementing its Exploration Work Program to implement its CDP. Community service/volunteering and counter-parting by the community such as labor and transportation of materials are encouraged.

Implementation of development programs is in consultation and partnership with the host and neighboring communities and shall be prioritized according to the needs of the communities within a given period of time according to these policies:

- Identified programs and projects will be apportioned in four quarter timelines
- Proponent of livelihood programs will submit a project proposal while proponent for infrastructure projects is required to submit program of works
- Project proposals and program of works will be evaluated during regular or special meetings
- Funding for livelihood or infrastructure projects shall not be given directly to the local government unit ("LGU"), it should be converted to materials needed or inputs
- Funding for the infrastructure projects shall always require a counterpart in the form of cash, labor, or transportation of materials

In 2019, the ASDMP has achieved 97% of its physical plans and 78% of its financial plans. This includes enhancement of water systems, provision of fishing materials, and hog raising implements. For CDP, accomplishment is 91% for financial and 81% for physical.

SMC Group:

- SMFB farms and piggeries – SMC, through SMFB's operational sites (plants, farms, etc.) go through assessments before they are established. It ensures that each facility abides by the company's internal guidelines and are approved by the Department of Agriculture and DENR policies. There is a set of guidelines to ensure that a distance from communities is achieved to avoid disturbance.
- Sourcing of Raw Materials for SMFB's Food Division - SMFB implemented a sustainable sourcing program that brings raw materials sourcing closer to manufacturing facilities nationwide. This has opened livelihood opportunities which are especially impactful on the poor provinces of the country. The production of the cassava has also secured an alternative to feed ingredients, while also supporting and boosting local suppliers.

- Distileria Bago, Inc. (DBI) of the Spirts Segment - DBI opened numerous jobs that numerous qualified applicants and their respective families can benefit from. Furthermore, it extends its help through its own CSR programs.
- Petron refinery operations – Petron performs the following to mitigate negative impacts and address community concerns:
  - Expansion programs in the Refinery generates economic activities and jobs creation.
  - Preference for qualified local residents for job vacancies
  - Engagement of local contractors for maintenance, expansion projects and environmental programs
  - Contractors buying materials and supplies locally
  - IMS Certification
  - Installation of Environmental Protection Facilities
  - Compliance to products environmental standards
  - Use of low sulfur fuel gas for furnaces and boilers
  - Measuring, Managing and Minimizing PBR's environment footprint
  - Odor Management
  - Waste Segregation Performance Index (WSPI) for PBR and its contractors
- Angat Dam and Dykes Strengthening Projects – Affected families were relocated, provided with new housing units with access to utilities, and transportation assistance to new homes
- Road Construction and Improvement Projects – Traffic Management Task Forces are organized to manage traffic and help prevent road accidents

For operations that are affecting Indigenous Peoples ("IPs"), indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Units
FPIC process is still undergoing[1]	1	#
CP secured[2]	1	#

[1] *MOA has been signed between IPs and SMCGP in 2019 for the expansion project in Mariveles, Bataan.*

[2] *This is a completed project in Angat, Bulacan back in 2018.*

Impacts & Risks

Clariden Group:

The presence of the Clariden Group in the community where most of the land is classified as mineral lands could create job opportunities in the area. Moreover, pursuant to The Philippine Mining Act of 1995, a portion of operating costs of the company is set aside for social development which could help bolster the socio-economic well-being of the people.

However, as mentioned above and in the environment section, mining operations also have negative impacts and risks to the environment which could also affect host communities. These could include siltation of rivers, and noise and dust due to drillings and transportation.

SMC Group:

SMC's operations span the whole Philippine archipelago. Its products can be found in every barangay. Its manufacturing plants, fuel terminals, power plants and fuel service stations are located in strategic locations all over the country. With such a wide presence, it is inevitable that complaints regarding the operations will be encountered. SMC recognizes its impact to communities especially as plans for growth and expansion of the company unfolds. Construction of new operational sites may pose health and safety hazards and affect the environment on which the community depends on. In rare but inevitable cases, possible displacement of informal communities in prospective areas could greatly impact the lives of local communities.

