



San Miguel Brewery Inc.

(A corporation organized and existing under Philippine laws)

₱ 15,000,000,000 Fixed Rate Bonds consisting of Series G Bonds and Series H Bonds

Due April 2, 2021 for Series G Bonds and April 2, 2024 for Series H Bonds

Issue Price of 100% Face Value

Interest Rate of 5.50% p.a. for Series G Bonds and 6.00% p.a. for Series H Bonds

San Miguel Brewery Inc. (the “Company” or the “Issuer”) intends to offer for subscription and issue bonds (the “Bonds”) with an aggregate principal amount of ₱15,000,000,000, subject to the option on the part of the Company to increase such amount by up to ₱5,000,000,000 in case of oversubscription (the “Offer”). The Bonds will be issued in two series: Series G and Series H. The Series G Bonds shall have a term beginning on April 2, 2014 (the “Issue Date”) and ending seven years from the Issue Date or on April 2, 2021, with a fixed interest rate equivalent to 5.50% per annum. The Series H Bonds shall have a term beginning on the Issue Date and ending ten years from the Issue Date or on April 2, 2024, with a fixed interest rate equivalent to 6.00% per annum. Interest on the Series G Bonds and Series H Bonds shall be payable semi-annually in arrears on April 2 and October 2 of each year while the Bonds are outstanding, starting on October 2, 2014. (see “Description and Terms and Conditions of the Bonds” — “Interest”)

Subject to the consequences of default as may be contained in the Trust Agreement, and unless otherwise redeemed or purchased prior to the relevant Maturity Date, the Bonds will be redeemed at par or 100% of the face value thereof on the relevant Maturity Date, as set out in “Description and Terms and Conditions of the Bonds” — “Redemption and Purchase”.

Upon issue, the Bonds shall constitute direct, unconditional, unsubordinated, and unsecured obligations of the Company and shall at all times rank *pari passu* and without preference among themselves and among any present and future unsubordinated and unsecured obligations of the Company, except for any statutory preference or priority established under Philippine law. The Bonds will effectively be subordinated in right of payment to all of the Company’s secured debts, as allowed under the Trust Agreement, to the extent of the value of the assets securing such debt and all of its debts evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines. As of the date of this Prospectus, the Company has no existing secured debt or debts evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

The Bonds have been rated Aaa by the Philippine Rating Services Corporation (“PhilRatings”) as of February 21, 2014. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the rating agency concerned.

The Bonds shall be offered to the public at par through the Joint Lead Managers named below with Philippine Depository & Trust Corp. (“PDTC”) as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Registry, and, as soon as reasonably practicable, listed in the Philippine Dealing & Exchange Corp. (“PDEX”). The Bonds shall be issued in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 in excess thereof, and traded in amounts of ₱10,000.00, as a minimum, and in multiples of ₱10,000.00 in excess thereof. (see “Description and Terms and Conditions of the Bonds” — “Form, Denomination and Title” and “Description and Terms and Conditions of the Bonds” — “Transfer of Bonds”)

Issue Manager



Joint Lead Managers



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

SAN MIGUEL BREWERY INC.
40 San Miguel Avenue
Mandaluyong City
Philippines
Telephone Number: +632 632 3000

Offer for Subscription of ₱15,000,000,000 Fixed Rate Bonds, subject to the option on the part of the Company to increase such amount by up to ₱5,000,000,000 in case of oversubscription, consisting of Series G Bonds and Series H Bonds, due April 2, 2021 for Series G Bonds and April 2, 2024 for Series H Bonds, at the Issue Price of 100% Face Value.

This Prospectus relates to the Offer of Bonds of San Miguel Brewery Inc., consisting of ₱15,000,000,000 Series G Bonds and Series H Bonds, subject to the option on the part of the Company to increase such amount by up to ₱5,000,000,000 in case of oversubscription. The Series G Bonds shall have a term beginning on the Issue Date and ending seven years from the Issue Date or on April 2, 2021, with a fixed interest rate equivalent to 5.50% per annum. The Series H Bonds shall have a term beginning on the Issue Date and ending ten years from the Issue Date or on April 2, 2024, with a fixed interest rate equivalent to 6.00% per annum. The Bonds will be issued at the issue price (the “Issue Price”) of 100.00% of face value.

The Company expects to raise gross proceeds amounting to ₱15,000,000,000, subject to the option on the part of the Company to increase such amount by up to ₱5,000,000,000 in case of oversubscription, from the Offer. The net proceeds from the issue of the Bonds, without the exercise of the oversubscription option (after deduction of fees, commissions and expenses) is approximately ₱14,848,488,004.04. Assuming the oversubscription option of up to ₱5,000,000,000 is fully exercised, the Company expects total net proceeds of approximately ₱19,802,676,713.71 after fees, commissions and expenses. Proceeds of the Offer will be used to support the redemption of the Series B Bonds. (see “*Use of Proceeds*” on page 27)

The Issuer shall pay the Joint Lead Managers a commission of 0.30% flat based on the final aggregate nominal principal amount of the Bonds issued, as Joint Lead Managers’ fee (the “Joint Lead Managers’ Fee”) to be shared as may be agreed upon by the Joint Lead Managers.

The Joint Lead Managers’ Fee shall be grossed up for gross receipts tax of 7.0%. The fees due to the Joint Lead Managers together with any applicable gross receipts tax or its equivalent and net of any applicable withholding tax arising in respect of such fee, shall be due and payable by the Issuer to the Joint Lead Managers on the date that the Issuer receives confirmation from the Issuer’s bank that cleared funds representing payments for all accepted Applications to Purchase have been credited to the account designated by the Issuer. The Joint Lead Managers are authorized to organize a syndicate of participating underwriters for the purpose of the Offer. However, the Company has no obligation to any member of such syndicate for the payment of any fee, underwriting or participating commissions. As of the date of this Prospectus, the Joint Lead Managers have not engaged any participating underwriter for the Offer. (see “*Plan of Distribution*” on page 29)

The information contained in this Prospectus relating to the Company, its operations and those of its affiliates has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Prospectus relating to it, its operations and those of its affiliates is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the information contained in this Prospectus. The Joint Lead Managers assume no liability for any information contained in this Prospectus. Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers as to the accuracy, completeness or sufficiency of the information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers. This Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either the Issuer, the Joint Lead Managers, the Trustee or the Registry and Paying Agent or their respective affiliates or legal advisers that any recipient of this Prospectus should purchase the Bonds. Each potential purchaser of the Bonds should

determine for itself the relevance of the information contained in this Prospectus and its purchase of the Bonds should be based upon such investigation with its own tax, legal and business advisers as it deems necessary.

This Prospectus has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Prospectus. The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

No person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or any of the Joint Lead Managers. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any of the Company's securities in any jurisdiction, to or from any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offer, including the risks involved. The Offer is being made on the basis of this Prospectus only.

Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Joint Lead Managers make any representation as to the accuracy of such information.

The Bonds are offered subject to receipt and acceptance of any order by the Company and subject to the Company's right to reject any order in whole or in part.

Each investor in the Bonds must comply with all laws applicable to it and must obtain the necessary consent, approvals or permission for its purchase, offer or sale under the laws and regulations in force in any jurisdiction to which it is subject, and neither the Company nor the Joint Lead Managers shall have any responsibility therefor.

The Company is organized under Philippine laws. The cash dividend policy of the Company entitles the holders of its Common Shares to receive annual cash dividends equivalent to 100% of the prior year's recurring net income, which is net income calculated without respect to extraordinary events that are not expected to recur, based on the recommendation of the Board of Directors. Such recommendation will take into consideration factors such as the implementation of business plans, debt service requirements, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others. The cash dividend policy is subject to review and may be changed by the Company's Board of Directors at any time. Generally, the dividend declarations and payments of the Company's subsidiaries are also contingent on the subsidiaries' financial condition and performance, taking into consideration the subsidiaries' business plans, funding for new investments, appropriate reserves and working capital requirements. (see *"Related Stockholder Matters"* – *"Dividends and Dividend Policy"* on page 107)

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Words including, but not limited to, "believes," "may," "will," "estimates," "continues," "anticipates," "intends," "expects" and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. The Company's actual results could differ substantially from those anticipated in the Company's forward-looking statements.

Any inquiries regarding this Prospectus should be forwarded to the Company. Its principal office is at 40 San Miguel Avenue, Mandaluyong City, Philippines, with telephone number +632 632 3000.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED THEREIN IS TRUE AND CURRENT.

SAN MIGUEL BREWERY INC.

By : _____
Name : Roberto N. Huang
Title : President

REPUBLIC OF THE PHILIPPINES)
CITY OF MANDALUYONG)SS.

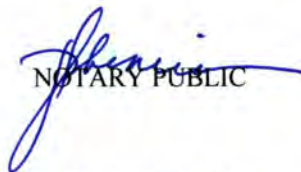
Before me, a notary public in and for the city named above, personally appeared:

<u>Name</u>	<u>Passport No.</u>	<u>Expiry Date and Place of Issue</u>
Roberto N. Huang	EB5630774	June 12, 2017 / Manila

who is personally known to me and to me known to be the same person who presented the foregoing instrument and signed the same in my presence and who took an oath before me as to such instrument.

Witness my hand and seal this 17th day of March 2014.

Doc. No. 40 ;
Page No. 9 ;
Book No. VIII ;
Series of 2014.


NOTARY PUBLIC

JESSICA L. ABRENICA
Commission No. 0238-13
Notary Public for Mandaluyong City
Until Dec. 31, 2014
SMB, 40 San Miguel Ave., Mandaluyong City
Roll No. 47590
PTR No. 2021218, 2/26/14 Mandaluyong
Lifetime Member No. 09484; 01/05/11; Makati

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GLOSSARY OF TERMS

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

ABV	Alcohol-by-volume, expressed as a percentage.
AIBC	Anchor Insurance Brokerage Corporation.
Allocation Report	The report to be prepared by the Issue Manager and sent to the Issuer, the Joint Lead Managers no later than three Business Days before the Issue Date, allocating the Bonds among the Joint Lead Managers, for issuance to their respective clients.
Application to Purchase	The application form accomplished and submitted by an applicant for the purchase of a specified amount of the Series G Bonds and Series H Bonds, together with all the other requirements set forth in such application form.
Archen	Archen Technologies, Inc.
Business Day	A day other than Saturday or Sunday on which banks are open for business in Metro Manila, Philippines.
BIR	The Philippine Bureau of Internal Revenue.
Bonds	The Philippine Peso denominated fixed rate bonds with terms of seven years and ten years to be issued by the Issuer with an aggregate principal amount of Fifteen Billion Pesos (₱15,000,000,000), consisting of Series G Bonds and Series H Bonds, subject to the option on the part of the Company to increase such amount by up to Five Billion Pesos (₱5,000,000,000) in case of oversubscription, which the Joint Lead Managers have agreed to distribute and sell on the Issue Date, and underwrite on a firm commitment basis, with features as set out in the Terms and Conditions.
Bondholders	The holders of the Series G Bonds and Series H Bonds who, at any relevant time, appear in the Registry as the registered owner of the Bonds, with each holder being a “Bondholder”.
Board of Directors	The Board of Directors of the Company.
BLI	Brewery Landholdings, Inc.
BOC	Bank of Commerce.
BPI	Brewery Properties Inc.
BSP	<i>Bangko Sentral ng Pilipinas</i> , the central bank of the Philippines.
Canadean	Canadean Limited, a leading global beverage research company.

Canadean Report	The report on the Philippine beer industry prepared by Canadean and included in this Prospectus.
CAGR	Compound annual growth rate.
CBA	Collective Bargaining Agreement.
Change in Law	The enactment, passing, revoking, overturning, modification, amendment or abrogation, change in interpretation of any decree, statute, law, regulation, license, permit, authorization, concession, approval or other administrative act of the Government which comes into force after the Issue Date, or any change in the interpretation or application of any of the foregoing by the Government.
Common Shares	The Company's shares of common stock, par value of ₱1.00 per share.
Company	San Miguel Brewery Inc.
Corporation Code	Batas Pambansa Blg. 68, otherwise known as "The Corporation Code of the Philippines."
DENR	The Philippine Department of Environment and Natural Resources.
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization.
ECC	Environmental Compliance Certificate.
Economy	In respect of the market for beer, used to describe a market segment, meaning the bottom tier of socio-economic groups covering <i>Gold Eagle Beer</i> and <i>Beer na Beer</i> brands.
Eligible Bondholders	Institutional and retail investors other than Prohibited Bondholders determined by the Issuer and Joint Lead Managers to be eligible holders of the Bonds.
Equivalent Case	A measure of volume for beer, equal to a 24-bottle case of 320 ml bottles, the standard size for <i>San Miguel Pale Pilsen</i> , equivalent to 7.68 liters.
ETPI	Eastern Telecommunications Philippines, Inc.
Excise Taxes	Taxes levied on beer products based on removals from the plant where the products are produced.
Government	Any government agency, authority, bureau, department, court, tribunal, legislative body, public official, statutory or legal entity (whether autonomous or not), commission, corporation, or instrumentality, whether national or local, of the Republic of the Philippines.
Group	The Company and its subsidiaries.
GSMI	Ginebra San Miguel, Inc.
Hectoliter or hl	100 liters or 13.02 Equivalent Cases.
High-Alcohol Beer	Any beer with ABV of more than 5%.
IBI	Iconic Beverages, Inc.
IFRS	International Financial Reporting Standards.

Issue Date	April 2, 2014 or such other date as the Issuer and Issue Manager may agree in writing, provided that such date shall be a date, which is within the validity of the SEC Permit to Sell Securities.
Issue Manager	ING Bank N.V., Manila Branch.
Issue Management and Underwriting Agreement	The agreement dated as of March 14, 2014 executed by and among the Issuer, the Issue Manager, and the Joint Lead Managers for the issuance, placement, distribution and sale of the Bonds in the Philippines.
Issue Price	100% of the face value for Series G Bonds and Series H Bonds.
Issuer	San Miguel Brewery Inc., a corporation duly organized and existing under Philippine law.
Joint Lead Managers	BDO Capital & Investment Corporation, The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Manila Branch, SB Capital Investment Corporation, and Standard Chartered Bank, each a “Joint Lead Manager”.
Kirin	Kirin Holdings Company, Limited.
Low-Calorie Beer	Any beer with caloric content at least 33% lower than ordinary beer.
LNPI	Lucky Nine Properties Inc.
Majority Bondholders	Bondholders holding 51% of the outstanding Bonds.
Master Bond Certificate	For each of the Series G Bonds and Series H Bonds, the bond certificate issued by the Issuer in the name of the Trustee for the benefit of the Bondholders covering the entire principal amount of the Bonds purchased during the Offer Period therefor and to be issued by the Issuer on the Issue Date, which shall be substantially in the form attached as Annex “B” of the Trust Agreement.
Manual	The Company’s Manual on Corporate Governance, approved by the Board of Directors on October 25, 2007, and as amended as of February 7, 2014.
Maturity Date	Seven years from Issue Date or on April 2, 2021 for Series G Bonds and ten years from Issue Date or on April 2, 2024 for Series H Bonds.
MCIT	The minimum corporate income tax under the National Internal Revenue Code of the Philippines, as amended, which is currently fixed at 2.0%.
Offer	The offer for sale, distribution and issuance of the Bonds by the Issuer to Eligible Bondholders.

Offer Period	The period when the Bonds are offered for sale, distribution and issuance by the Issuer to Eligible Bondholders, commencing at 9:00 a.m. on March 17, 2014 and ending at 5:00p.m. on March 25, 2014 or such other dates as may be determined by the Issuer and the Issue Manager.
Off-premise	With respect to beer sales, means sales at grocery stores, convenience stores, sari-sari stores and other outlets other than on-premise outlets.
On-premise	With respect to beer sales, means sales at consumer outlets where consumers purchase and immediately consume beer, such as bars, restaurants, hotels and food stalls.
PAS	Philippine Accounting Standards.
Paying Agent	Philippine Depository & Trust Corp.
PDEx	Philippine Dealing & Exchange Corp.
PDTC	Philippine Depository & Trust Corp.
Permit to Sell Securities	The permit to be issued by the SEC authorizing the Issuer to sell, distribute and issue the Bonds to the public.
Petron	Petron Corporation.
Philippine Peso or ₱	The lawful currency of the Republic of the Philippines.
PFRS	Philippine Financial Reporting Standards.
PhilRatings	Philippine Rating Services Corporation.
Polo Brewery	The Company's operating brewery located in Valenzuela City, Metro Manila which primarily serves the Luzon market.
Popular	In respect of the market for beer, used to describe a market segment by the Company under its internal segmentation, meaning the middle tier of socio-economic groups covering <i>San Miguel Pale Pilsen</i> , <i>Red Horse</i> , <i>Colt 45</i> and <i>Coors Regular</i> brands.
Premium / Super Premium	In respect of the market for beer, used to describe a market segment by Canadean under the Canadean Report, meaning the upper tier of socio-economic groups covering <i>San Miguel Pale Pilsen</i> , <i>San Mig Light</i> , <i>San Miguel Flavored Beer</i> , <i>San Miguel Super Dry</i> , <i>Cerveza Negra</i> and imported beers.
Premium / Upper Premium	In respect of the market for beer, used to describe a market segment by the Company under its internal segmentation, meaning the upper tier of socio-economic groups covering <i>San Miguel Super Dry</i> , <i>Cerveza Negra</i> , <i>San Miguel Premium All-Malt</i> and imported beers.

Prohibited Bondholders	The Issuer, its subsidiaries and affiliates, and wholly or majority-owned or controlled entities of such subsidiaries and affiliates. For purposes of this definition, an “affiliate” of the Issuer is an entity at least 20% but not more than 50% of the outstanding voting stock of which is owned by the Issuer, and a “subsidiary” of the Issuer is any entity more than 50% of the outstanding voting stock of which is owned by the Issuer.
PSE	The Philippine Stock Exchange, Inc.
Registry	The electronic registry book of the Registrar containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all transfers and assignments thereof or any liens or encumbrances thereon.
Registrar	Philippine Depository & Trust Corp.
Registry and Paying Agency Agreement	The agreement dated as of March 14, 2014 executed by the Issuer and PDTC.
RTGS	Real Time Gross Settlement.
San Miguel Beer Brands	Certain Philippine beer and malt-based beverages brands, including related trademarks, copyrights, patents, and other intellectual property rights and know-how being used by the Company for its domestic beer business.
San Miguel Packaging Group	A group comprised of SMYPC, SMYAC, and SMYFMC.
SEC	The Securities and Exchange Commission of the Philippines.
Series B Bonds	Bonds issued by the Issuer with an aggregate principal amount of ₱22.4 billion and a term beginning April 3, 2009 and ending five years and one day on April 4, 2014, with a fixed interest rate equivalent to 8.875% per annum.
Series G Bonds	Bonds to be issued by the Issuer having a term beginning on the Issue Date and ending seven years from the Issue Date or on April 2, 2021, with a fixed interest rate equivalent to 5.50% per annum.
Series H Bonds	Bonds to be issued by the Issuer having a term beginning on the Issue Date and ending ten years from the Issue Date or on April 2, 2024, with a fixed interest rate equivalent to 6.00% per annum.
San Miguel Land	Land on which all of the Company’s production facilities (other than the Sta. Rosa production facility) and certain sales offices used by the Company for its beer businesses are located.
SMC	San Miguel Corporation.
SMC Group	SMC and its consolidated subsidiaries.
SMCSL	SMC Shipping and Lighterage Corporation.
SMCSTSC	SMC Stock Transfer Service Corporation.
SMEC	San Miguel Energy Corporation.
SMELC	San Miguel Electric Corp.