Management Approach to Identified Impacts and Risks

Clariden Group:

In accordance with The Philippine Mining Act of 1995 and its Implementing Rules and Regulations, an SDMP shall be prepared "towards the sustained improvement in the living standards of the host and neighboring communities by creating responsible, self-reliant, and resource-based communities capable of developing, implementing, and managing programs, projects, and activities in a manner consistent with the principle of "people empowerment". With this, Clariden allots 1.5% of operating costs to finance its social development and management program, with counter-parting from the community such as labor and transportation of materials.

Moreover, impact and risk mitigation to environmental health (and related impacts to human health) are discussed in the environment section of this report.

SMC Group:

Before all projects start construction, an extensive study is conducted in the form of an Environment Impact Assessment (EIA) in order to determine the viability of the project and its possible location. This exhausts all potential negative effects the projects may have and formulates the needed mitigating measures to address these effects. Once a site is selected, the business unit coordinates with the local government unit for a stakeholder engagement session. This session is used to inform the local community about the project and provide an open forum for them to state their concerns. SMC tries its best to resolve all concerns local residents may have regarding the project.

Once the project is completed, a Grievance Redress Mechanism ("GRM") is established which empowers communities to voice any future concerns. SMC's subsidiaries provide a hotline number or email address as a communication channel for the GRM. Stakeholders are also informed that they can contact the SMC parent company in the event that the subsidiary does not address their concerns.

With San Miguel Foundation, Inc. ("San Miguel Foundation") at its forefront, the SMC Group strives to connect with the local communities, seeking mutually beneficial relationships with them. Partnerships can include opening hiring opportunities to nearby communities and providing support for local government projects.

In the event that the project will be affecting the livelihood and culture of indigenous peoples, SMC will immediately coordinate with the National Commission on Indigenous Peoples to secure the IPs' free, prior, and informed consent before proceeding.

Opportunities

Clariden Group:

There is an opportunity to regularly revisit, and if needed, update the SDMP to be more attuned to current community needs. Per regulations, a new SDMP is developed after each 5-year cycle and which development is preceded by the conduct of a social impact assessment to determine the successes and other lesson learned.

A new SDMP will be developed to consider potential impacts of planned mining and mineral processing activities.

SMC Group:

There is an opportunity to engage communities in community building program with the support of the San Miguel Foundation. SMC is always exploring such programs that can induce a harmonious working relationship with community organizations and LGUs leading to mutually beneficial agreements and outcomes.

Management Approach to Identified Opportunities

Clariden Group:

Any management approaches to identified opportunities will be reflected in subsequent SDMP submissions.

SMC Group:

The necessary management controls will be applied to support the identified opportunities

Customer Management

Customer Satisfaction

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover SMC Group only.

SMC:

Disclosure[1]	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	96%	Y

[1] Includes data from Petron only. The SMC Group is very diversified in its portfolio and each business unit and department uses several indicators to measure customer satisfaction such that there is no single unit or number that could encapsulate it. Nevertheless, SMC is committed to providing its customers quality products to satisfy their needs and wants.

Health and Safety

Disclosure[1]	Quantity	Units
No. of substantiated complaints on product or service health and safety	0	#
No. of complaints addressed	0	#

[1] *Data from Petron only.*

Impacts & Risks

SMC Group:

SMC holds a highly diversified portfolio of products and services. The size of the conglomerate and its capabilities allow it to create products not only directly for consumers but for businesses and the government as well.

For its food and beverage business, quality, taste, affordability, and safety impacts the satisfaction of the customer. The quantity and timeliness of deliveries of distributors can also affect customer satisfaction. For its fuel and oil business, strategic location of Petron's stations, fuel prices, and supply are the aspects that can determine affinity of customers. Low customer satisfaction causes a decreased amount of sale thereby impacting business performance and financial position.

The energy business, infrastructure business, and packaging business' customer satisfaction are determined by quality and quality of agreed output, regulatory compliances that may delay operations and good working relationship with customers. Terminated agreements due to low performance or other issues may stain reputation and hinder accumulation of new clients. Low customer satisfactions usually signal inefficient service, posing a risk to the companies' revenues and reputation.

While there are strictly implemented product safety policies, there is no direct assurance that products would be free from all defects or tampering during manufacturing and distribution; and that services would always be safe from risks from natural hazards and human errors. Such risk poses negative impacts to customers as well as the whole business.

Management Approach to Identified Impacts and Risks

SMC Group:

SMC ensures that all products and service are of good quality and pass high standards of screening before it reaches customers.

- Food & Beverage: The SMC Group has introduced products that address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* and *San Mig Zero*, low-calorie beers, were introduced to address increasing health consciousness and *San Mig Strong Ice* for the upwardly mobile market. Initiatives like this have been pushed in the food division for years.
- Packaging: Compliance to the highest standard and government requirement (e.g. FSSC 22000, QA ISO 900). Products are processed in compliance with intensive QA tests and Certificate of Inspection to assure customers the delivery of high-quality products
- Energy: Proper maintenance of distribution lines and assigning a task force to implement safety measures
- Fuel & Oil: Commitment to supplying goods and services of the highest standards
- Infrastructure: Ensure that materials used are of high quality, design buildings to be resilient to

natural disaster and hiring highly qualified engineers and architects

The SMC Group also initiates efforts to engage its customers to better understand their needs and grievances. These engagements enable the Group to identify areas for improvement. The company strives to build lasting relationships with their partners. Channels for dialogue are always open should complaints or misunderstandings occur. The company implements a centralized and dedicated customer service unit that can be reached via their website, email, *Malasakit* hotline and social media pages. Complaints and concerns are strategically addressed through this institutionalized system.

Opportunities

SMC Group:

There is a realized opportunity to increase customer engagement through social media, regular interviews, and focus group discussions.

Management Approach to Identified Opportunities

SMC Group:
Policies and practices that support the identified opportunities could be set in place.

Marketing and labelling

This topic is considered not material to the Clariden Group as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover SMC Group only.

SMC Group:

Disclosure[1]	Quantity	Units
No. of substantiated complaints on marketing and labelling	19,868	#
No. of complaints addressed	14,803	#

[1] Includes data from Petron only.

Impacts & Risks

SMC Group:

The SMC Group uses a mix of communication channels for its consumer goods. Alignment of packaging and marketing efforts are of utmost importance as mislabeling these could confuse customers. Miscommunicating product ingredients could lead to dissatisfaction and has regulatory repercussions.

SMC is also dependent on trademarks and propriety rights to ensure production distributions are not compromised. With the business units' highly diversified portfolio and presence with big market shares in different industries, third parties may attempt to sell counterfeit versions or confusingly similar items. Consumers may mistake these products for the original, resulting in reputational and sales risks over time.

The SMC Group companies may also encounter customer feedback that may tarnish its brand/s and reputation. Inaccurate reports about the health effects of dietary trends and beverage consumption, for example, may also affect purchasing patterns. If the marketing strategies of the SMC Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the SMC Group could be materially and adversely affected.

Management Approach to Identified Impacts and Risks

SMC Group:

Business units have skilled marketing and sales team that handle customer relations. Task forces are trained to receive customer complaints and direct them to the right people to resolve issues, complaints, or grievances. All product labels and collateral undergo thorough screening with pertinent departments to ensure compliance to standards set by the Department of Trade and Industry, Food and Drug Authority, and other regulatory offices. Most packaging needs are sourced directly from the company's packaging business. This allows SMC to closely monitor and ensure that products are properly labeled.

Opportunities

SMC Group:

SMC will continue to ensure that its marketing collaterals will reflect the products and services in an authentic manner that upholds consumer interests.

Management Approach to Identified Opportunities

SMC Group:

SMC will place appropriate management controls and procedures to support the identified opportunities.

Customer privacy

This topic is considered not material to Clariden as this is not included in the list of material topics for Metals and Mining Sector by SASB. This section will cover SMC Group only.

SMC Group:

Disclosure[1]	Quantity	Units
No. of substantiated complaints on customer privacy[2]	0	#
No. of complaints addressed	0	#
No. of customers, users, and account holders whose information is used for secondary purposes	0	#

[1] Includes disclosure from Petron only.

[2] Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Impacts & Risks

SMC Group:

SMC places a high value on the privacy of its customers, employees, and suppliers, and thus strictly adheres to the Data Privacy Act. Even with a solid record in data security, SMC continues to be vigilant as any data breach can compromise the security of SMC. It may result to loss trust from the public and customers and may decrease the company's stock market value. The in-house formulations of SMC products may be leaked, thus harming their position in the market.