SMBIL	San Miguel Brewing International Limited.
SMBHK	San Miguel Brewery Hong Kong Limited.
SMIL	San Miguel International Limited.
SMITS	SMITS, Inc.
SMPI	San Miguel Properties, Inc.
SMPFC	San Miguel Pure Foods Company, Inc.
SMYAC	San Miguel Yamamura Asia Corporation.
SMYFMC	San Miguel Yamamura Fuso Molds Corporation.
SMYPC	San Miguel Yamamura Packaging Corporation.
SRC	Republic Act No. 8799, otherwise known as “The Securities Regulation Code of the Philippines,” as amended from time to time, and including the rules and regulations issued thereunder.
Standard	In respect of the market for beer, used to describe a market segment, meaning the middle tier of socio-economic groups. For the Company, this refers to the popular segment which is comprised of <i>San Miguel Pale Pilsen</i> , <i>Red Horse</i> , <i>Colt 45</i> and <i>Coors Regular</i> . For the Canadian Report, this refers to the standard segment which is comprised of <i>Red Horse</i> and <i>Colt 45</i> brands.
Tax Code	The amended Philippine National Internal Revenue Code of 1997 and its implementing rules and regulations.
Terms and Conditions	The terms and conditions pursuant to which the Issuer issues, and the Bondholders subscribe for, the Bonds which constitute an integral part of the Master Bond Certificate.
Trust Agreement	The agreement dated as of March 14, 2014 executed by the Issuer and the Trustee.
Trustee	Rizal Commercial Banking Corporation. The term shall also include, wherever the context permits, all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement.
Upper Popular	In respect of the market for beer, used to describe a market segment by the Company under its internal segmentation, meaning the upper middle tier of socio-economic groups covering <i>San Mig Light</i> , <i>San Miguel Flavored Beer</i> , <i>San Mig Zero</i> , <i>Oktoberfest Brew</i> and <i>Coors Light</i> .
U.S. dollars or US\$	The lawful currency of the United States of America.
VAT	Value-added tax.

SUMMARY

The following summary is qualified in its entirety by the more detailed information, including the Company's audited consolidated financial statements and notes relating thereto, beginning on page F-1 of this Prospectus. For a discussion of certain matters that should be considered in evaluating an investment in the Bonds, see the section of this Prospectus entitled "Risk Factors." Investors are recommended to read this entire Prospectus carefully.

OVERVIEW OF THE COMPANY

The Company is the largest producer of beer in the Philippines, with a total market share of 90% in 2012, according to Canadean. The Company's beer brands include all of the top four beer brands in the Philippines, namely *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light* and *Gold Eagle*. *San Miguel Pale Pilsen*, the Company's flagship brand, has a history of over 123 years. San Miguel beer was first produced by La Fabrica de Cerveza de San Miguel ("San Miguel Brewery"), a small brewery in the Philippines that began its operations in 1890. San Miguel Brewery provided the foundation from which SMC has grown to become the largest food, beverage and packaging company in the Philippines today. San Miguel Brewery was renamed San Miguel Corporation in 1963.

From a single brewery producing a single product in 1890, SMC's corporate history and business portfolio have evolved over the years. It entered the soft drinks business in 1922 and became the first overseas bottler of The Coca-Cola Company in 1927. To meet the needs of its beer and soft drinks businesses, SMC established a glass packaging plant in Manila in 1938 to supply its own requirements. SMC has expanded to include other food, beverage and packaging products. It has also grown geographically from a Philippine-based beer company to become a regional producer in the Asian beer market. The San Miguel brewery in Hong Kong was founded in 1948 and by the 1970s, San Miguel beer had established a strong market position in Hong Kong. Building on San Miguel beer's leading positions in the Philippines and Hong Kong, SMC expanded into new markets, including China in 1991, Indonesia in 1992, Vietnam in 1993, and Thailand in 2004. Prior to the creation of the Company, all of SMC's beer operations were under the San Miguel Beer Division ("SMBD"), a business unit of SMC.

The Company was incorporated on July 26, 2007, as a wholly-owned subsidiary of SMC. The domestic beer business was spun off from SMC to the Company effective October 1, 2007 following the approval thereof by the shareholders of SMC, with all plant and equipment used by SMBD in the domestic beer business transferred to the Company, while SMC retained ownership of the San Miguel Beer Brands and San Miguel Land used in the domestic beer business.

SMC subsequently transferred the San Miguel Beer Brands to IBI. On the other hand, the San Miguel Land was later transferred by SMC to BPI. BLI, the wholly-owned subsidiary of BPI, also owns land on which certain sales offices used by the Company in its domestic beer operations are located. The Company purchased all of SMC's interests in IBI on April 29, 2009, as a result of which IBI became a wholly-owned subsidiary of the Company. The Company then purchased all of the interests of SMC in BPI on November 10, 2010, comprising 40% of the issued and outstanding capital stock of BPI. The outstanding portion of the purchase price for the said shares will be paid by the Company to SMC upon transfer by SMC of the remaining eight San Miguel Land titles in the name of BPI.

The Company financed its acquisition of the interests of SMC in IBI and BPI by issuing Philippine peso-denominated fixed rate bonds in the aggregate principal amount of ₱38.8 billion ("Series ABC Bonds") in April 2009. The Company again issued fixed rate bonds in the aggregate principal amount of ₱20 billion ("Series DEF Bonds") to refinance the Series A of the Series ABC Bonds when it matured in April 2012. The outstanding Series ABC Bonds and Series DEF Bonds are listed on the PDEX.

The Company's Common Shares were listed on the PSE on May 12, 2008 following an initial public offering conducted in April to May 2008. Kirin thereafter acquired a 48.39% shareholding in the Company in 2009, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC retained majority ownership of the Company with shareholding of 51%.

The Company geographically expanded its operations when it acquired the international beer and malt-based beverage business of SMC in January 2010, through its purchase of the 100% issued and outstanding capital stock of SMBIL, from San Miguel Holdings Limited, a wholly-owned subsidiary of SMC. The SMBIL group operates one brewery each in Indonesia, Vietnam, Thailand and Hong Kong, and two breweries in China. As of December 31, 2013, international operations account for 19% of the total revenues of the Group. SMBIL's beer brands in the international market include the San Miguel beer brands, and local brands such as *Blue Star*, *Anker* and *Dragon*.

Meanwhile, the amended rules on minimum public ownership of the PSE took effect on January 1, 2012. Following the SEC's denial of all requests made (including the request of the Company) for the extension of the grace period for listed companies to comply with the PSE's minimum public ownership requirement and the PSE's imposition of a trading suspension on the Common Shares of the Company effective January 1, 2013 as a result of such denial, the Board of Directors of the Company approved the voluntary delisting of the Company's Common Shares from the PSE on February 15, 2013. To comply with the PSE requirements on voluntary delisting, the Company undertook a tender offer to buy back all of the Common Shares held by the public (other than those held by its major stockholders and directors) at an offer price of ₱20.00 per Common Share. A total of 51,425,799 Common Shares were tendered and accepted for payment. The PSE approved the Company's petition for voluntary delisting on April 24, 2013 and the Common Shares of the Company were delisted from the PSE effective May 15, 2013.

Other than the foregoing, or as may be disclosed under the Section "*Management's Discussion And Analysis Of Financial Position And Financial Performance*" of this Prospectus, there was no bankruptcy, receivership or similar proceeding or material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets by the Company which is not in the ordinary course of business since 2010.

Strengths

The Company believes that its principal strengths include the following:

- ***Dominant market share and brand leadership.*** From a single product produced in a single brewery in 1890, San Miguel beer has, over 123 years later, grown into an array of popular beer products catering to the distinct tastes and preferences of beer drinkers across all segments and markets in the Philippines. *San Miguel Pale Pilsen*, the Company's flagship brand, has been an iconic Philippine brand for most of the 20th century and up to today. After considering the Filipino beer drinker's evolving preferences, other brands and products have been introduced, and these have been very successful. Today, the Company offers a portfolio of 11 strong and popular brands: *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light*, *San Miguel Super Dry*, *Cerveza Negra*, *Gold Eagle*, *San Miguel Premium All-Malt*, *San Miguel Flavored Beer*, *San Mig Zero*, *Oktoberfest Brew* (a seasonal beer), and *Cali*, the country's only malt-based non-alcoholic drink. The various products carry distinct attributes that cater to the various segments of the Philippine beer market. The Company's products have been internationally recognized for quality, garnering more than 70 gold, silver and bronze medals as well as more than ten trophies and awards from the Monde Selection International since 2000.
- ***Strong brand Equity.*** *The Company's products* have consistently dominated the market for beer in the Philippines, the country's largest alcoholic beverage segment. Based on Canadian data, the Company's products captured a high market share of 90% in 2012. The country's top four beer brands are all produced by the Company. Unlike most other markets for beer, in the Philippines, imported brands account for only 0.2% of the market, with distribution primarily in upscale bars, hotels and modern trade channels. Despite the entry of local competition in 1981 and the introduction of a few locally brewed versions of foreign brands, the Company has maintained an extremely strong market position. The popular acceptance and widespread availability of the Company's products have helped strengthen market position over the years. The Company's size and scale of operations provide significant economies of scale in production, research and development, distribution, and managerial and marketing functions over a diversified product portfolio and geographic base. Its size also results in substantial leverage and significant bargaining power with suppliers and retailers.
- ***Ownership of Events.*** The Company conducts trademark nationwide and local events such as San Miguel Oktoberfest, Red Horse Muziklaban, Sarap Mag Babad summer program and National Beer Drinking Contest. It also has a dominant presence in major fiestas and festivals, thereby increasing brand exposure to the consumers.

- ***Efficient Manufacturing Process.***
 - ***Proximity of Production Facilities to Consumer Markets.*** To ensure product availability and freshness, as well as to minimize distribution costs, the Company maintains a network of six production facilities that are strategically located in the three main islands of the Philippines: Luzon, Visayas and Mindanao. The Company has facilities in each of Valenzuela City in Metro Manila, Sta. Rosa City in Laguna, San Fernando City in Pampanga, Mandaue City in Cebu, Bacolod City in Negros Occidental and Davao City, Sta. Cruz in Davao del Sur, with a total annual production capacity of approximately 17 million hectoliters. The facilities are equipped with automated equipment capable of brewing and packaging the Company's products in a variety of sizes and formats, including bottles, cans, and kegs. The strategic location of the Company's production facilities reduces overall risks by having alternative product sources to avert possible shortages and meet surges in demand in any part of the country. This also assists the Company in ensuring that the beer is freshly delivered to dealers and retailers at an optimal cost. The archipelagic nature of Philippine geography and the relative difficulty of transporting products to the country's substantial rural population make these dispersed production facilities particularly valuable.
 - ***Cost Leadership.*** The Company maintains a strong cost leadership position through high productivity and efficiency, as well as cost control measures, which facilitate pricing flexibility and greater profit growth by maintaining the Company's margins. The Company's product quality initiatives, process enhancements, and improvement programs for plant operations and facilities management are all expected to be sustained. The Company continuously implements process optimization efforts and technology enhancements to generate cost savings.
- ***Extensive Distribution System and Wide Dealership Network.*** The Company has a far-reaching and efficient distribution system in the Philippines. The Company's 50 sales offices, contracted logistics service providers and transportation assets including hauling trucks, routing trucks, pre-sell vans and service pick-ups and its network of close to 500 dealers across the Philippines enable it to maintain optimum stock levels in terms of quality and quantity in approximately 500,000 on-premise and off-premise outlets nationwide. The Company's products from any one of the Company's six production facilities reach sales offices or dealer warehouses within five days from production date. The sales office or dealer then delivers the beer to the wholesaler or retailer promptly afterward, ensuring ample stock and quality wherever and whenever the Company's products are needed.
- ***Returnable Glass Bottle System.*** The Company's returnable glass bottle system helps keep the price of its beer products affordable. The Company is able to achieve more than 90% retrieval rate for its bottles, maximizing bottle usage and substantially reducing its packaging costs.
- ***Positioned in strategic growth markets in Asia-Pacific with a broad portfolio of San Miguel and local brands.*** The Company through its subsidiary, SMBIL, has business operations in five countries which are major beer markets in Asia and offer attractive growth prospects in the medium-term (i.e., China, Hong Kong, Vietnam, Indonesia and Thailand). SMBIL has a broad portfolio of strong international and local brands, with the premium brand San Miguel growing in most of its international markets while local brands *Blue Star* in Baoding in northern China and *Anker* in Indonesia remain as major brands in their respective markets. SMBIL also employs focused sales and distribution systems and owns six breweries which have a total production capacity of approximately seven million hectoliters to support its operations. The Company's footprint in the global beer market is also backed by SMBIL's export operations which cover over 40 markets worldwide.
- ***Financial Strength.*** The Company has consistently shown a strong financial position with attractive growth prospects. Sales growth and cost efficiencies have resulted in consistently high EBITDA margins. The Company continues to exhibit strong cash flows due to efficient working capital management and prudent capital expenditure programs.
- ***Highly Experienced Management and Production Team.*** The Company has an extensive pool of experienced managers, with many senior managers having been with the Company for an average of 20 years. The management team is well accustomed to the Philippine operating environment, and has been able to effectively manage the Company through periods of crisis and instability in the Philippines. The Company also has established experts in its production process, including more than 35 brewmasters, each

of whom has completed advanced training and has more than ten years of on-the-job-training experience working for the Company.

Strategy for Domestic Operations

The Company's principal strategy is to increase the volume of its beer sales, both by asserting its market leadership and by increasing the size of the market, while maintaining its margins. It plans to achieve this through the following:

- **Assert market leadership.** The Company intends to fortify its market leadership in the beer and alcoholic industry by ensuring that its products offer relevant and compelling value proposition to consumers. Volume-generating and brand-building programs consisting of thematic campaigns, visibility initiatives and below-the-line activities will be pursued in an integrated manner, complemented by enhanced trade efficiencies via intensified outlet penetration, availability programs, price campaigns and other trade initiatives. Furthermore, it plans to execute targeted sales and marketing initiatives in the regions and localities where the Company's market share is relatively lower than national average and where competition is aggressive. In the broader alcoholic industry, the Company intends to gain market share primarily through intensified defense programs against competition from other alcoholic products and outlet expansion programs.
- **Further grow the overall market for beer.** The Company also plans to increase its sales volume by increasing the total market for beer sales. The Company's primary strategies to achieve this include:
 - **Segmented pricing strategy.** The Company intends to keep its products affordable for the middle and lower socio-economic sectors by maintaining a moderate pricing strategy for its products in the Popular and Economy markets, where sales are highly price elastic. For the more upscale, or Upper Popular market, where sales are less price elastic, the Company plans to sustain the higher price positioning of its specialty brands, supported by image-building activities to strengthen their premium positioning and improve their profitability. In the medium term, the Company intends to sustain the different price points among segments to ensure coverage of all market segments while sustaining a healthy brand mix.
 - **Enhancing the value proposition of its products.** The Company intends to enhance the value proposition of its products via relevant brand-building initiatives backed by on-ground activations. These will enable the Company to strengthen patronage for its products as well as take advantage of segment-specific growth opportunities and shifts in consumer profile and patterns.

Programs and initiatives to protect its core customers and strengthen preference of new and younger drinkers for the Company's brands will be pursued. The Company expects to further grow its main brands *San Miguel Pale Pilsen*, *Red Horse* and *San Mig Light* through the brand-building initiatives, demand-generating programs, on-ground and digital activations as well as special events aligned with the respective positioning of these brands in the market. Examples of brand-building activities previously implemented include advertising campaigns for *San Miguel Pale Pilsen* using famous endorsers such as Vic Sotto, Kris Aquino and Allan Pineda (a.k.a. apl.de.ap) under the "Walang Katulad" ("Beer like no other"), "Ito ang Beer" ("This is the Standard of Beers") and "Homecoming" campaigns while demand-generating programs include beerhouse and bar tours and various consumer promotions.

For the Company's specialty brands, including *San Miguel Premium All-Malt*, *Cerveza Negra* and *San Miguel Super Dry*, the Company plans to focus on key on-premise and off-premise outlets through visibility and volume-generating efforts such as bars tours, merchandising programs and online initiatives.

- **Increase size of the upscale segment and tap emerging consumer segments and channels.** The Upper Premium and Premium markets for beer in the Philippines are relatively small segments, but they play important roles in brand-building and overall market development. The segments offer promising prospects, underpinned by rising consumer incomes, increasing consumer sophistication, rapidly changing drinker habits and preferences, as well as increasing urbanization. The Company intends to support programs to develop the upscale segment of the beer industry through higher-priced and higher-margin specialty products. For example, in August 2008, the Company launched *San Miguel*

Premium All-Malt and *Oktoberfest Brew*, a seasonal beer, which are positioned in the Upper Premium and Upper Popular segments, respectively. With this strategy, the Company aims to take advantage of opportunities in segmenting the market as well as pre-empting the incursion of foreign brands. Relative to other Asian countries, the Philippine beer market offers greater potential with regard to premium pricing of brands given the current relatively narrow price gap between the Premium and Upper Popular brands. In addition to the upscale segment, the Company intends to continuously tap new growth segments such as the business process outsourcing sector, overseas Filipino workers, and tourism sector through initiatives tailor-fit for these segments and utilization of channels which cater to these markets. The Company also recognizes the importance of fast-growing modern trade channels such as large supermarket chains, hypermarkets and modern convenience stores in marketing and carrying its products to consumers, especially in urban areas. Accordingly, the Company is implementing sales and marketing programs in these emerging segments which offer growth potential.