- Data obtained from customers are considered inputs for overall system analysis of the company. Any breach in data could expose confidential information and business plans, resulting in penalties and damaged client relations.
- Inefficient data security will lead to data breaches and could expose sensitive information such as client lists.

Management Approach to Identified Impacts and Risks

SMC Group:

In addition to the compliance by Top Frontier and its subsidiaries with the Data Privacy Act, employees in the Group are required to undergo data privacy training. SMC's Data Privacy and Security Office launched a primer and FAQ booklet to increase the awareness of, and ensure proper implementation, of the Data Privacy Act. Newsletters regarding methods for protecting company and personal data are also disseminated. Its networks are also secured with state-of-the-art firewalls and security systems. It also has strict policies with regards to data sharing within and outside the organization. Transfers of important and sensitive data between departments require the approval of the managing authority. Also, all engagement with third parties require that a Non-Disclosure Agreement be signed.

Controls are in place to secure the Group's various systems. Its employees are issued laptops which have pre-installed anti-virus software, and these are constantly updated. CPUs in its employees' workstations have their USB ports disabled, preventing the unnecessary copying of documents. For those employees working remotely, a secure software is used for them to access files remotely. The use of this software and data transfers are constantly monitored to ensure the security of data and the integrity of the system.

Opportunities

SMC Group:

The SMC Group shall continuously improve existing data security systems in place through proper dissemination of guidelines and technical upgrades.

Management Approach to Identified Opportunities

SMC Group:

SMC will place appropriate management controls and procedures to support the identified opportunities.

Data Security

Top Frontier (Groupwide):

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	0	#

Impacts & Risks

Top Frontier (Groupwide):

Data security is a must in that it promotes trust among stakeholders and also secures individual and corporate information.

Breaches of confidential data from the Group such as individual employee information and ingredient ratios could lead to cases of breach of privacy under the Data Privacy Act which will have regulatory implications. It could also jeopardize market positioning if confidential product data are leaked into the public or to competitors.

Stakeholders affected: Employees, Customers

Management Approach to Identified Impacts and Risks

Top Frontier (Groupwide):

The entire Group takes the privacy of confidential data seriously. Safeguards are being taken to comply with the Data Privacy Act and systems are placed to ensure that no data breaches occur in the entire Group.

All processing of personal data within the Company should be in compliance with the Data Privacy Act and are grounded on the principles of Transparency, Legitimate Purposes, and Proportionality. A Data Protection Officer ("DPO") for each of the Company and its subsidiaries has been appointed and is responsible for ensuring compliance with applicable laws and regulations for the protection of data privacy and security. Physical and technical security measures are placed to minimize the risk of data breaches.

All employees and agents of the Company involved in the Processing of Personal Data are tasked to regularly monitor signs of a possible data breach or a Security Incident. In instances where these cases should occur, they should report the incident to the DPO who shall in turn notify the National Privacy Commission ("NPC") and the affected Data Subjects if the incident should warrant it. The notification to the NPC and the affected Data Subjects shall include the nature of the breach, the Personal Data possibly involved, and the measures taken by the company to address it.

The Data Policy of Top Frontier could be found in this link:
http://www.topfrontier.com.ph/smc_files/corporate_files/TFHI-PersonalDataPrivacyPolicy_10May2017-2.pdf

Opportunities

Top Frontier (Groupwide):

There is always an opportunity to check the robustness of company databases and security systems regularly.

Management Approach to Identified Opportunities

Top Frontier (Groupwide):

Based on the findings of regular systems monitoring, the Group remains vigilant and agile in addressing points of improvement.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Clariden Group:

In 2019, the Clariden Group has undergone exploration activities which provided employment in localities.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Provision of decent work and create employment in communities while contributing to local economies.	Mining operations naturally have negative impacts on the environment such as land and water pollution and degradation of ecological value as discussed in the environment portion of this report	The Company complies with its environmental compliance certificate requirements to mitigate its impacts as also discussed in the environment portion of this report

Applicable SDG Goals and Targets:

- SDG Contribution: Goal # 8 – Decent Work and Economic Growth
    - 8.5 *By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value*

SMC Group:

<u>Food & Beverage Business</u>

Product Category: Proteins (Poultry and fresh meats), Flour milling, Prepared and packaged food (Refrigerated and canned meats, dairy, spreads, biscuits, and coffee)

- In 2019, the Food and Beverage Business provided 393,548 tonnes of flour, 22,476,200 tonnes of poultry and meats, and 196,791 tonnes of prepared and packaged food products
- Products are known to be reasonably priced and accessible in a wide range of retail establishments. Through these, the business unit helps combat food insecurity which typically associated with the inability to regularly eat healthy, balanced diets.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Access to Safe and Nutritious Food Severe levels of food insecurity can lead to undernutrition and hunger. Undernourishment, or the inability to meet one's dietary energy requirements, has a great impact to one's productivity and a barrier to conducting a normal, healthy and active life. With the continuous growth of demand for food, SMFB develops and produces goods that meet nutritional needs and the financial capacities of Filipino families.	**Health and safety risks due to misuse or contamination** The business inherits the risks of agriculture that may trickle down to the end-product. If products were tampered or contaminated, consumers are exposed to the risk of food poisoning. As meeting the quantity demanded of the growing population is being aimed at, there is a chance to overlook possible biological breaches from livestock or other raw materials. In addition, products may bring adverse effects on human health for individuals with allergies to some ingredients.	**Quality Assurance and Sanitation[i] Protocols** To minimize this risk, the business unit adheres to strict quality and safety parameters. **Proper marketing and labeling** Customers are fully informed of the contents of each product for proper and timely consumption. **Lines for customer management** An avenue for customers to contact the business unit is provided should a health risk arise.

Applicable SDG Goals and Targets:

- SDG Contribution: Goal # 2 – Zero Hunger
  - 2.1 *By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round*

Product Category: Animal Nutrition and Health (Feeds and Veterinary Medicine)

- 231,975,674 tonnes of feed and veterinary medicine have been provided that helped increase the agricultural yield in 2019. Being vital in the mitigation of food insecurity in the country, the business unit's participation in agriculture can be considered as a contribution to alleviate hunger.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Securing nutritional value through healthy breeder stock As part of achieving zero hunger, healthy livestock are important to ensure that end commercial products are of great nutritional value. This key product supports food manufacturing systems to achieve quality and quantity demanded by the Philippine and even international markets.	**Negative side effects of product misuse, and inherent health risk of hog and poultry farms** Encouraging the increase in livestock has safety and health impacts on its own. Improper use of feeds and medicine, and inadequate care in farms due to lack of capacity, information, and the like, can pose threats to fence-line communities, contract growers, and end consumers. The use of antibiotics is not a substitute but a supplement to good sanitation and proper handling of livestock. The excessive use of antibiotics may also give way for the growth of resistant bacteria, potentially harming host animals and end consumers.	**Efforts to increase awareness of growers and distributors** To ensure quality and increase independence of contract growers and farmers, capacity building trainings are given to them. They are provided with the technology and the know-how on more efficient practices, thus increasing productivity. Aside from this, social media platforms are used to connect and teach growers about proper care and treatment for their animals. Instructional videos, success stories, and recent technologies and techniques are regularly posted on the ***#AlagangB-Meg*** Youtube Channel. Topics include African swine fever detection, prevention, and management; Basics of Biosecurity and Biosecurity Protocols; hog stress management; and other essential topics on hog and fowl raising.
Access to Food through Sustainable Agriculture Contract growers and farmers become partners to supply breeder stock and other raw materials. Through this partnership, revenue streams are provided for them as they supply quality produce, proteins, and other raw materials. SMC promotes sustainable agriculture and provides technology and technical expertise to improve the efficiency of local contract growers. The boost of income of agricultural workers also has implications on poverty reduction, as farmhands are	**Negative impacts of Agriculture, namely water scarcity, over-irrigation, and monoculture.** Agriculture is water-intensive and improper management may result to water scarcity, which will hinder future productivity of the land. Over-irrigation can lead to soil degradation and the need to use fertilizers. It can also result into a drastic reduction of ground and surface water that may bring about conflicts among water users, as well as health implications. Monoculture practices make crops more vulnerable to insect infestations, which then requires the application of pesticides. Fertilizers and pesticides have become common inputs in crop and livestock businesses. However, should these	

often living in subsistence conditions.	go uncontrolled, they can cause harm to human health or to the environment when they leach into the water table.	