- ***Intensify Trade Execution and Innovation.*** The Company intends to expand its trade reach and increase the visibility and availability of its products to support volume growth. In pursuing this strategy, the Company will focus on improving trade efficiencies as well as enhance dealer operations and trade partnerships. Furthermore, the Company will likewise implement programs to improve outlet servicing, strengthen channel management as well as enhance sourcing and distribution schemes to ensure availability of the Company's products in specific channels and locations including remote areas. In the modern channel, the Company will remain focused on maximizing visibility and increasing consumer purchases.
- ***Increase sales through special events and promotions.*** The Company intends to pursue volume-generating initiatives such as innovative consumer promotions and campaigns, on-ground activations as well as occasion-creation programs and special events. Examples of these activities include the Company's dominance in town fiestas and conduct of trademark events, such as San Miguel Beer Oktoberfest, Red Horse Muziklaban, San Mig Light Party All Night, Sarap Mag Babad summer program activations as well as National Beer Drinking Contest that aim to make the beer drinking experience more relevant and closer to the consumers.
- ***Develop new products and packaging innovations.*** The Company will continue to explore the introduction of new products and innovative package formats. The Company believes this strategy can tap new consumer segments as well as address the needs of an increasingly fragmenting market. For example, to entice the entry point drinkers, the Company introduced *San Miguel Flavored Beer* in lemon and apple flavors in late 2010, the first flavored alcoholic beer in the market. Meanwhile, *San Miguel Pale Pilsen* in 330ml long neck bottle with paper label packaging was released in 2011 in selected on-premise outlets to contemporize the brand and further boost its awareness and consumption. To capitalize on the health and wellness trend, the Company introduced *San Mig Zero* in 2013 which was formulated to offer the lowest calorie, lowest carbohydrate and zero sugar proposition to health-conscious individuals. The Company likewise intends to pursue packaging innovations to capitalize on the market trends toward convenience packaging as well as increasing sophistication of consumers.
- ***Improve resource allocation and value creation in the supply chain.*** The Company aims to improve resource allocation and cost management towards programs that would create more value for the Company as well as ensure appropriate mix of advertising and promotions that would generate higher sales for the Company. In support of value creation in the supply chain, the Company intends to broaden its base for suppliers and materials to drive down costs without sacrificing quality. Third party service providers will also be managed more effectively, anchored on stronger partnership and shared objectives. Process and productivity improvements will be vigorously pursued in the different stages and areas of production, distribution and promotions to deliver products of superior quality while protecting profitability.

Strategy for International Operations

In the international beer business, the overall objective of SMBIL is to achieve strong volume and profit growth trend following the improvement in its performance. This will be achieved through market-specific programs that cater to local tastes and preferences while pursuing an integrated and consistent campaign for San Miguel beer brands in the region. In particular, key strategies include the following:

- ***Strengthening the portfolio of local and international brands.*** SMBIL intends to further push the appropriate combination of local and international brands in its operating units to capitalize on the varied preferences of consumers in the international markets and pursue healthy, profitable brand mix.
- ***Accelerating the expansion of San Miguel brand.*** SMBIL aims to accelerate growth of San Miguel beer brands mainly *San Miguel Pale Pilsen* and *San Mig Light*, consistent with the Company's thrust to promote San Miguel as the lead brand in the Group's portfolio in the international markets. This will be done primarily through consumer and trade and consumer promotions, events as well as development of new advertising campaigns and creative merchandising materials.
- ***Improving sales and distribution management.*** Supporting the thrust on volume expansion and appropriate brand mix is the objective of improving the efficiency of sales and distribution. This involves strengthening the management of dealers/wholesalers, outlet and channel-specific programs such as bar games, sports-viewing parties and promotions aligned with the respective brands' positioning. SMBIL also aims to strengthen its position in its core markets through increasing outlet penetration in existing areas as well as geographic expansion to new territories. SMBIL will also grow volumes in markets beyond Asia and the Middle East.
- ***Cost reduction and efficiency improvements.*** To increase the cost competitiveness of SMBIL, efficiency programs and cost containment measures will be implemented in the different aspects of the business such as logistics, manufacturing, sales, procurement and marketing. Processes are regularly evaluated for optimization, capability-building and development of potential synergies, where applicable, among the different units. For example, SMBIL intends to reduce freight and distribution costs through improvements in sourcing and ordering of stocks as well as implementation of packaging improvements, lower cost formulation and procurement of materials on a regional scale, among others.

RISKS OF INVESTING

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Bonds. These risks include:

- risks relating to the Company and its business, including:
 - The Company's business and prospects may be adversely affected by changes in consumers' preferences or purchasing power.
 - The Company's financial position and financial performance may be adversely affected by any disruptions in the supply of, or the price fluctuations for, its major raw materials.
 - Demand for the Company's products is highly price elastic, and if the Company increases its prices, sales volumes may fall, which may negatively affect the Company's financial results and financial performance.
 - The Company may not be successful in implementing its strategy to increase its sales volume.
 - Competition in the Company's businesses and markets may cause the Company to lose market share or reduce its operating margins, which could adversely affect its financial performance and financial position.
 - The Company depends on trademarks and proprietary rights to enhance its reputation, and infringement of these rights could adversely affect the Company's competitive position; reputational issues involving other entities entitled to use the brands and trademarks used by the Company could also adversely affect the Company.
 - The Company is dependent on third parties in certain critical areas of its operations.
 - The Company's controlling shareholders have interests in directly competing businesses.
 - The Company's business and sales are affected by seasonality.

- The Company depends on certain key personnel, and its business and growth prospects may be disrupted if their services were lost.
- Under certain circumstances, the Company may not be able to meet increased demand for its products and may have to incur significant additional capital expenditures to avoid capacity constraints.
- Consolidation of sales channels in the Philippines may adversely affect the Company's financial position and financial performance.
- Product liability claims or other circumstances could harm the integrity and customer support for the Company's brands and adversely affect the sales of its products.
- Changes in the dealership network may disrupt or adversely affect the distribution of the Company's products.
- Regulatory decisions and changes in the legal and regulatory environment in which the Company operates could limit its business activities or increase its operating costs.
- Increases in excise tax rates applicable to beer or increases in other taxes to which the Company is subject may reduce consumption of the Company's products or the Company's margins or reduce both.
- Philippine environmental laws and regulations create potential liabilities should the Company fail to comply with prescribed environmental standards and limits.
- Outbreaks of disease may dampen demand for the Company's products and may therefore adversely affect the Company's financial position and financial performance.
- risks relating to the Philippines, including:
 - Political or social instability and acts of terrorism in the Philippines could have a negative effect on the financial position and business of the Company.
 - The Company's business and sales may be negatively affected by economic instability in the Philippines as a result of the continued slow recovery of the global economy or other factors adversely affecting the country's economic performance.
 - If foreign exchange controls were to be imposed, the Company's ability to purchase imported raw materials, primarily malted barley and technically advanced equipment, could be adversely affected.
 - The occurrence of natural catastrophes such as flooding, typhoons and earthquakes or power outages may materially disrupt the Company's operations.
- risks relating to the Offer, including:
 - There is no assurance that a market for the Bonds will exist, and the Bonds may offer limited liquidity.
 - The Bonds may be redeemed prior to Maturity Date upon the occurrence of certain events such as change in taxation or regulation, or the exercise by the Company of the redemption option.
- risks relating to certain statistical information in this Prospectus:

Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the Company's business operates have not been independently verified and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines.

Please refer to the Section of this Prospectus entitled "*Risk Factors*," which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with the purchase of the Bonds.

SUMMARY OF FINANCIAL AND OPERATING INFORMATION

The following tables present summary financial information for the Company and should be read in conjunction with the report of independent auditors, Group's audited historical financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Position and Financial Performance."

The information below is not indicative of the results of future operations.

Audited Consolidated Financial Statements			
For the Years Ended December 31			
2013	2012	2011	
	As restated	As restated	
(In Millions, Except Per Share Data)			
Statements of Income ⁽¹⁾			
Sales	₱ 75,053	₱ 75,580	₱ 71,910
Cost of sales	(39,405)	(38,030)	(36,827)
Gross Profit	35,648	37,550	35,083
Selling and administrative expenses	(14,094)	(15,217)	(14,641)
Operating Income	21,554	22,333	20,442
Interest expense and other financing charges	(3,872)	(4,072)	(4,132)
Interest income	463	724	658
Reversals (losses) on impairment of noncurrent assets - net	-	1,367	(30)
Other income (charges) - net	(294)	586	402
Income Before Income Tax	17,851	20,938	17,340
Income tax expense	(5,330)	(5,840)	(5,183)
Net Income	₱ 12,521	₱ 15,098	₱ 12,157
Attributable to:			
Equity holders of the Company	₱ 12,051	₱ 14,360	₱ 11,940
Non-controlling interests	470	738	217
	₱ 12,521	₱ 15,098	₱ 12,157
Basic and Diluted Earnings per share ⁽²⁾	₱ 0.78	₱ 0.93	₱ 0.77
Number of shares outstanding	15,359	15,410	15,410

December 31			
January 1			
2013	2012	2012	
	As restated	As restated	
(In Millions)			
Statements of Financial Position ⁽¹⁾			
Current Assets			
Cash and cash equivalents	₱ 14,198	₱ 21,959	₱ 18,279
Trade and other receivables - net	6,352	4,997	4,977
Inventories	3,254	3,134	3,370
Prepaid expenses and other current assets	938	933	996
Total Current Assets	24,742	31,023	27,622
Noncurrent Assets			
Investments - net	62	63	132
Property, plant and equipment - net	20,544	20,539	20,214
Investment property - net	733	703	664
Intangible assets - net	36,009	35,849	36,063
Deferred tax assets	1,909	1,260	1,106
Other noncurrent assets - net	8,911	7,189	6,288
Total Noncurrent Assets	68,168	65,603	64,467

Total Assets	<u>₱ 92,910</u>	<u>₱ 96,626</u>	<u>₱ 92,089</u>
	December 31		
	2013	2012	January 1
		As restated	2012
			As restated
	(In Millions)		
Current Liabilities			
Loans payable	₱ -	₱ -	₱ 1,857
Accounts payable and accrued expenses	7,861	7,640	7,296
Income and other taxes payable	2,869	2,761	2,606
Current maturities of long-term debt-net of debt issue costs	22,386	459	13,577
Total Current Liabilities	<u>33,116</u>	<u>10,860</u>	<u>25,336</u>
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	22,627	51,763	37,962
Deferred tax liabilities	17	19	35
Other noncurrent liabilities	4,115	3,379	2,828
Total Noncurrent Liabilities	<u>26,759</u>	<u>55,161</u>	<u>40,825</u>
Total Liabilities	<u>59,875</u>	<u>66,021</u>	<u>66,161</u>
Equity			
Capital Stock	15,410	15,410	15,410
Additional paid-in capital	515	515	515
Cumulative translation adjustments	(847)	(1,502)	(673)
Reserve for retirement plan	(2,870)	(2,202)	(1,867)
Retained Earnings	19,740	16,312	10,584
Treasury Stock	(1,029)	-	-
	<u>30,919</u>	<u>28,533</u>	<u>23,969</u>
Non-controlling interests	2,116	2,072	1,959
Total Equity	<u>33,035</u>	<u>30,605</u>	<u>25,928</u>
Total Liabilities and Equity	<u>₱ 92,910</u>	<u>₱ 96,626</u>	<u>₱ 92,089</u>

Cash Flows

Net cash flows provided by (used in):

Operating activities	₱ 13,670	₱ 16,799	₱ 14,344
Investing activities	(3,839)	(3,136)	(2,302)
Financing activities	(17,918)	(9,689)	(8,842)
Effect of exchange rate changes on cash and cash equivalents	326	(294)	3
Net increase (decrease) in cash and cash equivalents	(7,761)	3,680	3,203
Cash and cash equivalents at beginning of year	21,959	18,279	15,076
Cash and cash equivalents at end of year	<u>₱ 14,198</u>	<u>₱ 21,959</u>	<u>₱ 18,279</u>

	For the Years Ended December 31		
Other Financial and Operating Data	2013	2012	2011
EBITDA ⁽³⁾	₱ 24,614	₱ 25,735	₱ 23,837
EBIT ⁽³⁾	21,544	22,333	20,442
Capital Expenditure	1,022	790	1,778
Depreciation and amortization	2,900	3,383	2,631
Gross profit margin	47.5%	49.7%	48.8%

Other Financial and Operating Data	For the Years Ended December 31		
	2013	2012	2011
EBITDA margin	32.8%	34.0%	33.1%
EBIT margin	28.7%	29.5%	28.4%

Notes:

- (1) The Consolidated Statements of Income and Consolidated Statements of Financial Position for the years ended and as at December 31, 2013, 2012 and 2011 refer to the consolidated accounts of the Company, IBI, BPI and SMBIL.
- (2) Computed as net income attributable to equity holders of the Company divided by the weighted average number of Common Shares issued and outstanding each period.
- (3) EBITDA and EBIT are measures used by the Company's management to internally evaluate the performance of its business. EBITDA means, in respect of any Relevant Period, the net operating income of the Company: (a) before any provision on account of taxation; (b) before any interest, commission, discounts, fees, prepayment penalties or premiums and other finance payments incurred or payable, received or receivable by the Company in respect of the Company's total indebtedness for borrowed money; (c) before any items treated as exceptional or extraordinary items; and (d) before any amount attributable to the amortization of intangible assets and depreciation of tangible assets. Neither EBITDA nor EBIT is a measure determined in accordance with PFRS or IFRS, and should not be considered as an alternative to net income as a measure of operating performance or to cash flow as a measure of liquidity. The items of net income excluded from EBITDA are significant components in understanding and assessing the Company's financial performance. Neither EBITDA nor EBIT is intended to be a measure of free cash flow for management's discretionary use, as it does not reflect certain cash requirements such as interest payments, tax payments and capital expenditures. The Company's calculation of EBITDA and EBIT may be different from the calculation used by other companies and, as a result, the Company's EBITDA and EBIT may not be comparable to other similarly titled measures of other companies.

SUMMARY OF THE OFFER

The following summary is qualified in its entirety by, and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus.

Issuer	:	San Miguel Brewery Inc.
Instrument	:	Philippine Peso denominated fixed rate bonds with terms of seven years and ten years to be issued by the Issuer up to an aggregate principal amount of Fifteen Billion Pesos (₱15,000,000,000) consisting of Series G Bonds and Series H Bonds, subject to the option on the part of the Company to increase such amount by up to ₱5,000,000,000 in case of oversubscription.
Use of Proceeds	:	To support the Company's redemption of the Series B Bonds.
Issue Price	:	100% of the face value for Series G Bonds and Series H Bonds.
Form and Denomination of the Bonds	:	The Bonds will be issued in scripless form in denominations of ₱50,000.00, as a minimum, and in integral multiples of ₱10,000.00 in excess thereof.
Offer Period	:	The Offer shall commence at 9:00 a.m. on March 17, 2014 and end at 5:00 p.m. on March 25, 2014 or such other dates as may be determined by the Issuer and the Issue Manager.
Issue Date	:	April 2, 2014 or such other date as the Issuer and the Issue Manager may agree in writing, provided that such date shall be a date which is within the validity of the SEC Permit to Sell Securities.
Maturity Date	:	Series G: April 2, 2021 Series H: April 2, 2024
Interest Rate	:	Series G: 5.50% Series H: 6.00%
Interest Payment Date	:	The interest shall be payable starting October 2, 2014 and every April 2 and October 2 thereafter until the respective Maturity Dates of the Bonds. Interest on the Bonds will be calculated on a 30/360-day count basis.

An Interest Payment Date shall be automatically adjusted to fall on the immediately succeeding Business Day if the Interest Payment Date falls on a non-Business Day, but there shall be no adjustment in the amount of interest as originally computed. Interest on the first Interest Payment Date will cover the period from and including the Issue Date up to but excluding such Interest Payment Date. Subsequent interest payments shall be reckoned from and shall include the last Interest Payment Date up to but excluding the next Interest Payment Date.

Optional Redemption : The Issuer may (but shall not be obliged to) redeem all (and not a part only) of any series of the outstanding Bonds on (i) the 11th Interest Payment Date for the Series G Bonds and (ii) the 14th, 16th or the 18th Interest Payment Date for the Series H Bonds.

Optional Redemption Amount Sum of (i) accrued interest on the Bonds on the Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

	Optional Redemption Dates	Optional Redemption Price
Series G	11 th Interest Payment Date	101.0%
Series H	14 th Interest Payment Date	102.0%
	16 th Interest Payment Date	101.0%
	18 th Interest Payment Date	100.5%

Final Redemption : The Bonds will be redeemed at 100% face value on each of their respective Maturity Dates.

RISK FACTORS

An investment in the Bonds involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There may be a large difference between the buying price and the selling price of these securities. Investors deal with a range of investments, each of which may carry a different level of risk. This section entitled “Risk Factors” does not purport to disclose all of the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors may request publicly available information on the Bonds and the Company from the SEC. Each Investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of, the securities to be invested in or the nature of risks involved in the trading of securities.

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Prospectus, before making any investment decision relating to the Bonds. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company’s business, financial performance, financial position and prospects and the investors may lose all or part of their investment.

The means by which the Company plans to address the risks discussed herein are principally presented in the sections of this Prospectus entitled “Business Overview — Strengths,” “Business Overview — Strategies” and “Management’s Discussion and Analysis of Financial Position and Financial Performance.”

RISKS RELATED TO THE COMPANY

Changes in consumers’ preferences or purchasing power

The ability of the Company to successfully launch new products and maintain demand for its existing products depends on the acceptance of these products by consumers, as well as the purchasing power of consumers. Consumer preferences may shift because of a variety of reasons, including changes in demographic and social trends or changes in leisure activity patterns. For example, younger drinkers tend to be less loyal to any brand or any type of drink than the previous generation of drinkers. Concerns about health effects due to negative publicity regarding alcohol consumption or other factors may also affect consumers’ purchasing patterns. If the Company does not respond effectively to changes in consumer preference, the Company’s business and prospects may be adversely affected.

Sales of beer are also tied closely to consumers’ purchasing power and disposable income levels. Adverse economic developments in the Philippines may affect consumers’ purchasing power and disposable income levels, thereby adversely affecting the Company’s financial performance and financial position. For example, in periods of economic uncertainty or downturns, consumers may purchase more hard liquor and less beer or they may purchase less alcoholic beverages, either of which would affect the Company’s financial performance. The Company intends to enhance the value proposition of its products which would make the Company’s business and prospects more closely related to the consumer’s needs. A significant decrease in disposable income levels or consumer purchasing power in the Company’s target markets could materially and adversely affect the Company’s financial position and financial performance.

For more information, see “Business Overview — Strategies” on page 70 of this Prospectus.

Availability and prices of major raw materials

The Company’s products depend on raw materials that the Company procures from third parties, including purchases of critical raw materials, primarily malted barley and non-malted grains, from abroad and domestic sources and the water supply for Polo Brewery. Certain 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. Although the Company actively monitors the availability and prices of raw materials, there can be no assurance that these items will be supplied in adequate quantities to meet the

Company's needs or will not be subject to significant price fluctuations in the future. While the Company may, in certain limited instances, be able to shift to alternative raw materials used in the production of its products, the Company cannot assure prospective investors that it will be able to reduce its reliance on these raw materials in the future. The Company does not fully hedge against commodity prices and any such hedging may not work as planned. Moreover, the market prices of raw materials may increase significantly if there are material shortages due to, among other things, competing usage or drastic changes in weather or natural disasters. The Company cannot assure prospective investors that it will be able to pass increases in product costs to consumers. As a result, any significant shortages or material increase in the market price of such raw materials may have a material adverse effect on the Company's financial position and financial performance.