Applicable SDG Targets:

- SDG Contribution: Goal # 2 – Zero Hunger
    - *2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment*
    - *2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality*

Product Category: Beers, Spirits and Non-alcoholic beverages

- SMC through its food and beverage business are market leaders in the beer and gin categories.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Increase in exported products of the Philippines SMC's beverage products are exported to almost 70 territories across the globe and expected to reach new markets in Europe and parts of Africa. Known as brands that foster Filipino values of hospitality and camaraderie, these products are exported primarily to markets with a high concentration of Filipino Communities. Certain brands are produced for export only such as Gran Reserva brandy and Tondena Manila Rum.	**There is a potential for alcohol abuse.**	**Responsible production and consumption** SMC campaigns for responsible drinking though advertising materials. The Company also makes sure to abide by applicable laws and regulations on alcohol drinking.

Applicable SDG Targets:

- 3.5 *Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol*
- 8.1 *Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries*
- 17.11 *Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020*

Energy Business

Product Category: Coal Power, Natural Gas Power, Hydroelectric Power, Battery Energy Storage Systems

- Electricity is provided through a varied energy mix. Of the 28,112 GWH consolidated off-take volume for 2019, 9,996.7 GWH clean coal energy and 270.9 GWH renewable energy were produced.
- Providing power nationwide, SMC's plants contribute to 20% of the National Grid, 26% of the Luzon Grid, and 9% of the Mindanao Grid as of December 31, 2019.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Access to affordable and reliable energy Access to electricity addresses major critical issues in all the dimensions of sustainable development. The target has a wide range of social and economic impacts, including facilitating development of household-based income generating activities and lightening the burden of household tasks. Without this, telecommunications and health services are limited as well, food shelf life is shortened, and educational growth is impeded. **Innovation and addition to energy mix** Energy access is a major development constraint in many developing countries and, while starting from a relatively low base, energy demand is expected to grow very rapidly in many of these countries in the future. SMC provides access to reliable and affordable power that utilizes the latest technology for improved efficiency and drive economic growth. While coal is still the major source of energy, alternative energy sources that help reduce the strain on non-renewable sources are also utilized. The following plants are also equipped with the latest technologies:	**Power surge and trips** Any power surge and power trips brought about by human error, machine malfunction, or natural disasters can have a great impact to generation and to eventual transmission and distribution. If systems for immediate action are not properly established, adverse effects such as disruptions to electric supply may impact economic activities of those connected to the grid.	**Maintenance and audit of power plants** Power plants are carefully planned and equipped for risks that may hinder from delivering power to the grid. Voltage regulators are installed should any power surge occurs. Systems are in place to ensure timely mitigation of said negative impact.

1 Hydroelectric Power Plant (Angat), 2 CFB-type powerplants (Limay and Malita), 1 Pulverized-coal type (Masinloc).		

Applicable SDG Goals and Targets:

- SDG Contribution: Goal # 7 – Affordable and Clean Energy
    - *7.1 By 2030, ensure universal access to affordable, reliable and modern energy services*
    - *7.2 By 2030, increase substantially the share of renewable energy in the global energy mix*
    - *7.3 By 2030, double the global rate of improvement in energy efficiency*
    - *7.B By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programs of support*

Fuel and Marketing Business

Product Category: Fuel, Jet Fuel, Lubricants, LPG

- 107 million barrels of oil were produced for 2019
- Provision of fuel which supplies and estimated 30% of the country's total fuel requirements with the Limay refinery having a crude oil distillation capacity of 180,000 barrels per day.
- Petron has a total of around 2,435 service stations in the Philippines as of end 2019.Serve essential industries including power-generation, manufacturing, transportation, aviation, and agriculture.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Access to energy and support industrial technology development Crude oil is converted into different types of fuel supporting affordable, accessible, and sustainable transportation and even manufacturing industries. LPG is sold to about 14,500 locations across the country to reach homes and businesses nationwide as a source of energy for various kitchen and industrial uses. Automotive fuel and lubricants are sold to both direct consumers and industrial manufacturers and transporters. Essential industries including power-generation, manufacturing, transportation, aviation and agriculture are being served. In this way, SMC contributes to the development industrialization of different parts of the Philippines, as well as provide support for the trade of goods to and from the country.	**GHG Emissions due to vehicle fuel combustion** The use of fuel could significantly impact air quality. The increased use of automotive and motorcycle vehicles collectively could emit large amounts of air pollutants and carbon dioxide. If not monitored and regulated, these could affect human health and contribute to climate change. **Defects or misuse of fuel combinations** Lack of information and proper knowledge of the types of fuel, and appropriate machines could lead to misuse of products (e.g. if lubricants are not applied, or fuel mix is not appropriate to vehicle). Misuse poses the risk of road and machine accidents due to malfunctions.	**Environment Management Systems** The refinery is equipped with systems that help reduce its impact in the nearby ecosystem ad water systems. The practice in Bataan has been replicated to rehabilitate Boracay's water system. Petron has also adopted 9 waterways for rehabilitation. In addition, 100 Petron service stations abide by Environment programs and all 30 terminals adhere to International Environmental Standards. **Product development** As part of its commitment to sustainability, Petron continuous to develop fuel that minimizes the strain on the environment without sacrificing efficiency. The Petron Blaze 100 Euro 6 is the first gasoline in the Philippines that meets the PNS Euro4-PH and EN 228:2005 fuel quality standards. **Road Safety - Lakbay Alalay** To ensure transport safety, Petron has been running a motorist assistance programs that allows motorists to free car safety check and medical assistance in participating service station.
Supply supplementary power The 140-MW Refinery Solid Fuel-Fired Boiler (RSFFB) in Limay, Bataan produces electrical and steam energy to power the Petron Bataan	**Continued reliance on fossil fuel** Burning of coal releases carbon dioxide and other greenhouse gases, which are fundamental drivers of	**Modern technology and maximizing resources** RSFFB is one of the first in the Philippines to use clean coal technology such as the Circulating Fluidized Bed, which reduces

Refinery 100%. It produces approximately 10 MW of surplus power, which it contributes to the Luzon grid·	climate change. Moreover, the air pollution associated with the operation of coal plants have known health and environmental implications.	emissions by roughly 95% compared to normal coal plants. It also utilizes petroleum coke, a by-product of Refinery Master Plan 2 as feedstock for the power plant.

Applicable SDG Goals and Targets to Contribution:

- SDG Contribution: Goal # 7 – Affordable and Clean Energy
  - *7.1 By 2030, ensure universal access to affordable, reliable and modern energy services*
  - *7.B By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programs of support*

<u>Infrastructure Business Group</u>

Service Category: Expressways, Railways, Airport, Trade Port

- Annual average daily traffic (AADT) of all the operating tollways of SMC Infra reached more than 800 thousand in 2019.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Diversify, innovate, and upgrade industries for economic development through efficient transportation systems Reliable and resilient infrastructure are provided that supports economic development and human well-being, generates employment, and facilitates tourism. SMC's infrastructure business streamlines transportation, thereby increasing business and industry productivity in the metro and in nearby provinces as well. An increase in productivity from industries produces better goods and services. These in turn support the needs of a growing population, providing more opportunities for employment and helping improve overall quality of life.	**Environmental impacts of infrastructure** Infrastructure development projects contribute to air pollution during construction and utilization. As land acquired is transformed to suite corresponding infrastructure, soil erosion and loss of biodiversity may occur. There are also environmental impacts of GHG emissions from transportation, contributing to climate change. **Social impacts of infrastructure** Infrastructure projects are subject to the negotiation of right of way by the government and the cooperation of local communities. New projects may entail the displacement of communities which ultimately may affect their quality of life. Construction of roads and public transport systems may also cause an increased traffic jams, consequently public inconvenience. Social impacts may also be carried out as the infrastructure are used. Because of the progressive industrialization brought about by efficient transportation systems, cities or CBDs in particular may experience congestion which have environmental and social impacts in itself (pollution, increase of communicable diseases, etc.)	**Continuous innovation** In an effort to reduce environmental impact as infrastructures are built, partnerships with organizations to formulate plans that involves sustainable materials and systems are made. Recently, there have been pilot testing of road construction using materials mixed with plastic waste. **Expansion of urbanization** With the growing density in metro manila, there is a need to divert industrialization from central business districts. This may be solved through the connectivity provided by the transportation systems developed by SMC to and from untapped provincial centers. This could help promote and stimulate business activities in these cities as a way to ultimately solve traffic congestion and increase overall economic productivity in the country. **Traffic Management Task force for road projects** During construction, negative impact to traffic flow is mitigated through a traffic management task force together with relevant government organizations. The task force is responsible for planning alternate routes and on ground management of vehicle traffic.