For more information, see "*Business Overview – Raw Materials*" on page 76 of this Prospectus.

Price sensitive market

The substantial majority of beer drinkers in the Philippines belong to the lower socio-economic classes, where discretionary income is limited. Accordingly, the beer market in the Philippines is highly price elastic. If the Company raises the prices of its products, sales volumes will likely decline or slow down. On April 1, 2008, the Company raised the selling prices of its beer products by an average of 7%, primarily in response to sharp increases in the prices of the Company's raw materials in 2007 and 2008. Despite the cost pressures and price increases, however, the Company's sales volume still grew by 4% in 2008, albeit at a slower rate than its hefty volume growth in 2007. Recently, subsequent price increases were implemented (in late 2012 and early 2013) to cover for higher business costs and the significant hike in excise taxes in January 2013, slowing down sales performance in 2013. Price elasticity of demand for the Company's products may limit the Company's ability to pass on increases in excise taxes, raw material costs or other expenses, which may negatively affect the Company's financial results and financial performance.

For more information, see "*Business Overview — Strategies*" on page 70 of this Prospectus.

Implementation of strategies

The Company has a strategy to increase its sales by increasing its market share, in terms of both the beer market and the overall market for alcoholic beverages, and by increasing the total size of the beer market. Both parts of this strategy involve uncertainties and risks, and the Company can offer potential investors no assurance that it will be successful in implementing its strategy. For example, the Company's strategy to increase its sales of higher-priced, higher-margin products depends on its ability to convince consumers to pay more than they have historically paid for beer, and the Company may not be successful in this respect, either for its existing higher-priced products or in respect of any new products that it may introduce. Failure by the Company to implement its strategy to increase the volume of its sales would negatively affect the Company's financial results and growth prospects.

For more information, see "*Business Overview — Strategies*" on page 70 of this Prospectus.

Competition in the business

The Company operates in a competitive environment. The Philippine alcoholic beverage industry in general is highly competitive, and, while the Company estimates that it has the largest market share in the Philippines with respect to beer, the Company cannot assure prospective investors that it will be able to maintain its current market share for beer, or that it will be able to increase its market share in the future. The Company faces competition from another domestic producer, which sells both its own brand and foreign brands it produces under license, and from foreign brewers. The Company also competes with producers of other alcoholic beverages, primarily gin, rum, brandy and recently, 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. The Company also competes with other discretionary items, including both other food and beverage products and other goods and services generally. The consolidation of the Company's competitors, the entrance of a new, larger competitor into the Philippine market, or unanticipated actions or irrational behavior by existing competitors, could lead to downward pressure on prices or a decline in the Company's market share. Any such event could materially and adversely affect the Company's financial position and financial performance.

For more information, see “Business Overview — Strategies” and “*Business Overview – Competition*” on pages 70 and 80, respectively, of this Prospectus.

Dependence on trademarks and proprietary rights

The Company, through IBI and SMBIL, owns various brand names and related trademarks and other intellectual property rights to prepare, package, advertise, distribute and sell its products in and outside the Philippines. The use of these brand names and related intellectual property rights is key to maintaining the Company’s distinctive corporate and market identities. If other parties sell products that use counterfeit versions of the Company’s brands or otherwise look like the Company’s brands, consumers may confuse the Company’s products with products that they consider inferior. This could cause consumers to refrain from purchasing the Company’s brands in the future and adversely affect the Company’s brand image and sales. Any failure by the Company to protect its proprietary rights could have an adverse effect on the Company’s competitive position.

In addition to risks from infringement, certain brands and trademarks used by the Company, such as the San Miguel name and escudo, can also be used for other products produced by the SMC Group or other entities that SMC has licensed them to. As such, the Company’s brand image could also be negatively affected by product quality or other reputational issues caused by these other users of the brands and trademarks. Any damage to the Company’s brand image caused by other users of the brands and trademarks could have an adverse effect on the Company’s sales and financial performance.

Reliance on third parties

The Company relies on third parties, including certain subsidiaries of SMC, in a number of critical areas of its operations, including packaging requirements, distribution and logistics services, for its finished products and certain raw material supplies. Additionally, the Company requires the services of SMC for certain corporate functions including treasury management and services related to mergers and acquisitions. If a majority of these third parties including SMC and its subsidiaries were to fail to provide these services or materials to the Company, the Company’s business could be negatively affected, including its financial performance and growth prospects.

Controlling shareholders’ interest in directly competing businesses

As of December 31 2013, the Company’s controlling shareholders are SMC and Kirin which holds approximately 51.09% and 48.48%, respectively, of the Company’s issued and outstanding Common Shares. SMC and Kirin are able to influence the Company’s business through their ability to control actions that require majority shareholders’ approval and through their representatives on the Company’s Board of Directors. SMC and Kirin may engage in activities that conflict with the Company’s interests. For example, a subsidiary of SMC is a major producer of hard liquor in the Philippines, a product that competes directly with many of the Company’s products. SMC may take actions through that subsidiary, such as pricing or marketing activities, that could cause the Company’s sales or margins to decrease. Kirin, on the other hand, has its own brands of beer, which it produces and sells outside of the Philippines. Kirin could take actions through these beer products, such as competing with the Company in markets outside the Philippines, which would not be in the best interest of the Company or its other shareholders or creditors.

In addition, the Company believes that it benefits from its ongoing relationship with SMC and Kirin and some of their subsidiaries and affiliates through their global reach and relationships. The Company cannot assure potential investors that SMC and Kirin will continue to enable the Company to benefit from these relationships in the future.

Seasonality of the business

The Company’s sales are affected by seasonality in customer purchase patterns. In the Philippines, alcoholic beverages, including those produced by the Company, experience increased sales during the summer and Christmas season and typically decline in the third quarter as a result of rainy weather. However, seasonality pattern for beer demand exhibited changes in recent years primarily in view of climate change affecting weather pattern (e.g., heavy rains, onslaught of typhoons, storm surges and drought). As a result of this pattern, the Company’s financial position and financial performance may fluctuate significantly from quarter to quarter.

For more information, see “*Business Overview — Strategies*” on page 70 of this Prospectus.

Dependence on key personnel

The Company’s future success is dependent upon the continued service of its key executives and employees. The Company cannot assure potential investors that it will be able to retain these executives and employees. If many of its key personnel were unable or unwilling to continue in their present positions, or if they joined a competitor or formed a competing company, the Company may not be able to replace them easily, and the business of the Company may be significantly disrupted and its financial position and financial performance may be materially and adversely affected. For example, the Company has more than 35 brewmasters, a position critical to its manufacture of beer. These brewmasters typically have degrees in chemistry or chemical engineering, and each of them has over ten years of on-the-job-training experience working for the Company, making them difficult to replace. The Company cannot assure potential investors that it will be able to attract and retain the key personnel that it needs to achieve its business objectives.

For more information, see “*Business Overview — Brewing Technology and Product Development*” on page 77 of this Prospectus.

Production capabilities

Although the Company continuously seeks to enhance the efficiency and manufacturing capabilities of its production facilities, the Company may, from time to time, experience production difficulties that may cause shortages and delays in deliveries, as is common in the manufacturing industry. The Company cannot assure prospective investors that it will not experience production difficulties in the future and cannot assure prospective investors that it will be able to increase the efficiency and manufacturing capabilities of its production facilities in line with increased customer demand in the future. Furthermore, the Company cannot assure prospective investors that it will be able to meet increasing demand for its products without having to incur significant additional capital expenditures in the future.

For more information, see “*Business Overview – Production*” on page 76 of this Prospectus.

Consolidation of sales channels in the Philippines

The Philippine retail market has historically been highly fragmented and dominated by numerous small neighborhood stores. These small neighborhood stores serve limited geographical areas and purchase relatively small quantities of the Company’s products from dealers and larger supermarkets. In recent years, the modern trade outlets such as supermarkets, hypermarkets and convenience stores have increased presence in the Philippines. There is a risk that the Company’s business may become concentrated in fewer, larger customers, which could increase the relative bargaining power of these customers. The Company cannot assure prospective investors that these customers will not exert downward pressure on wholesale prices of the Company’s products, which may adversely affect the Company’s financial position and financial performance.

For more information, see “*Business Overview — Strategies*” on page 70 of this Prospectus.

Product liability claims

The success of the Company depends in large part upon consumers’ perception of its brands. The contamination of products by bacteria or other external agents, whether arising accidentally or through deliberate third party action, could result in product liability claims. Product liability claims, whether or not they are successful, could adversely affect the reputation of the brands used by the Company and the sales by the Company. Any of the problems mentioned above may adversely affect the Company’s reputation and its ability to charge a premium for its products, which may result in reduced sales and profitability of the affected brand or all of the Company’s brands.

Changes in the dealership network

The Company’s products are primarily sold through dealers. Although many of these dealers have been dealing with the Company for many years, there is no assurance that these dealers will continue to purchase and distribute the Company’s products, or that these dealers can continue to effectively distribute the Company’s

products without delays or interruptions. In addition, the financial instability of, contractual disputes with, or labor disruptions at, the Company's dealers could disrupt the distribution of the Company's products and adversely affect the Company's business.

For more information, see "*Business Overview — Strengths*" on page 68 of this Prospectus and "*Business Overview — Sales and Distribution*" on page 78 of this Prospectus.

Changes in the legal and regulatory environment

Regulatory decisions or changes in the legal and regulatory requirements in a number of areas may have adverse effects on the Company's business. In particular, governmental bodies may subject the Company to actions such as product recall, seizure of products and other sanctions, any of which could have an adverse effect on the Company's sales. These governmental bodies may also impose limitations on advertising activities used to market beer, such as prohibitions or limitations on television or print advertising, which may inhibit or restrict the Company's ability to maintain or increase consumer support for and recognition of its brands. In addition, regulatory bodies may seek to restrict consumer access to the Company's products by, among other actions, regulating the hours when outlets are allowed to sell alcohol.

The Company cannot assure prospective investors that changes in laws or regulations will not result in the Company having to incur substantial additional capital expenditures to upgrade or supplement its existing facilities or having to report lower income or being subject to an increased rate of taxation or fines and penalties. These and other legal or regulatory changes could materially and adversely affect the Company's financial position and financial performance.

For more information, see "*Business Overview — Taxation*" on page 80 and "*Regulatory Framework*" on page 110 of this Prospectus.

Increases in excise taxes

Beer is subject to an excise tax, and increases in excise taxes or value added taxes, or VAT, may reduce overall consumption of the Company's products, the Company's profit margins or both. On January 1, 2013, the Philippine government implemented a new excise tax structure, i.e., a two-tiered tax structure with annual rate increases and gradual transition to unitary rate by 2017. Additional non-scheduled increases in excise tax or VAT rates are also possible. Previous increases in excise tax rates have adversely affected the Company's sales volume. The scheduled increases in excise tax or other taxes to which the Company is subject to may (i) reduce consumption of the Company's products if passed on to the consumers by way of upward price adjustments, (ii) reduce the Company's margins if prices remain unchanged or (iii) have both such effects if additional taxes are not fully passed on to the consumers.

For more information, see "*Business Overview — Strategies*" on page 70 of this Prospectus and "*Business Overview — Taxation*" on page 80 of this Prospectus.

Compliance with Philippine environmental laws and regulations

Various environmental laws and regulations govern the operations of the Company including, but not limited to, the management of solid wastes, water and air quality, toxic substances and hazardous wastes at the Company's breweries.

Non-compliance with the legal requirements or violations of prescribed standards and limits under these laws could expose the Company to potential liabilities, including both administrative penalties in the form of fines and criminal liability, which could result in imprisonment for officers of the Company who were involved in or who are otherwise held to be responsible for any such violations. Violations of environmental laws could also result in the suspension and/or revocation of permits or licenses held by the Company or the suspension or closure of operations.

For more information, see "*Regulatory Framework — Environmental Matters*" on page 111 of this Prospectus.

Outbreaks of diseases

Any outbreak of viruses or diseases that result in a human pandemic, or an outbreak of any other contagious disease for which there is no known, effective, or readily available treatment, cure or vaccine, could have a material adverse effect on the Company's financial position and financial performance. For example, any outbreak of bird flu or ebola virus could adversely affect consumer demand for the Company's products, the Company's ability to adequately staff its operations, the distribution networks for the Company's products, as well as the general level of economic activity in the Philippines. The Company cannot assure prospective investors that any future outbreak of bird flu, ebola virus or any other contagious disease will not have a material adverse effect on the Company's financial position and financial performance.

RISKS RELATING TO THE PHILIPPINES

The Company is a Philippine corporation and substantially all of its operations are conducted, and a majority of its production facilities and other assets are located, in the Philippines. As a result, the Company's financial position and financial performance will be influenced by the political and social situation in the Philippines, as well as the general state of the Philippine economy and the economies in the surrounding region.

Political or social instability and acts of terrorism in the Philippines

The Philippines has from time to time experienced political, social, economic and military instability. For example, several key officials of the Philippine government are currently under investigation on corruption charges stemming from allegations of misuse of public funds. Although there has been no major public protest or disruption caused by these investigations, there can be no assurance that the political environment in the Philippines will continue to be stable. Allegations of tax evasion and corruption with respect to some government officials may result in political and social uncertainty in the Philippines and may adversely affect economic activity within the country.

The government of President Benigno S. Aquino III has taken steps toward economic reforms and good governance. However, there is no assurance that the government will continue to implement or adopt economic policies conducive to sustained economic growth or which do not impact adversely on the current regulatory environment for the beverage business. Any change in the administration's economic and development policies could have a material and adverse effect on the Company's business, financial condition and results of operations.

The Philippines has also been subject to a number of terrorist attacks since 2000, and the Philippine armed forces have been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy.

As with several other areas in Asia, certain portions of Philippine territory are subject of international boundary issues with neighboring countries. While current tensions do not appear to have directly affected the Company and its business, there can be no assurance that these will remain unaffected by territorial disputes.

No assurance can be given that the future political or social environment in the Philippines will be stable or that current or future governments will adopt economic policies conducive to sustaining economic growth. Political or social instability in the Philippines could negatively affect the general economic conditions and operation environment in the Philippines, which could have a material impact on the Company's business, financial position and results of operation.

Economic instability in the Philippines

The Company derives approximately 80.9% of its revenues from its Philippine operations. The Company's products are discretionary in nature and may be adversely impacted by weak economic conditions in the Philippines. The Company's future growth depends in large part on continued economic growth in the Philippines.

The prolonged European debt crisis, turmoil in the Middle East (causing oil price increases) and the fiscal concerns in US and Japan were some of the recent challenges in the global economy. These aforementioned factors affected specific sectors in the local economy, particularly the export industry which performed slower-than-expected because of slugging global demand.

Despite the lackluster global economy, the Philippine economy exhibited strong performance in the past two years backed by solid macroeconomic fundamentals. Growth drivers were mainly driven by domestic consumption and government spending as well as services and industry sector sectors. Agriculture, however, turned in a slow performance.

The main challenge for the Philippines is to attain a sustainable, inclusive growth in order to address poverty and the weak job situation. In addition, there is a need to expedite rehabilitation of infrastructure in calamity-affected areas and regain losses in agriculture, brought about the recent occurrence of natural catastrophes (e.g., typhoons and earthquakes).

No assurance can be given on the extent the global economic situation shall effect the economic conditions and operating environment in the Philippines.

Historically, the Philippines has experienced volatility in the exchange rate between the Philippine peso and the U.S. dollar, as well as against other currencies. The Philippines has also experienced volatility of the prices of shares traded on the domestic stock market. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power or product preferences, which could materially and adversely affect the Company's financial position and financial performance.

For more information, see “*Business Overview — Strategies*” on page 70 of this Prospectus.

Foreign exchange controls

The BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- suspend temporarily or restrict sales of foreign exchange;
- require licensing of foreign exchange transactions; or
- require the delivery of foreign exchange to the BSP or its designated banks for the issuance and guarantee of foreign currency-denominated borrowings.

The Company purchases some critical raw materials, primarily malted barley, and most of its technically advanced equipment from abroad and needs foreign currency to make these purchases. The Company cannot assure prospective investors that foreign exchange controls will not be imposed by the Government in the future. If imposed, these restrictions could materially and adversely affect the Company's ability to obtain malted barley and other materials from abroad, which could materially and adversely affect its financial position and financial performance.

Natural catastrophes

The Philippines has experienced a number of major natural catastrophes in recent years including typhoons, volcanic eruptions, earthquakes, mudslides, droughts, storm surges and severe floods. Natural catastrophes may impair the economic conditions in the affected areas, as well as the overall Philippine economy, and disrupt the Company's ability to produce or distribute its products. The Philippines has also experienced power outages, both from insufficient power generation and from disruptions such as typhoons. These types of events may materially disrupt and adversely affect the Company's business and operations. The Company cannot assure prospective investors that the insurance coverage it maintains for these risks will adequately compensate the Company for all damages and economic losses resulting from natural catastrophes or blackouts, including possible business interruptions.

RISKS ASSOCIATED WITH THE OFFER

Liquidity and pricing of the Bonds in the secondary market

The Company plans to list the Bonds in the PDEX to provide price transparency and liquidity to the Bondholders. As with other fixed income securities, the Bonds could trade at prices higher or lower than the initial offering price due to prevailing interest rates, the Company's operations, the overall market for debt securities, political and economic developments in the Philippines and other regions, among others. It is possible that a selling Bondholder would receive sales proceeds lower than his initial investment should a Bondholder decide to sell his Bonds prior to maturity.

In addition, there can be no assurance that an active secondary market for the Bonds will develop or how the Bonds will perform. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities.

Redemption of the Bonds prior to Maturity Date

Upon the occurrence of certain events such as a change in Philippine tax or regulatory laws or their general application or interpretation having an effect on the Company, the Bonds could be redeemed in whole but not in part prior to the Maturity Date. In such an event, the Bonds shall be redeemed at the relevant Issue Price plus accrued interest.

The Company may also exercise its redemption option. The amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of (i) accrued interest on the Bonds on the Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

	Optional Redemption Dates	Optional Redemption Price
Series G	11 th Interest Payment Date	101.0%
Series H	14 th Interest Payment Date	102.0%
	16 th Interest Payment Date	101.0%
	18 th Interest Payment Date	100.5%

There is no assurance that investors will be able to reinvest in alternative securities with comparable yields.

RISKS RELATING TO CERTAIN STATISTICAL INFORMATION IN THIS PROSPECTUS

Certain statistics in this Prospectus relating to the Philippines, the industries and markets in which the Company's business operates, including statistics relating to market size and market share, are derived from various Government and private publications, including those produced by industry associations and research groups and the Canadian Report. This information has not been independently verified and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines.

USE OF PROCEEDS

The Company intends to use the net proceeds of this Offer to support the redemption of the Series B Bonds.

The Series B Bonds have an outstanding balance of ₱22.4 billion, with an interest rate of 8.875% per annum and will mature on April 4, 2014. The difference of the balance of the Series B Bonds and net proceeds of this Offer will be paid for using the Company's available cash.

The Company estimates that the net proceeds from this Offer (excluding any proceeds from the exercise of the oversubscription option), after deducting expenses payable by the Company, will be approximately estimated as follows:

For a ₱15.0 billion issuance

Estimated Proceeds from the Sale of the Bonds	₱ 15,000,000,000.00
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Less: Estimated Upfront Expenses

Documentary Stamp Tax	₱ 75,000,000.00	
SEC Registration		
SEC Registration Fee	₱ 5,562,500.00	
SEC Legal Research and Publication Fee	₱ 55,625.00	
SEC Publication Fee	₱ 100,000.00	
Underwriting and Other Professional Fees		
Gross Underwriting Fee	₱ 48,387,096.77	
Other Professional Fees	₱ 21,646,774.19	
Listing Application Fee ⁽¹⁾	₱ 200,000.00	
Printing Cost ⁽²⁾	₱ 180,000.00	
Trustee Fees ⁽³⁾	₱ 30,000.00	
Paying Agency and Registry Fees ⁽⁴⁾	₱ 150,000.00	
Miscellaneous Fees	₱ 200,000.00	₱ 151,511,995.96

Estimated Net Proceeds to the Company for a ₱15.0 billion issuance	₱ 14,848,488,004.04
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For a ₱5.0 billion oversubscription option

Estimated Proceeds from the Sale of the Bonds	₱ 5,000,000,000.00
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Less: Estimated Upfront expenses

	₱ 25,000,000.00	
Documentary Stamp Tax		
	₱ 16,129,032.26	
Gross Underwriting Fee		₱ 45,811,290.33
Other Professional Fees	₱ 4,682,258.07	

Estimated Net Proceeds to the Company for the ₱5.0 billion oversubscription option	₱ 4,954,188,709.67
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Total net proceeds (inclusive of the ₱5.0 billion oversubscription option)	₱ 19,802,676,713.71
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(1) The Issuer will be charged a one-time Application Fee per tranche of the Bonds, payable upon listing. The fee shown is VAT-exclusive.

(2) Estimated based on previous issuances.

(3) The Issuer will pay the Trustee a fixed quarterly fee of ₱30,000.00. The fee shown is for the first quarter only.

(4) The total amount shown includes an account opening fee of ₱75.00 assuming 2,000 Bondholders.

DETERMINATION OF ISSUE PRICE

The Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

The Company plans to issue the Bonds to institutional and retail investors through a general public offering to be conducted by the Joint Lead Managers.

JOINT LEAD MANAGERS AND UNDERWRITERS

ING Bank N.V., Manila Branch (“ING”), as Issue Manager, has agreed to act as arranger in the issuance, placement, distribution, and sale of the Bonds and together with BDO Capital & Investment Corporation (“BDO”), The Hongkong and Shanghai Banking Corporation Limited (“HSBC”), SB Capital Investment Corporation (“SB Capital”) and Standard Chartered Bank (“SCB”) (collectively, the “Joint Lead Managers”), to distribute and sell the Bonds at the Issue Price, pursuant to an Issue Management and Underwriting Agreement entered into with the Company on March 14, 2014 (the “Issue Management and Underwriting Agreement”). Each Joint Lead Manager has committed severally to underwrite the Offer on a firm basis. The underwriting commitment of each of the Joint Lead Managers is as follows:

	Principal Amount of the Bonds
BDO	₱3,000,000,000
HSBC	₱3,000,000,000
ING	₱3,000,000,000
SB Capital	₱3,000,000,000
SCB	₱3,000,000,000
Total.....	₱15,000,000,000

There is no arrangement for any of the Joint Lead Managers to put back to the Issuer any unsold Bonds.

The Issuer shall pay each of the Joint Lead Manager a fee of 0.30% flat based on its underwriting commitment, which shall be grossed up for gross receipts tax of 7%. The fees due to the Joint Lead Managers together with any applicable gross receipts tax or its equivalent less any applicable withholding tax arising in respect of such fee, shall be due and payable by the Issuer to the Joint Lead Managers immediately upon receipt of confirmation from the Issuer’s bank that cleared funds representing payments for all accepted Applications to Purchase have been credited to the account designated by the Issuer.

The Issue Management and Underwriting Agreement may be terminated or suspended by the Joint Lead Managers under certain circumstances prior to the issuance of the Bonds and payment being made to the Company of the net proceeds of the Bonds. The Joint Lead Managers are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Joint Lead Managers may, from time to time, engage in transactions with and perform services in the ordinary course of business for the Company or any of its subsidiaries. The Joint Lead Managers have no direct relations with the Company in terms of ownership by either of their respective major stockholder(s), and have no right to designate or nominate any member of the Board of Directors of the Company.

The following includes a summary of certain provisions of the Issue Management and Underwriting Agreement entered into by the Issuer and the Joint Lead Managers. This summary does not purport to be complete and is qualified in its entirety by reference to the Issue Management and Underwriting Agreement.

SALE AND DISTRIBUTION

The distribution and sale of the Bonds shall be undertaken by the Joint Lead Managers who shall sell and distribute the Bonds to institutional and retail investors. Nothing herein shall limit the rights of the Joint Lead Managers from purchasing the Bonds for their respective accounts.

The Joint Lead Managers are authorized to organize a syndicate of participating underwriters for the purpose of the Offer. However, the Joint Lead Managers shall remain solely responsible to the Issuer in respect of their obligations under the Issue Management and Underwriting Agreement entered into by them with the Issuer and the Issuer shall not be bound by any of the terms and conditions of any agreement entered into by the Joint Lead Managers with the participating underwriters. The Company has no obligation to any member of such syndicate for the payment of any fee, underwriting or participating commissions. As of the date of this Prospectus, the Joint Lead Managers have not engaged any participating underwriter for the Offer.

TERM OF APPOINTMENT

The engagement of the Joint Lead Managers shall subsist in accordance with the terms of the Issue Management and Underwriting Agreement. The obligations of each Joint Lead Manager will be several, and not solidary with the other Joint Lead Managers, and nothing in the Issue Management and Underwriting Agreement shall be deemed to create a partnership or joint venture between or among any of the parties therein. Unless otherwise expressly provided in the Issue Management and Underwriting Agreement, the failure by any Joint Lead Manager to carry out its obligations shall not relieve any other Joint Lead Manager of its obligations thereunder, nor shall any Joint Lead Manager be responsible for the obligations of any other Joint Lead Manager thereunder.

MANNER OF DISTRIBUTION

The Joint Lead Managers and the Issuer shall agree on the procedure for application, acceptance, or rejection of the Applications to Purchase, whether in whole or in part (the "Allocation Plan"). Consistent with bank procedures and the Allocation Plan, each of the Joint Lead Managers shall observe the policies and procedures regarding acceptance of Applications to Purchase, evaluation and assessment of such applications and supporting documentary requirements, allocations of the Bonds to clients and acceptance of deposits of its potential investors.

OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on March 17, 2014 and end at 5:00 p.m. on March 25, 2014 or such other dates as may be determined by the Issuer and the Issue Manager.

APPLICATION TO PURCHASE

All Applications to Purchase the Bonds shall be evidenced by a duly completed and signed Application to Purchase. An Application to Purchase may be obtained from the Joint Lead Managers by interested corporate/institutional investors and upon submission, must be accompanied by the following documents, among others: (i) two fully executed signature cards authenticated by the corporate secretary or authorized officer; (ii) a copy of its Certificate of Incorporation issued by the SEC or equivalent government institution, its Articles of Incorporation and By-Laws and latest amendments thereof stamped and signed as certified true copies by the SEC or the applicant's corporate secretary or by an equivalent authorized officer(s) who is/are authorized signatories; (iii) duly notarized certificate of its corporate secretary or other authorized officer setting forth the resolution of the board of directors or its equivalent body authorizing the purchase of the Bonds indicated in the Application to Purchase and designating the authorized signatory(ies) for the purchase of the said Bonds with their specimen signatures; and (iv) identification document(s) of applicant's authorized signatories. Individual applicants must, on the other hand, submit, among others, (a) a photocopy of any valid identification card duly issued by the Government showing the signature and residential address of the applicant and (b) two duly accomplished signature cards containing the specimen signature of the applicant.

Each Joint Lead Manager shall be responsible for accepting payments accompanying the Applications to Purchase of their respective clients in accordance with the Issue Management and Underwriting Agreement.

An applicant who is claiming exemption from any applicable tax, or entitlement to a preferential tax rate shall, in addition, be required to submit the following requirements to the relevant Joint Lead Manager (together with their Applications to Purchase) who shall then forward the same to the Registrar, subject to acceptance thereof by the Issuer and the Joint Lead Managers as being sufficient in form and substance: (i) a current, valid and subsisting BIR-certified true copy of the original tax exemption certificate, ruling or opinion issued by the BIR confirming the applicant's exemption or entitlement to a preferential tax rate; (ii) with respect to tax treaty relief, a current, valid and subsisting BIR-certified true copy of the ruling issued by the International Tax Affairs Division of the BIR, confirming that the preferential tax treatment sought by the applicant is applicable; (iii) a duly notarized undertaking declaring and warranting the applicant's tax-exempt status or preferential tax rate entitlement and undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension, revocation or modification of the tax exemption certificates and preferential tax rate or treaty privileges, and agreeing to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against all claims, actions, suits, and liabilities resulting from the non-withholding, or withholding of a reduced rate, of the required tax; and (iv) such other documentary requirements as may be required by the Issuer, the Registrar and the Paying Agent, or under the applicable regulations of the relevant taxing or other authorities.

Copies of the completed Applications to Purchase together with the supporting documents must be received by the Registrar from the relevant Joint Lead Manager on such date/s as may be designated in the Issue Management and Underwriting Agreement. The corresponding payments received by each Joint Lead Manager net of any refunds for a rejected or scaled down Application to Purchase must be deposited or be remitted not later than 2:00 p.m. of the Issue Date via RTGS to a depository account designated by the Issuer.

The Joint Lead Managers shall prepare a sales report of Applications to Purchase that each has approved, in the form required by the Registrar (the "Sales Report"). The Sales Report by each of the Joint Lead Managers shall be submitted to the Registrar no later than 5:00 p.m., three Business Days immediately preceding the Issue Date, together with such other documents as may be required by the Registrar under the Registry and Paying Agency Agreement to enable the Registrar to issue and prepare the Registry and the relevant Securities Receipt Confirmations.

The actual number of Bonds that an applicant will be allowed to purchase is subject to the confirmation of the Joint Lead Managers. All Applications to Purchase shall be subject to the final approval of the Issuer and the Joint Lead Managers. The Issuer reserves the right to accept or reject in full or in part any Application to Purchase due to any of the grounds specified in the Issue Management and Underwriting Agreement. Moreover, any payment received upon submission of an Application to Purchase does not mean approval or acceptance by the Issuer or the Joint Lead Managers of the Application to Purchase. An Application to Purchase, once accepted, shall constitute the duly executed purchase agreement covering the amount of the Bonds so accepted and shall be valid and binding on the Issuer and the applicant. Once accepted, an Application to Purchase may not be unilaterally revoked or canceled by the applicant, in full or in part, and the rights and privileges pertaining thereto shall be non-transferrable.

MINIMUM PURCHASE

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

REFUNDS

In the event an Application to Purchase is rejected or the amount of Bonds applied for is scaled down, the relevant Joint Lead Manager, upon receipt of the Allocation Report, shall notify the applicant concerned that his application has been rejected or that the amount of Bonds applied for is scaled down. Payments made by the applicants whose Applications to Purchase are rejected or scaled down will be returned to them no later than three Business Days after the Issue Date by the relevant Joint Lead Manager to whom the Application to Purchase was submitted, in full (in case of a rejection) or in a proportionate sum corresponding to the amount of the Bonds partially rejected (in case of a scale down), but in both instances without any interest whatsoever. Refund shall be made either (i) through the issuance of a check payable to the order of the applicant and crossed "Payees' Account Only" and mailed or delivered, at the risk of the applicant, to the address specified in the Application to Purchase; or (ii) through the issuance of instructions for automatic credit payments to the accounts of the relevant applicants, as indicated in their respective Applications to Purchase. The Issuer and the Issue Manager shall not be liable in any manner to the applicant for any refund corresponding to any rejected or scaled-down Application to Purchase which is not transmitted by the relevant Joint Lead Manager. In such case, the relevant Joint Lead Manager shall be responsible directly to their respective applicants for the actual refund of the payment.

REGISTRY

The Bonds shall be issued in scripless form. Master Bond Certificates representing the Bonds sold during the Offer Period shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Registry to be maintained by the Registrar. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. The Issuer will cause the Registry to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Registry.

EXPENSES

All reasonable and documented out-of-pocket expenses, including but not limited to, registration with the SEC, credit rating, printing, publicity, communication and signing expenses incurred by the Joint Lead Managers in connection with the Offer will be for the Issuer's account irrespective of whether the Offer is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account.

DESCRIPTION OF TERMS AND CONDITIONS OF THE BONDS

The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the articles of incorporation, by-laws and resolutions of the Board of Directors of the Company submitted to the SEC, the information contained in this Prospectus, the Trust Agreement, Registry and Paying Agency Agreement, Issue Management and Underwriting Agreement, and other documents relevant to the Offer.

The issue of the Bonds was authorized by a resolution of the Board of Directors of the Issuer passed on February 7, 2014. The Bonds shall be governed by a Trust Agreement executed on March 14, 2014 between the Issuer and the Trustee. The Trustee has no interest in or relation to the Issuer which may conflict with the performance of its functions. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A Registry and Paying Agency Agreement was executed on March 14, 2014 between the Issuer and PDTC. The Bonds will be offered and sold through a general public offering in the Philippines, and issued in minimum principal amounts of ₱50,000.00, and multiples of ₱10,000.00 in excess thereof, and traded in amounts of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof. Series G and Series H Bonds will mature on April 2, 2021 and April 2, 2024, respectively, unless earlier redeemed by the Issuer pursuant to the terms thereof and subject to the provisions on redemption and payment as summarized below.

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

FORM, DENOMINATION AND TITLE

Form and Denomination

The Bonds are in scripless form, and will be issued in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 in excess thereof.

Title

Legal title to the Bonds will be shown in the electronic registry book of the Registrar (the “Registry”). A notice confirming the principal amount of the Bonds purchased by each applicant in the offer for sale, distribution and issuance of the Bonds by the Issuer will be issued by the Registrar to all Bondholders following the Issue Date.

BOND RATING

The Bonds have been rated Aaa by PhilRatings. The rating is subject to regular annual review, or more frequently as market developments may dictate, for as long as the Bonds are outstanding.

TRANSFER OF BONDS

Registry

The Issuer will cause the Registry to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers and assignments of the Bonds, including any liens and encumbrances thereon, shall be entered into the Registry. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least every quarter (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar’s system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Bonds may be made during the period commencing on a Record Date as defined in the Section on “*Interest Payment Date*” until the relevant payment date.

Transfers; Tax Status

The Bonds may be transferred upon exchange of confirmation of sale and confirmation of purchase, or by book entry in recording platforms maintained by approved securities dealers. The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfer. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Subject to the provisions of the Registry and Paying Agency Agreement, Bondholders may transfer their Bonds at anytime, regardless of tax status of the transferor *vis-à-vis* the transferee.

Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non tax-exempt entities shall be treated as non tax-exempt entities for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement within three days from the settlement date for such transfer. Such Bondholder must also submit the documents for claiming tax exemption or entitlement to preferential tax rates as required under the Registry and Paying Agency Agreement to the Registrar no later than three Business Days prior to the Record Date. Otherwise, the Bondholders will be treated as taxable on Record Date. Transfers taking place in the Registry after the Bonds are listed on PDEX shall be allowed between tax-exempt and non tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTC. However, notwithstanding the submission by the Bondholder, or the receipt by the Issuer, the Registrar, the Joint Lead Managers of documentary proof of tax-exempt status of a Bondholder, the Issuer may, in its sole and reasonable discretion, determine that such Bondholder is taxable and require the Registrar and Paying Agent to proceed to apply the tax due on the Bonds. Any question on such determination shall be referred to the Issuer.

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

SECONDARY TRADING

The Issuer intends to list the Bonds in PDEX for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof for so long as any of the Bonds are listed in PDEX. Secondary market trading in PDEX shall follow the applicable PDEX rules and conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTC.

RANKING

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future, contingent or otherwise, unsecured and unsubordinated obligations of the Issuer, except for any statutory preference or priority established by law.

INTEREST

Interest Payment Dates

Each Series G Bond bears interest on its principal amount from and including Issue Date at the rate of 5.50% per annum, payable semi-annually in arrears on April 2 and October 2 in each year (each of which, for purposes of this clause is an “Interest Payment Date”) commencing on October 2, 2014 or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day.

Each Series H Bond bears interest on its principal amount from and including Issue Date at the rate of 6.00% per annum, payable semi-annually in arrears on April 2 and October 2 in each year (each of which, for purposes of this clause is an “Interest Payment Date”) commencing on October 2, 2014 or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two Business Days prior to the relevant Interest Payment Date (the “Record Date”), which shall be the reckoning date in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

Interest Accrual

Each Bond will cease to bear interest on the Maturity Date, as defined in the “*Final Redemption*” below, unless, upon due presentation, payment of the full amount due is improperly withheld or refused or default is otherwise made in respect of such payment, in which case, the Penalty Interest (see “*Penalty Interest*” below), will apply.

Determination of Rate of Interest

The interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

REDEMPTION AND PURCHASE

Final Redemption

Unless previously redeemed, purchased and cancelled, the Series G Bonds and Series H Bonds will be redeemed at par or 100.00% of their face value on April 2, 2021 and April 2, 2024, respectively (the “Maturity Date”). However, payment of all amounts due on such dates may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the relevant Maturity Date is not a Business Day.

Early Redemption due to Taxation, Change in Law or Circumstance

If payments under the Bonds become subject to additional or increased taxes other than the taxes prevailing on the Issue Date as a result of certain Changes in Law, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, then the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than 60 days’ nor less than 30 days’ notice to the Trustee, the Registrar and the Paying Agent) at par plus accrued interest.

In the event that there shall hereafter occur any Change in Law, or any approval, permit, license, consent, authorization, registration, exemption, or any other right to be granted or granted by the Government to the Issuer now or hereafter necessary for the conduct of the Issuer’s business or operations is not obtained, or is subsequently terminated, withdrawn, rescinded, or amended, and the result of any of the foregoing, as determined by the Issuer, will materially and adversely affect the ability of the Issuer to comply with its obligations under the Bonds or the Trust Agreement or the Issuer’s financial position or operations, then the Issuer may redeem the Bonds at any time in whole, but not in part (having given not more than 60 days’ nor less than 30 days’ notice to the Trustee, the Registrar and the Paying Agent from the time of the occurrence of the event) at par plus accrued interest.

If any provision of the Issue Management and Underwriting Agreement, Trust Agreement, or the Registry and Paying Agency Agreement shall become, for any reason, invalid, illegal or unenforceable, or any act or condition or thing required to be done, fulfilled or performed at any time by the Issuer is not done, fulfilled or performed, to the extent that it will become unlawful for the Issuer to give effect to its rights and obligations under the Issue Management and Underwriting Agreement, Trust Agreement, the Registry and Paying Agency Agreement, or the Bonds or to enforce the provisions of the Issue Management and Underwriting Agreement, Trust Agreement, the Registry and Paying Agency Agreement or the Bonds in whole or in part, then the Issuer may redeem the Bonds at any time in whole, but not in part (having given not more than 60 days’ nor less than 30 days’ notice to the Trustee, the Registrar and the Paying Agent from the time of illegality) at par plus accrued interest.

Optional Redemption

The Issuer may (but shall not be obliged to) redeem all (and not a part only) of any series of the outstanding Bonds on (i) the 11th Interest Payment Date for the Series G Bonds, and (ii) the 14th, 16th or the 18th Interest Payment Date for the Series H Bonds (each an “Optional Redemption Date”). The Issuer shall give not less than 30 days’ nor more than 60 days’ prior written notice of its intention to redeem the Bonds to the Trustee, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds at the Optional Redemption Date stated in such notice.

The amount payable to the Bondholders in respect of such redemptions shall be calculated based on the principal amount of the Bonds being redeemed, as the sum of (i) accrued interest on the Bonds on the Optional Redemption Date; and (ii) the product of the principal amount and the applicable Optional Redemption Price in accordance with the following schedule:

	Optional Redemption Dates	Optional Redemption Price
Series G	11 th Interest Payment Date	101.0%
Series H	14 th Interest Payment Date	102.0%
	16 th Interest Payment Date	101.0%
	18 th Interest Payment Date	100.5%

Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid to the Bondholders through the Paying Agent by crediting the proper amounts via RTGS, net of final taxes and fees (if any), to the Philippine Peso cash account maintained and designated by or on behalf of the Bondholder in his/her Application to Purchase. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos. The Issuer shall ensure that so long as any of the Bonds remain outstanding, there shall at all times be a Paying Agent for purpose of disbursing payments on the Bonds.

Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between 20% and 30% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines, including but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Issue Management and Underwriting Agreement, Trust Agreement, and the Registry and Paying Agency Agreement, if any, shall be for the Issuer’s account.

FINANCIAL COVENANTS

So long as any of the Bonds remain outstanding, the Issuer undertakes to maintain and to observe the following financial ratios:

1. Minimum interest coverage ratio of 4.75:1; and
2. Maximum debt-to-equity ratio of 3.5:1.

For purposes hereof,

(A) the term “interest coverage ratio” means the Issuer’s EBITDA for the Relevant Period divided by its total Interest Expense for the same Relevant Period, where:

(1) the term EBITDA means, in respect of any Relevant Period, the net operating income of the Issuer: (a) before any provision on account of taxation; (b) before any interest, commission, discounts, fees, prepayment penalties or premiums and other finance payments incurred or payable, received or receivable by the Issuer in

respect of the Issuer's total indebtedness for borrowed money; (c) before any items treated as exceptional or extraordinary items; and (d) before any amount attributable to the amortization of intangible assets and depreciation of tangible assets;

(2) the term "Interest Expense" means, for any Relevant Period, the aggregate amount of interest, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of the Issuer's total indebtedness for borrowed money whether accrued, paid or payable and whether or not capitalized by the Issuer in respect of that Relevant Period: (a) including the interest element of leasing and hire purchase payments; (b) including any amounts paid, payable or accrued by the Issuer to counterparties under any interest rate hedging instrument; and (c) deducting any amounts paid, payable or accrued by counterparties to the Issuer under any interest rate hedging instrument; and

(3) the term "Relevant Period" means each period of 12 months ending on the last day of the Issuer's financial year and each period of 12 months ending on the last day of each quarter of the Issuer's financial year; and

(B) the term "debt-to-equity ratio" means the Issuer's total indebtedness for borrowed money divided by its total stockholders' equity.

NEGATIVE COVENANTS

The Issuer covenants and agrees that the Issuer shall not, among others:

- (a) create, assume, incur, permit or suffer to exist, any indebtedness to: (i) be secured by or to benefit from any liens, encumbrances, restrictions, pledges, mortgages, security interest, charges or preferential arrangements of any kind (collectively the "Liens") in favor of any creditor or class of creditors with respect to any present or future property of the Issuer or the right of the Issuer to receive income, unless the Bonds are secured by such Lien equally and ratably with such other indebtedness or (ii) receive any priority or preference over the claims of the Bondholders (which claims shall at all times rank *pari passu* in all respects with all other direct, unconditional, unsecured, and unsubordinated obligations of the Issuer other than those obligations preferred by mandatory provisions of law); *provided*, that for purposes of the foregoing, the terms "Lien," "priority" or "preference" shall not include the Permitted Liens as defined in the Trust Agreement;
- (b) sell, transfer, convey, lend or otherwise dispose of all or substantially all of its assets;
- (c) voluntarily suspend all or substantially all of its business operations; and
- (d) engage in any business, or amend its articles of incorporation to authorize it to engage in any business, which is not presently authorized under its articles of incorporation, except, in either case, the business of manufacturing, selling, distributing, and/or dealing in, any and all kinds of beverage products.

GOVERNING LAW

The Bonds and the Trust Agreement are governed by and are construed in accordance with Philippine law.

DEFAULT

Events of Default

The Issuer shall be considered in default under the Bonds in case any of the following events (each an "Event of Default") shall occur:

- (a) ***Payment Default.*** The Issuer fails to pay any interest or principal on any of the Bonds when due and payable.
- (b) ***Insolvency Default.*** The Issuer (i) is adjudged by a final order of a competent court to be insolvent or bankrupt or unable to pay its debts, (ii) stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, (iii) proposes or makes any agreement for the deferral, rescheduling or other

readjustment of all of its debts, or (iv) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts. In addition, if a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, such agreement or declaration shall also constitute an Event of Default.

- (c) *Cross Default.* The Issuer defaults in the repayment of any amount of principal and premium (if any) or interest, or violates any term or condition, in respect of any contract or contracts executed by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default, or with the giving of notice or the passage of time would constitute an event of default, under said contract; and which (i) if remediable, is not remedied by the Issuer within 30 days from such default, or is otherwise not contested by the Issuer, (ii) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity, or (iii) will adversely and materially affect the performance by the Issuer of its obligations under the Bonds, provided, that no Event of Default shall occur unless the aggregate amount of the principal, premium and interest in respect of which the Issuer has defaulted or which has been declared to be due and payable prior to the stated normal date of maturity under such contract or contracts equals or exceeds ₱500,000,000.00.
- (d) *Winding Up Proceedings.* The Issuer takes any corporate action or other steps are taken or legal proceedings are started by or against the Issuer for its winding up, bankruptcy, dissolution or reorganization (except in any such case for the purposes of a merger, consolidation, reorganization, reconstruction or amalgamation upon which the continuing corporation or the corporation formed thereby effectively assumes the entire obligations of the Issuer under the Bonds and the terms of which have previously been approved by Bondholders representing at least two-thirds of the Bonds then outstanding) or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or substantially all of its revenues and assets, provided that for winding-up proceedings instituted against the Issuer, an Event of Default may be declared only upon issuance of a final order of a court of competent authority.
- (e) *Representation/Warranty Default.* Any representation and warranty of the Issuer or any certificate or opinion issued by the Issuer in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect as and when made and with reference to the facts and circumstances then existing, as the circumstances which caused such representation or warranty to be untrue, incorrect or misleading continue for not less than 15 days (or such longer period as Bondholders representing at least 51% of the outstanding principal amount of the Bonds (the “Majority Bondholders”) shall approve).
- (f) *Covenant Default.* The Issuer fails to perform or violates its covenants under the Trust Agreement, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of 30 days from notice by the Trustee to the Issuer. For the avoidance of doubt, any violation by the Issuer of its negative covenants set out above shall be deemed irremediable.
- (g) *Breach of Obligations Default.* The Issuer does not perform or comply with any one or more of its obligations in the Bonds and in the Trust Agreement and such default or non-compliance is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer at its specified office by any Bondholder or the Trustee.
- (h) *Expropriation Default.* An order of the Government is issued to suspend the whole or a substantial portion of the operations of the Issuer or to condemn, seize, nationalize or expropriate (with or without compensation) the Issuer or any substantial portion of its properties or assets.
- (i) *Judgment Default.* Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged, or duly bonded within 60 days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement and such final judgment, decree or award shall have a material and adverse effect on the Issuer’s ability to perform its obligations under the Bonds.

- (j) *Writ and Similar Process Default.* Any writ, warrant of attachment or execution, or similar process shall be issued or levied against all or substantially all of the Issuer's assets, and such writ, warrant, or similar process shall not be released, vacated, or fully bonded within 60 days after its issue or levy.
- (k) *Closure Default.* The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of 30 days, except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, and, provided, that in any such event of strikes, blackouts or closure due to fortuitous events, there is no material and adverse effect on the business operations or financial condition of the Issuer.
- (l) *Change of Control Default.* SMC ceases to have the ability to consolidate the Issuer as a subsidiary in its consolidated financial statements in accordance with the accounting principles and standards applicable to SMC then in effect.
- (m) *Validity Default.* The validity of the Bonds or the Trust Agreement shall be contested by the Issuer.

Consequences of Default

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

Notwithstanding the declaration of default, the Majority Bondholders, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration made by the Trustee upon such terms, conditions and agreements, if any, as they may determine; provided, that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereto and shall not apply to the following Events of Default: Payment Default, Insolvency Default, Winding-up Proceedings, Expropriation Default and Closure Default. Any such rescission and annulment of declaration of default shall be conclusive and binding upon all the Bondholders and upon all future holders and owners of such Bonds, or of any Bond issued in lieu thereof or in exchange therefor.

Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty fee on the defaulted amount(s) at the rate of 1.00% per month (the "Penalty Interest") from the time the amount fell due until it is fully paid.

Payment in the Event of Default

Upon a declaration of default and acceleration of payment of the Bonds by the Majority Bondholders pursuant to the terms of the Trust Agreement, the Issuer shall pay to the Paying Agent for the benefit of the Bondholders the whole amount which shall then have become due and payable on such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest, where applicable.

Application of Payments

Subject to the provisions of the Trust Agreement or the Registry and Paying Agency Agreement, any money collected by the Trustee from the Issuer upon a declaration of default and any other funds held by it shall be applied by the Trustee in the order of preference as follows:

- (a) To the pro-rata payment to the Trustee, the Registrar and the Paying Agent of the reasonable and documented costs, expenses, fees, and other charges of collection, including reasonable compensation to them, their agents, attorneys, and all reasonable and documented expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith in carrying out their respective obligations under their respective agreements with the Issuer in connection with the Bonds.
- (b) To the payment of all outstanding interest, including any Penalty Interest, in the order of maturity of such interest.
- (c) To the payment of the principal amount of the Bonds then due and payable.
- (d) The remainder, if any, shall be paid to the Issuer, its successors, or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Prescription

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

Remedies

All remedies conferred by the Trust Agreement upon the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce such direct rights under the Trust Agreement.

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

Waiver

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders, upon the written request of the Issuer, to waive the application of the Events of Default and its consequences except for Non-payment, Insolvency Default, Winding-Up Proceedings, Expropriation Default and Closure Default, which Events of Default cannot be waived by the Bondholders. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all the Bondholders and upon all future holders and owners thereof.

Ability to File Suit

No Bondholder shall have any right by virtue or by availing of any provision of the Trust Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer on account of principal or interest, or for the appointment of a receiver or Trustee, or for any other remedy hereunder, unless (i) such holder shall previously have given to the Trustee a written notice of default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds, and (ii) the Majority Bondholders shall have decided and made a written request upon the Trustee to institute such suit, action or proceeding in its own name, and (iii) the Trustee for 60 days after receipt of such notice and request shall have neglected or refused to institute any such suit, action or proceeding, and (iv) no directions inconsistent with such written request or rescission and annulment of a declaration default by the Bondholders has been made.

No one or more Bondholder shall have any right in any manner whatsoever by virtue of or by availing of any provision of the Trust Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds

or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Agreement, except in the manner provided under the Trust Agreement and for the equal, ratable and common benefit of all Bondholders.

TRUSTEE

Appointment of Trustee

The Issuer has appointed Rizal Commercial Banking Corporation as Trustee for and on behalf and benefit of the Bondholders, in connection with the distribution and sale by the Issuer of the Bonds.

Duties and Responsibilities of the Trustee

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

- (a) Monitor compliance by the Issuer with its obligations under the Trust Agreement;
- (b) Report regularly to Bondholders any non-compliance by the Issuer with the Trust Agreement and any developments with respect to the Issuer that adversely affect the interest of the Bondholders and advise the Bondholders of the course of action that they may take to protect their interest; and
- (c) Act on behalf of the Bondholders including calling for and/or attending meetings of the Bondholders.

Resignation and Change of Trustee

The Trustee may resign at any time by giving the Issuer at least 60 calendar days' prior written notice to that effect. Upon receipt of such notice of resignation, the Issuer shall immediately appoint a replacement trustee (the "Replacement Trustee") by written instrument in duplicate, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the Replacement Trustee. If no Replacement Trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a Replacement Trustee.

The Issuer may, subject to the occurrence of certain events as specified in the Registry and Paying Agency Agreement, within 30 days therefrom, remove the Trustee and appoint a Replacement Trustee, by written instrument in duplicate, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the Replacement Trustee. If the Issuer fails to remove the Trustee and appoint a Replacement Trustee, any Bondholder may, on behalf of himself and all other Bondholders, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a Replacement Trustee. Such court may thereupon after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a Replacement Trustee.

The Majority Bondholders may at any time remove for cause the Trustee and with the consent of the Issuer, appoint a Replacement Trustee in accordance with the terms of the Registry and Paying Agency Agreement, without prejudice to whatever remedies may be available to the Majority Bondholders under the law or in equity.

Replacement Trustee

The Replacement Trustee shall execute, acknowledge and deliver to the Issuer and to the outgoing Trustee an instrument accepting his/her appointment, and thereupon the resignation or removal of the outgoing Trustee shall become effective and the Replacement Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor under the Trust Agreement.

Upon acceptance of appointment by the Replacement Trustee, the Issuer shall notify the Bondholders in writing and/or by publication in a newspaper of general circulation in Metro Manila, Philippines of the succession of such Replacement Trustee to the duties of the outgoing Trustee. If the Issuer fails to notify the Bondholders

within ten days after acceptance of appointment by the Replacement Trustee, the latter shall cause the Bondholders to be so notified at the expense of the Issuer.

MEETING OF BONDHOLDERS

The Trustee may at any time call a meeting of the Bondholders, on its own accord or upon the written request by the Issuer or Majority Bondholders, for purposes of taking any actions authorized under the Trust Agreement.

Notice of Meetings

The Trustee shall give the Issuer and each Bondholder notice of every meeting of the Bondholders, setting forth the time, place, and purpose of such meeting in reasonable detail not less than 14 days prior to the date fixed for the meeting; *provided*, that any meetings of the Bondholders shall be held at such time and place within Metro Manila as the party requesting such meeting may determine.

Failure to Call a Meeting

The failure of the Trustee to call a meeting upon the written request of either the Issuer or the Majority Bondholders within three days from such request shall entitle the requesting party to send the appropriate notice of Bondholders' meeting and the costs therefor shall be charged to the account of the Trustee.

Quorum for Meetings

The presence of Bondholders representing at least 51% of the outstanding principal amount of the Bonds, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

Procedure for Meetings

The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall move for the election of the chairman and secretary of the meeting.

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

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person should be a registered holder of the Bonds as reflected in the Registry or a person appointed by a public instrument in writing as proxy or agent by any such Bondholder (and, in case of corporate or institutional Bondholders, duly supported by the resolutions of its board of directors or equivalent body authorizing the appointment of the proxy or agent duly certified by its corporate secretary or an authorized officer) as of the date of the meeting. For avoidance of doubt, ₱1.00 is equal to one vote.

Voting Requirements

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Bondholders holding at least 51% of the outstanding principal amount of the Bonds present or represented in a meeting at which there is a quorum, except as otherwise provided in the Trust Agreement. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders shall be binding upon all the Bondholders and the Trustee.

Action of the Bondholders

In cases where, pursuant to the Trust Agreement, the holders of a specified percentage of the aggregate outstanding principal amount of Bonds are allowed to take any action (including the making of any demand or

request, the giving of any notice or consent, or the taking of any other action), the fact that at the time of taking any such action the Bondholders of such specified percentage have joined such action may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance with the Trust Agreement; or (iii) a combination of such instruments and any such record of meeting of the Bondholders.

Non-Reliance

Each Bondholder represents and warrants to the Trustee and to the Issuer that it has independently and, without reliance on the Trustee or the Issuer, made its own credit investigation and appraisal of the financial position and affairs of the Issuer on the basis of such documents and information it has deemed appropriate and that it has subscribed to the Bonds on the basis of such independent appraisal, and that it shall continue to make its own credit appraisal without reliance on the Trustee or the Issuer.

Notices to Bondholders

Notices to Bondholders shall be sent to their mailing address as set forth in the Registry. Except where a specific mode of notification is provided for in the Issue Management and Underwriting Agreement, Trust Agreement, or the Registry and Paying Agency Agreement, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) ordinary mail; (iii) by publication for at least once a week for two consecutive weeks in at least two newspapers of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Registry. All notices shall be deemed to have been received: (i) 10 days from posting, if transmitted by registered mail; (ii) 15 days from mailing, if transmitted by ordinary mail; (iii) on date of last publication, if notice is made through publication; or (iv) on date of delivery, for personal delivery.

SELECTED FINANCIAL INFORMATION

The following tables present summary financial information for the Company and should be read in conjunction with the report of independent auditors, Group's audited historical financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Position and Financial Performance."

The information below is not indicative of the results of future operations.

	Audited Consolidated Financial Statements		
	For the Years Ended December 31		
	2013	2012	2011
		As restated	As restated
	(In Millions, Except Per Share Data)		
Statements of Income ⁽¹⁾			
Sales	₱ 75,053	₱ 75,580	₱ 71,910
Cost of sales	(39,405)	(38,030)	(36,827)
Gross Profit	35,648	37,550	35,083
Selling and administrative expenses	(14,094)	(15,217)	(14,641)
Operating Income	21,554	22,333	20,442
Interest expense and other financing charges	(3,872)	(4,072)	(4,132)
Interest income	463	724	658
Reversals (losses) on impairment of noncurrent assets - net	-	1,367	(30)
Other income (charges) - net	(294)	586	402
Income Before Income Tax	17,851	20,938	17,340
Income tax expense	(5,330)	(5,840)	(5,183)
Net Income	₱ 12,521	₱ 15,098	₱ 12,157
Attributable to:			
Equity holders of the Company	₱ 12,051	₱ 14,360	₱ 11,940
Non-controlling interests	470	738	217
	₱ 12,521	₱ 15,098	₱ 12,157
Basic and Diluted Earnings per share ⁽²⁾	₱ 0.78	₱ 0.93	₱ 0.77
Number of shares outstanding	15,359	15,410	15,410
	December 31		January 1
	2013	2012	2012
		As restated	As restated
	(In Millions)		
Statements of Financial Position ⁽¹⁾			
Current Assets			
Cash and cash equivalents	₱ 14,198	₱ 21,959	₱ 18,279
Trade and other receivables - net	6,352	4,997	4,977
Inventories	3,254	3,134	3,370
Prepaid expenses and other current assets	938	933	996
Total Current Assets	24,742	31,023	27,622
Noncurrent Assets			
Investments - net	62	63	132
Property, plant and equipment - net	20,544	20,539	20,214
Investment property - net	733	703	664
Intangible assets - net	36,009	35,849	36,063
Deferred tax assets	1,909	1,260	1,106
Other noncurrent assets - net	8,911	7,189	6,288
Total Noncurrent Assets	68,168	65,603	64,467
Total Assets	₱ 92,910	₱ 96,626	₱ 92,089

	December 31		January 1
	2013	2012 As restated	2012 As restated
	(In Millions)		
Current Liabilities			
Loans payable	₱ -	₱ -	₱ 1,857
Accounts payable and accrued expenses	7,861	7,640	7,296
Income and other taxes payable	2,869	2,761	2,606
Current maturities of long-term debt-net of debt issue costs	22,386	459	13,577
Total Current Liabilities	33,116	10,860	25,336
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	22,627	51,763	37,962
Deferred tax liabilities	17	19	35
Other noncurrent liabilities	4,115	3,379	2,828
Total Noncurrent Liabilities	26,759	55,161	40,825
Total Liabilities	59,875	66,021	66,161
Equity			
Capital Stock	15,410	15,410	15,410
Additional paid-in capital	515	515	515
Cumulative translation adjustments	(847)	(1,502)	(673)
Reserve for retirement plan	(2,870)	(2,202)	(1,867)
Retained Earnings	19,740	16,312	10,584
Treasury Stock	(1,029)	-	-
	30,919	28,533	23,969
Non-controlling interests	2,116	2,072	1,959
Total Equity	33,035	30,605	25,928
Total Liabilities and Equity	₱ 92,910	₱ 96,626	₱ 92,089

Cash Flows

Net cash flows provided by (used in):

Operating activities	₱ 13,670	₱ 16,799	₱ 14,344
Investing activities	(3,839)	(3,136)	(2,302)
Financing activities	(17,918)	(9,689)	(8,842)
Effect of exchange rate changes on cash and cash equivalents	326	(294)	3
Net increase (decrease) in cash and cash equivalents	(7,761)	3,680	3,203
Cash and cash equivalents at beginning of year	21,959	18,279	15,076
Cash and cash equivalents at end of year	₱ 14,198	₱ 21,959	₱ 18,279

	For the Years Ended December 31		
	2013	2012	2011
Other Financial and Operating Data			
EBITDA ⁽³⁾	₱ 24,614	₱ 25,735	₱ 23,837
EBIT ⁽³⁾	21,544	22,333	20,442
Capital Expenditure	1,022	790	1,778
Depreciation and amortization	2,900	3,383	2,631
Gross profit margin	47.5%	49.7%	48.8%
EBITDA margin	32.8%	34.0%	33.1%

Other Financial and Operating Data	For the Years Ended December 31		
	2013	2012	2011
EBIT margin	28.7%	29.5%	28.4%

Notes:

- (4) The Consolidated Statements of Income and Consolidated Statements of Financial Position for the years ended and as at December 31, 2013, 2012 and 2011 refer to the consolidated accounts of the Company, IBI, BPI and SMBIL.
- (5) Computed as net income attributable to equity holders of the Company divided by the weighted average number of Common Shares issued and outstanding each period.
- (6) EBITDA and EBIT are measures used by the Company's management to internally evaluate the performance of its business. EBITDA means, in respect of any Relevant Period, the net operating income of the Company: (a) before any provision on account of taxation; (b) before any interest, commission, discounts, fees, prepayment penalties or premiums and other finance payments incurred or payable, received or receivable by the Company in respect of the Company's total indebtedness for borrowed money; (c) before any items treated as exceptional or extraordinary items; and (d) before any amount attributable to the amortization of intangible assets and depreciation of tangible assets. Neither EBITDA nor EBIT is a measure determined in accordance with PFRS or IFRS, and should not be considered as an alternative to net income as a measure of operating performance or to cash flow as a measure of liquidity. The items of net income excluded from EBITDA are significant components in understanding and assessing the Company's financial performance. Neither EBITDA nor EBIT is intended to be a measure of free cash flow for management's discretionary use, as it does not reflect certain cash requirements such as interest payments, tax payments and capital expenditures. The Company's calculation of EBITDA and EBIT may be different from the calculation used by other companies and, as a result, the Company's EBITDA and EBIT may not be comparable to other similarly titled measures of other companies.

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

Prospective investors should read the following discussion and analysis of the Company's financial position and financial performance together with (i) the report of independent auditors; (ii) the audited consolidated financial statements as of December 31, 2013 and 2012, for the years ended December 31, 2013, 2012 and 2011 and the notes thereto.

INTRODUCTION

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of the Group for the three-year period ended December 31, 2013. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2013, and 2012, 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, 2013. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2013 and the financial performance and cash flows for the year ended December 31, 2013, and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards ("PFRS"). PFRS are based on International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council ("FRSC").

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 7, 2014.

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 at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Available-for-sale (AFS) financial assets	Fair Value
Defined benefit retirement obligation	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts have been rounded to the nearest million (P000,000), unless otherwise indicated.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by the Group, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards and interpretations as part of PFRS.

Adopted Effective 2013

The Group has adopted the following PFRS effective January 1, 2013 and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items of other comprehensive income in the consolidated statements of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (*Amendments to PFRS 7, Financial Instruments: Disclosures*). The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statements of financial position. The adoption of these amendments did not have a significant effect on the consolidated financial statements.
- PFRS 10, *Consolidated Financial Statements*, introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*.

The adoption of these amendments did not have a significant effect on the consolidated financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of these amendments did not have a significant effect on the consolidated financial statements.

- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. As a result, the Group included additional disclosures in this regard (Note 12).

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

As a result of the adoption of the amended PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan and the elimination of the corridor method. Actuarial gains and losses are recognized immediately in other comprehensive income. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest. The adoption of these amendments did not have an effect on the consolidated financial statements.
- *Improvements to PFRSs 2009 - 2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.
 - Comparative Information beyond Minimum Requirements (*Amendments to PAS 1*). The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The Group presented a third consolidated statement of financial position as a result of the retrospective application of the change in accounting policy relating to the adoption of the amended PAS 19.
 - Presentation of the Opening Statement of Financial Position and Related Notes (*Amendments to PAS 1*). The amendments clarify that: (a) the opening statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial position are different, because the underlying objectives are different. Consequential amendments have been made to PAS 34, *Interim Financial Reporting*.
 - Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment*). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

The adoption of these amendments did not have an effect on the consolidated financial statements.

- Income Tax Consequences of Distributions (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*. The adoption of these amendments did not have an effect on the consolidated financial statements.
- Segment Assets and Liabilities (*Amendments to PAS 34*). This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The adoption of these amendments did not have an effect on the consolidated financial statements.

Additional disclosures required by the new or revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

The following table summarizes the impact of the above changes on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows. The impact relates to the changes related to the defined benefit retirement plan.

Consolidated Statements of Financial Position						
	December 31, 2012			January 1, 2012		
	As Previously Reported	Adjustments Due to PAS 19	As Restated	As Previously Reported	Adjustments Due to PAS 19	As Restated
ASSETS						
Deferred tax assets	P366	P894	P1,260	P341	P765	P1,106
Other noncurrent assets - net	7,289	(100)	7,189	6,387	(99)	6,288
LIABILITIES						
Other noncurrent liabilities	222	3,157	3,379	216	2,612	2,828
EQUITY						
Cumulative translation adjustments	(1,499)	(3)	(1,502)	(672)	(1)	(673)
Reserve for retirement plan	-	(2,202)	(2,202)	-	(1,867)	(1,867)
Retained earnings	16,382	(70)	16,312	10,618	(34)	10,584
NON-CONTROLLING INTERESTS	2,160	(88)	2,072	2,003	(44)	1,959

Consolidated Statements of Income

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	As Previously Reported	Adjustments Due to PAS 19	As Restated	As Previously Reported	Adjustments Due to PAS 19	As Restated
RETIREMENT COST PRESENTED AS PART OF:						
Cost of sales	(P38,020)	(P10)	(P38,030)	(P36,819)	(P8)	(P36,827)
Selling and administrative expenses	(15,189)	(28)	(15,217)	(14,620)	(21)	(14,641)
Income tax expense	(5,840)	-	(5,840)	(5,187)	4	(5,183)
Net income attributable to:						
Equity holders of the Company	P14,394	(P34)	P14,360	P11,962	(P22)	P11,940
Non-controlling Interests	742	(4)	738	220	(3)	217
	P15,136	(P38)	P15,098	P12,182	(P25)	P12,157
Basic and Diluted Earnings Per Share	P0.93		P0.93	P0.78		P0.77

Consolidated Statements of Comprehensive Income

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	As Previously Reported	Adjustments Due to PAS 19	As Restated	As Previously Reported	Adjustments Due to PAS 19	As Restated
NET INCOME (LOSS)	P15,136	(P38)	P15,098	P12,182	(P25)	P12,157
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS						
Equity reserve for retirement plan	-	(379)	(379)	-	(212)	(212)
Attributable to:						
Equity holders of the Company	P13,567	(373)	13,194	P11,832	(P218)	11,614
Non-controlling Interests	542	(44)	498	204	(19)	185
	P14,109	(P417)	P13,692	P12,036	(P237)	P11,799

The impact of the adoption of PAS 19 for the current year is as follows: increase in other comprehensive loss by ₱674, increase in retirement expense by P56 and decrease in income tax expense by ₱20.

II. KEY TRANSACTIONS

1. On November 27, 2013, the Company prepaid the remaining balance of its US\$ term facility in the amount of US\$150 million. The facility was set to mature on February 2015.
2. On November 14, 2013, BPI signed a deed of absolute sale for the sale of land located inside the Davao brewery with an area of 77,824 square meters to Luzviminda Land Holdings, Inc. at a selling price of ₱113.3 million.
3. Following the denial by the SEC of all requests by listed companies (including the Company's request) for the extension of the grace period for listed companies to comply with the PSE's minimum public ownership requirement and the PSE's imposition of a trading suspension on the Common Shares of the Company effective January 1, 2013 as a result of such denial, the Board of Directors of the Company approved and authorized on February 15, 2013, the voluntary delisting of the Company's Common Shares from the PSE. The PSE approved the Company's petition for voluntary delisting on April 24, 2013 and authorized the delisting of the Common Shares from the official registry effective May 15, 2013.
4. To comply with the PSE's requirement on voluntary delisting, the Company undertook a tender offer ("Tender Offer") to buy back all of the Common Shares held by the public (other than those held by its major stockholders and directors) at an offer price of ₱20.00 per common share ("Tender Offer Price"). The tender offer commenced on March 4, 2013 and ended on April 3, 2013. A total of 51,425,799 Common Shares of the Company were tendered by the public, and were accepted by the Company at the Tender Offer Price on April 12, 2013 ("Accepted Shares") which were accordingly recorded as treasury shares. The purchase price for the Accepted Shares was likewise paid by the Company on the same date in accordance with the terms and conditions of the Company's Tender Offer.

As of December 2013, the certificates authorizing registration ("CAR") for 28,005,900 shares of the Accepted Shares (approximately 54% of the Accepted Shares) were secured and presented to the Company.

The CARs for the remaining Accepted Shares have yet to be issued by the BIR.

III. FINANCIAL PERFORMANCE

2013 vs. 2012

The Group posted consolidated sales revenue of ₱75,053 million in 2013, slightly lower than the ₱75,580 million in 2012 despite a 9.2% decrease in sales volume. Domestic operations contributed ₱60,761 million while international operations contributed US\$338 million or ₱14,333 million.

Cost of sales increased by 3.6% from ₱38,030 million in 2012 to ₱39,405 million, with domestic operations accounting for ₱30,310 million and US\$215.4 million or ₱9,136 million for international operations.

Operating expenses of ₱14,094 million was lower by 7.4% compared to 2012 due to continued implementation of cost containment initiatives for both domestic and international operations. Domestic operations accounted for ₱10,005 million, while international operations accounted for US\$96.2 million or ₱4,089 million.

As a result, consolidated income from operations was ₱21,554 million, lower by ₱779 million or 3.5% from 2012. Domestic operations contributed ₱20,446 million while international operations contributed US\$26.1 million or ₱1,108 million.

Interest income decreased by 36% primarily due to lower interest rates on money market placements and lower cash balance. Interest expense likewise decreased from ₱4,072 million in 2012 to ₱3,872 million in 2013 due to

lower financing costs and full prepayment of the Company's US\$ term facility and SMBHK US\$ loan. Other charges of ₱295 million was largely due to foreign exchange losses from the appreciation of the US\$ against the Philippine Peso.

Income tax expense decreased by 8.7% due to the Company's lower income in 2013 as compared to 2012.

Consolidated net income decreased by 17.1%, ending the year with ₱12,521 million as against the ₱15,098 million net income in 2012. Domestic operations contributed ₱11,780 million, while international operations contributed US\$17.5 million or ₱744 million. Without the impact of foreign exchange losses/gains on the Company's US\$ term facility and the reversal of impairment losses in 2012, consolidated net income in 2013 would only be 3.4% lower than last year.

Correspondingly, net income attributable to equity holders of the Company of ₱12,051 million decreased by 16.1% in 2013 as compared to 2012.

Net income attributable to non-controlling interest also decreased due to the absence of nonrecurring item this year, particularly the reversal of impairment losses on noncurrent assets of SMBHK in 2012.

The operating and financial highlights of each segment are as follows:

Domestic Beer Operations

The passing of the Sin Tax Reform Act (Republic Act No. 10351) which took effect last January 1, 2013 mandated increases in excise tax rates. The Company responded with a general price increase to cover significant tax adjustments on the Company's major beer brands. As a result, sales volume declined by 10%, while revenue slightly decreased by 1.4% with cost of sales increasing by 4.1% on account of higher excise tax payments. The combined impact resulted to a 6.3% decrease in gross profit. However, with the implementation of cost containment measures leading to a sharp decrease in operating expenses by 9.3%, operating income fell by only 4.8% versus year-ago levels.

Foreign exchange losses and lower interest income contributed to the 10.9% decline in net income.

International Beer Operations

SMBIL registered operating profits of US\$26.1 million in 2013, 38.8% higher than 2012 on the back of margin improvements and fixed cost rationalization, particularly more efficient advertising and promotion spending, as well as volume growths in some of its subsidiaries. Most units, except for the North China and Vietnam operations, posted improvements in 2013 versus last year, led by the turnaround in SMBHK, steady growth in the Indonesia operations, as well as the improvement in the South China and Thailand operations.

Total 2013 volumes were 3% lower than last year, owing to the decline in the North and South China operations, as well as in the Hong Kong operations, negating positive volume trend of the other units, particularly in the Indonesia operations.

Exports operations also continued to exhibit steady growth in volume and profit.

2012 vs. 2011

The Group's consolidated sales revenue for 2012 grew 5.1% to ₱75,580 million from ₱71,910 million in 2011, due to higher sales volume and price increases implemented by both domestic and international operations. Domestic and international operations contributed ₱61,618 million and US\$331.8 million or ₱14,008 million in revenue, respectively.

Cost of sales likewise increased from ₱36,827 million in 2011 to ₱38,030 million in 2012, with domestic operations accounting for ₱29,116 million and US\$212.2 million or ₱8,960 million for international operations.

Operating expenses amounted to ₱15,217 million, an increase of 3.9% from 2011. Domestic operations accounted for ₱11,030 million, 5.8% higher than 2011 primarily due to higher personnel expenses, write-off of deferred containers cost and increased advertising and promotional activities. International operations' operating

expenses likewise increased by 3.5% from US\$97.3 million in 2011 to US\$100.8 million or ₱4,253 million in 2012 due to higher freight costs and personnel related expenses.

Despite the increase in operating expenses, income from operations increased by 9.3% to ₱22,333 million for the year 2012 with domestic operations contributing ₱21,472 million. International operations' operating income recorded a growth of 80.1% despite a slight decline in volumes, with all units registering improvements, except for operations in Hong Kong and North China.

Interest income is higher by 10% to ₱724 million due to higher cash generated from operations. Interest expense and other financing charges on the other hand, decreased by 1.5% or ₱60 million mainly due to lower interest rates of the new bonds worth ₱20 billion issued in 2012 and the payment of international operations' short term loan.

The reversals on impairment of noncurrent assets refer to international operations' reversal of the previous years' impairment on SMBHK's building, land use rights, and investment property, due to a change in estimates used to determine these assets' recoverable amount. SMBHK was able to establish fair value less cost to sell of these assets based on a recent comparable transaction. The reversal amounted to ₱1,448 million which was partially offset by the ₱61 million impairment on P.T. Delta Djakarta, Tbk's ("PTD") investment in P.T. San Miguel Indonesia Foods and Beverages ("PTSMIFB") which ceased operations in early 2012, and the ₱20 million impairment on South China operations' noncurrent assets and plant and equipment.

Other income of ₱586 million increased by ₱184 million mainly due to realized foreign exchange gain on the partial prepayment of the domestic operations' US\$ term facility amounting to US\$150 million and the restatement of the balance of the said US\$ loan.

As a result of higher income, income tax expense increased by 12.7% from ₱5,183 million to ₱5,840 million. The 240% increase in income attributable to non-controlling interests is primarily due to the reversal of the previous year's impairment on SMBHK's noncurrent assets.

Consolidated net income amounted to ₱15,098 million, an increase of 24.2% compared to 2011. Domestic operations contributed ₱13,227 million, 12.6% higher than 2011 while international operations' net income increased substantially from US\$9.6 million in 2011 to US\$45 million or ₱1.9 million due to the reversal of impairment losses. Without the impact of the reversal, consolidated net income would only be ₱13,650 million, an increase of 12.3% from 2011. The operating and financial highlights of each segment are as follows:

Domestic Beer Operations

The Company maintained its lead of the growing beer market despite a minimal increase in sales volume. Comprehensive brand-building and volume-generating programs strengthened preference and consumption of San Miguel beer brands, resulting to a 4.9% increase in sales revenue. The strengthening of the Philippine Peso over the US\$ tempered the increase in cost of sales to 2.9% due to lower cost of imported raw materials and improvement on manufacturing and distribution efficiencies.

Operating expenses also increased by 5.8% due to higher personnel-related expenses, aggressive advertising and promotional activities and write-off of deferred containers cost.

Operating income continued to grow, closing the year with a 7.4% increase over last year owing to higher revenues and cost containment efforts. As a result of higher operating income, net income grew by 12.6% versus last year, supplemented by substantial foreign exchange gain on the partial prepayment of the Company's US\$ term facility and the restatement of the balance of the said US\$ loan.

International Beer Operations

SMBIL full-year consolidated operating income settled at US\$18.8 million, a growth of 80.1%, despite a slight 1% decline in 2012 volumes, with all units registering improvements, except for operations in Hong Kong and North China. Volume growth in most markets was offset by lower volumes in North and South China operations and Vietnam operations.

Operations in Indonesia capped 2012 with another solid performance to end the year with an 18% domestic beer volume growth owing to the expansion programs implemented. After a difficult 2011, operations in Thailand

managed to recover volumes lost in 2011 and further grew volumes, to end 2012 with an 18% growth, owing to a more targeted advertising and sales promotion activities, as well as enhanced market penetration programs. Meanwhile, Hong Kong operations' domestic volume still grew by 3%, aided by the growth in San Mig Light, as well as the improvement in other the volumes of SMBHK's partners' brands. Exports turned in a stable performance for 2012, growing volumes by 4%, boosted by higher sales to the international operations' existing markets, as well as volumes to new markets.

Domestic sales of the South China operations ended the year 18% behind 2011, primarily due to the distribution restructuring in some core markets, while Vietnam operations' volumes fell short of 2011 due to the rationalization of trade support. However, operating financial results in these operations still posted improvements versus last year on the back of the reduction in fixed cost spending. North China operations' volumes likewise declined by 9% in 2012 due to aggressive competitor activities.

Sales revenues improved by 8.5%, despite the volume decline, due to an improvement in sales mix, as well as the price increases implemented in Indonesia, Hong Kong and South China.

As a result of higher average input and conversion costs, cost of sales increased by 7.2%. Operating expenses grew by 3.5% due to the increase in labor costs and in advertising and promotion expenses.

IV. FINANCIAL POSITION

2013 vs. 2012

The Group's total assets decreased from ₱96,626 million in December 2012 as compared to ₱92,910 million in December 2013.

Cash and cash equivalents decreased from ₱21,959 million in 2012 to ₱14,198 million as of 2013 due to the full payment of SMBHK's US\$30 million loan, PTD's dividend payment, the Company's tender offer of Common Shares and prepayment of the Company's US\$ term facility of US\$150 million.

Trade and other receivables increased by 27.1% from the ₱4,997 million balance in December 2012 to ₱6,352 million in 2013 largely due to the increase in availment of credit facilities extended by the Company.

Deferred tax asset of ₱1,909 million increased by 51.5% from ₱1,260 in 2012 mainly due to higher actuarial losses on the Company's retirement plan, increased provision on allowance for inventory losses and bad debts and the reversal of the deferred tax liability on the foreign exchange loss on the Company's US\$ term facility.

Other noncurrent assets increased from ₱7,189 million in 2012 to ₱8,911 million in 2013 due to container purchases by domestic operations.

Current maturities of long-term debt increased by ₱21,927 million primarily due to the reclassification of the Series B Bonds. Conversely, long-term debt decreased by ₱29,136 million as a result of this reclassification and the payment of the Company's and SMBHK's US\$ loan.

Deferred tax liabilities decreased by 10.5% due to SMBHK group's temporary difference in fixed asset and increase in tax loss.

Other noncurrent liabilities increased from ₱3,379 million in 2012 to ₱4,115 million in 2013 primarily due to the increase in the pension liability of domestic operations.

Treasury stock pertains to the cost of the 51,425,799 Accepted Shares purchased at ₱20.00 per Common Share pursuant to the Tender Offer.

Cumulative translation adjustments decreased by 43.6% due to the appreciation of the US\$, which is the currency used for the international operations' accounts.

The increase in reserve for retirement plan of ₱668 million is primarily due to the increase in the value of the defined benefit retirement obligation of domestic operations.

2012 vs. 2011

The Group's total assets increased by 4.9% from December 2011 balance of ₱92,089 million to ₱96,626 million as of December 2012.

Cash and cash equivalents increased by 20.1% to ₱21,959 million with domestic operations' balance increasing by ₱4,357 million to ₱18,071 million primarily due to higher cash generated from operations. International operations' cash and cash equivalents on the other hand, decreased by US\$9.4 million to US\$94.7 million primarily due to San Miguel (Guangdong) Brewery Company Limited's ("SMGB") and San Miguel Baoding Brewery Co. Ltd.'s ("SMBB") payments of short term loan and dividends to non-controlling shareholders amounting to US\$42.5 million and US\$9.1 million respectively, which decrease was partially offset by the newly-availed long-term loan of SMBHK amounting to US\$30 million.

Trade and other receivables was at the same level as compared to 2011 while inventories decreased by 7% from ₱3,370 million in 2011 to ₱3,134 million in 2012 primarily due to domestic operations' lower inventory levels of raw materials at year end.

Prepaid expenses and other current assets as at December 31, 2012 decreased by 6.3% compared to the December 2011 balance of ₱996 million mainly due to the availment of input taxes on expenses incurred in 2011 and the reversal of derivative assets pertaining to completed purchase orders.

Investments decreased from ₱132 million to ₱63 million in 2012 due to the impairment of PTD's investment in PTSMIFB amounting to US\$1.4 million.

Investment property increased by 5.9% mainly due to additional properties bought by BPI in Bacolod amounting to ₱25 million and the reversal of impairment in SMBHK's Tai Wai property.

Deferred tax assets increased by 13.9% due to domestic operations' temporary taxable differences due to accrual of expenses and increase in actuarial losses on the Company's retirement plan.

Other noncurrent assets increased by 14.3% due to the purchase of new bottles and shells for both domestic and international operations.

Total liabilities decreased by ₱140 million from 2011 balances. The mix of these however, changed from current liabilities to long-term debt. Total debt as at December 31, 2012 of ₱52,599 million, is lower than the ₱53,809 million balance in 2011 with the payment of SMGB's and SMBB's loans payable of US\$42.5 million. Long-term debt increased with the issuance of the Company of the ₱20 billion bonds, the proceeds of which were used to redeem the Series A bonds issued by the Company in 2009 and the partial prepayment of the US\$ term facility in the amount of US\$150 million, and SMBHK's new loan of US\$30 million. With the redemption of the Series A bonds, only the current portion of SMBHK's US\$30 million loan remained as current liabilities.

Income and other taxes payable amounted to ₱2,761 million in 2012, a 5.9% increase over 2011's balance of ₱2,606 million due to higher net income for the fourth quarter of 2012 as compared to income for the fourth quarter of 2011 for both domestic and international operations.

Deferred tax liabilities decreased by ₱16 million from ₱35 million balance in 2011 due to the reclassification of deferred tax liability to deferred tax asset of PTD.

Other noncurrent liabilities increased from ₱2,828 million in 2011 to ₱3,379 million in 2012 primarily due to the increase in the pension liability of both domestic and international operations.

Cumulative translation adjustments of ₱1,502 million relates to the foreign currency translation adjustments of international operations' accounts.

Non-controlling interests which pertain to the share of the non-controlling stockholders in the net assets of PTD, San Miguel Holdings Thailand Limited, San Miguel Beer (Thailand) Limited, SMBHK group and BPI increased by 5.8% mainly due to reversal of impairment of SMBHK's noncurrent assets.

The increase in equity is due to:

	December 31		
	2013	2012	2011
(in Millions)			
Income during the period	₱12,521	₱15,098	₱12,157
Cash dividends declared	(9,023)	(9,015)	(8,983)
Redemption of Common Shares	(1,029)	-	-
Effect of translation adjustments and others	(39)	(1,406)	(358)
	₱2,430	₱4,677	₱2,816

V. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2013	2012	2011
Net cash flows provided by operating activities	₱13,670	₱16,799	₱14,344
Net cash flows used in investing activities	(3,839)	(3,136)	(2,302)
Net cash flows used in financing activities	(17,918)	(9,689)	(8,842)

Net cash flows from operations basically consist of income for the period and changes in non-cash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities included the following:

	December 31		
	2013	2012	2011
Interest received	₱472	₱725	₱656
Proceeds from sale of investment and property and Equipment	143	8	1,106
Additions to intangible and other noncurrent assets	(3,424)	(3,054)	(2,257)
Additions to property and equipment and investment Property	(1,030)	(815)	(1,807)

Major components of cash flow provided by (used in) financing activities are as follows:

	December 31		
	2013	2012	2011
Payment of long-term debt	₱ (7,884)	₱ (19,989)	₱ -
Cash dividends paid	(8,618)	(8,630)	(8,630)
Redemption of Common Shares	(1,008)	-	-
Dividends paid to non-controlling shareholders	(401)	(385)	(361)
Increase (decrease) in other noncurrent liabilities	(7)	(6)	2
Proceeds from long-term debt-net	-	21,078	-
Proceeds from short-term borrowing	-	-	341
Payment of short-term borrowings	-	(1,757)	(194)

The effect of exchange rate changes on cash and cash equivalents amounted to ₱326 million, (₱294 million) and ₱3 million in 2013, 2012 and 2011, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data on the periods indicated below:

	December 2013	December 2012 (As Restated)
Liquidity:		
Current Ratio	0.75	2.86
Solvency:		
Interest Coverage Ratio	6.36	6.32
Debt-to-Equity Ratio	1.81	2.16
Interest-bearing Debt-to-Equity Ratio	1.37	1.72
Total Asset-to-Equity Ratio	2.81	3.16
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Company	40.54%	54.63%
	Years Ended December 31	
	2013	2012 (As Restated)
Operating Efficiency:		
Volume Growth (Decline)	(9.2%)	0.44%
Revenue Growth (Decline)	(0.7%)	5.1%
Operating Margin	28.7%	29.5%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Interest Coverage Ratio	$\frac{\text{Earnings before interest, taxes, depreciation and amortization (EBITDA)}}{\text{Interest expense and other financing charges}}$
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Interest-bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-bearing Debt}}{\text{Equity}}$
Total Asset-to-Equity Ratio	$\frac{\text{Total Asset (Current + Noncurrent)}}{\text{Total Equity}}$

Return on Average Equity Attributable to Equity Holders of the Company	$\frac{\text{Net Income Attributable to Equity Holders of the Company}}{\text{Average Equity Attributable to Equity Holders of the Company}}$
Volume Growth (Decline)	$\left(\frac{\text{Current Period Sales Volume}}{\text{Prior period Sales Volume}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VII. OTHER MATTERS

a) Cash Dividends

On February 7, 2014, the Company's Board of Directors declared cash dividends of ₱0.14 per Common Share payable on March 17, 2014 to all stockholders of record as of March 7, 2014.

b) Event After the Reporting Date

The Board of Directors approved in its meeting on February 7, 2014, the issuance by the Company of Philippine Peso-denominated bonds of up to ₱15 billion, subject to an option on the part of the Company to increase the amount by up to ₱5 billion in case of an oversubscription. The bond issuance will have a minimum tenor of seven years and a maximum of 15 years. The proceeds thereof will be used to refinance the Series B of the ₱38.0 billion Bonds maturing on April 4, 2014. The Board of Directors has also delegated to management the authority to determine, negotiate and finalize the terms and conditions of the issuance, including the interest rates, tenor and listing thereof.

c) Commitments

The outstanding purchase commitments of the Group as of December 31, 2013 and 2012 amounted to ₱5,998 million and ₱6,632 million, respectively.

Amounts authorized but not yet disbursed for capital projects as of December 31, 2013 and 2012 is approximately ₱330 million and ₱441 million, respectively.

d) Foreign Exchange Rates

The foreign exchange rates used in translating the US\$ accounts of foreign subsidiaries to Philippine Peso in 2013 were closing rates of ₱44.40 and average rates of ₱42.43 for income and expense accounts.

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

- h) 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.
- i) 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, other than those disclosed in the Management's Discussion and Analysis and the Audited Consolidated Financial Statements.
- j) 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.

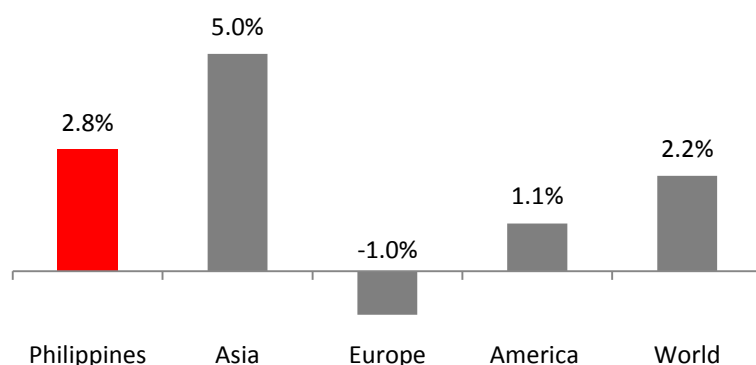
THE BEER INDUSTRY IN THE PHILIPPINES

The information and data contained in this Prospectus relating to the Philippine beer industry has been provided by Canadean, a leading global beverage research company, and is taken from Canadean's database and other sources. The Company does not have any knowledge that the information provided by Canadean is inaccurate in any material respect. Canadean has advised that (i) some information in Canadean's database is derived from estimates or subjective judgments, (ii) the information in the databases of other data collection agencies may differ from the information in Canadean's database, and (iii) while Canadean has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors.

OVERVIEW

Between 2009 and 2013, global beer sales volumes increased at a CAGR of 2.2%. Over the same time period, the Philippines beer market also grew at a CAGR of 2.8%. Regionally, Asia Pacific beer sales volumes grew at a faster rate than markets in all other regions around the world. The following table sets forth the beer sales volumes CAGR from 2009 and 2013 for the Philippines, Asia Pacific and various regions:

Beer Sales Volumes CAGR 2009-2013E



Source: Canadean "The Beer Service, Global Beer Trends 2013 Cycle"

The Philippines is the third largest beer market in Southeast Asia (Vietnam, Thailand, Philippines, Indonesia, Malaysia and Singapore) and the sixth largest beer market in greater Asia by sales volume. In 2013, sales volume for beer in the Philippines was 16.3 million hectoliters. The following table sets forth beer sales volumes in 2013 and the 2009 to 2013 CAGR for various countries in Southeast and greater Asia:

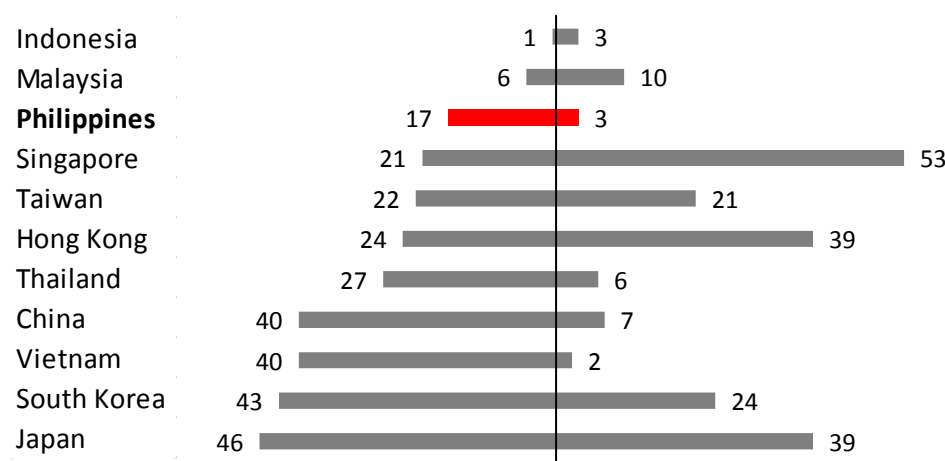
Major Asian Beer Countries 2013E

Country	Sales Volume (HL Millions)	2009 -2013E CAGR (%)
China	544.3	5.6
Japan	58.9	(0.9)
Vietnam	37.4	10.5
South Korea	20.8	3.7
Thailand	18.5	1.3
Philippines	16.3	2.8
Taiwan	5.2	(1.2)
Indonesia	2.3	1.7
Hong Kong	1.7	2.9
Malaysia	1.7	6.2
Singapore	1.1	6.8
Total	708.3	4.9

Between 2009 and 2013, the per capita sales volume of beer for the Philippines grew from approximately 16 liters to 17 liters. The following table sets forth the largest Asian beer markets ranked by per capita consumption and per capita GDP.

Major Asian Beer Countries

Beer Consumption Per Capita vs GDP Per Capita, 2013E



Source: Canadian "The Beer Service, Global Beer Trends 2013 Cycle," International Monetary Fund (IMF).

The following table sets forth changes in the Philippines' per capita sales volume of beer for the periods indicated:

Development of Philippines Beer Market Per Capita Sales Volume

	Liters per person
2004	17.3
2005	16.5
2006	14.7
2007	15.3
2008	15.8
2009	15.8
2010	17.3
2011	17.3
2012	16.9
2013E	16.7

Source: Canadian, "The Beer Service, Annual Report — 2013 Cycle, Philippines."

Beer Segmentation

The beer market in the Philippines can be broken down into four segments: (i) economy brands, (ii) standard brands, (iii) premium brands and (iv) super-premium brands, principally differentiated by pricing. Brands from economy and standard segments are heavily advertised and promoted and can be generally differentiated by marketing policy and packaging.

Economy brands. Economy brands are low-priced products, which are brewed locally and accounted for approximately 12.8% of sales volume in the Philippines in 2012. Economy beer is widely available to the mass market through a range of different outlets and is distributed mostly in glass bottles through small supermarkets, sari-sari stores ("mom and pop") and on-premise channels throughout the country. Consumers in this segment are particularly price-sensitive. The typical retail selling price of a 320ml bottle is ₱20.00 and below. Economy brands in the Philippines include *Beer na Beer* and *Gold Eagle*.

Standard brands. Standard brands are mostly brewed locally and represented approximately 60.8% of the beer market by sales volume in 