Applicable SDG Goals and Targets to Contribution:

- SDG Contribution: Goal # 8 – Decent Work and Economic Growth
    - *8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labor-intensive sectors*
- SDG Contribution: Goal # 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
    - *9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all*
    - *9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities*
- SDG Contribution: Goal # 11 – Sustainable Cities and Communities
    - *11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport*

Service Category: Water

- In 2019, the Bulacan Bulk Water project provides an average volume per day of 92,070,000 Liters to 3,528 households.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Access to safe, potable and affordable water This year, SMC has provided access to potable water for 12 municipalities	**Health and safety risk** If contamination occurs, there are potential health and safety risks to customers.	**Proper and regular sanitation and maintenance of facilities** Regular maintenance is being done to ensure that facilities are in good condition. Sanitation and proper treatment are also done to minimize contamination of water going to customers. **Quality Tests** Water quality tests are conducted at several sampling points from pipes along the system. Water is tested for the presence of bacteria and heavy metals that could adversely affect human health.

Applicable SDG Goals and Targets to Contribution:

- SDG Contribution: Goal # 6 – Clean Water and Sanitation
    - 6.1 *By 2030, achieve universal and equitable access to safe and affordable drinking water for all*
    - 6.5 *By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate*

Packaging Business Group

Product Category: Glass, plastics, metals, flexibles, PET, molds, corrugated sheets

- Through the packaging business, whose largest production is focused on glass and rigid plastics, more than 40% (in glass production) and 30% (in rigid plastics production) of raw materials utilized come from recycled materials.
- For its metal and paper businesses, while not recycling directly, the company helps in the collection of scrap and other usable materials and sends these to groups that can recycle them.

Contribution to Society	Potential Negative Impact of Contribution	Management Approach to Potential Negative Impacts
Technology and Productivity for sustainability Packaging materials for food, pharmaceutical, chemical, beverage, and personal care products are manufactured by SMC. SMC also provide distribution solutions to manufacturers and businesses, helping them choose the right fit for their product. Methods that would increase recyclability of the packaging materials are also developed.	**Waste Generation** SMC recognizes that packaging products may be detrimental to the environment (i.e. solid waste) but completely out of its control when it reaches consumers. Though it continuously strives to reach 100% recyclability, most of the products are non-biodegradable and often non-recyclable which end up as waste in landfills or in the ocean. SMC also recognizes and tries to mitigate its impacts during resource-intensive production where raw materials may be non-sustainable, and air pollution may be emitted from its machines.	**Collection system initiatives** Other than recycling and reusing initiatives within its manufacturing plants, establishing systems wherein end consumers participate in closing the loop are being explored. Starting with beverage packaging, SMC currently implements a returnable glass bottle system where used bottles are processed, sanitized, and reused for distribution. **Biodegradable Plastics** In partnership with Philippine Bioresins Corp, SMC is set to shift to certified biodegradable plastic packaging. This is only one of the many initiatives it plans to implement as it move towards sustainability, specifically as a major player in the packaging industry. **Continuous research on Recyclability of packaging materials** In partnership with its state-of-the-art facilities in Malaysia, SMC conducts research to further the recyclability of the packaging produced.
Increased shelf life SMC recognizes its role in food safety and security as its products are designed to preserve food longer, so that they are safe for consumers. The development and promotion of safe, sustainable, and cost-efficient materials is one of its	**Health and safety risks of packaging** Some products that divert from expected standards of quality may be bought by consumers. If not properly regulated and monitored, the materials used may	**Quality Assurance Protocols** SMC's plants comply to high standards and government requirements (FSSC 22000) and ISO900. All its products are processed in compliance to intensive quality assurance tests. Its products are also labelled with certification of inspection to assure

most important contributions to the SDGs. It allows for the access to food and beverage through its filling and total product logistics services.	impact the integrity of the products that are packaged.	customers that the products it delivers are of high quality

- SDG Contribution: Goal # 12 – Responsible Consumption and production
    - 12.3 *By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses*
    - 12.5 *By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse*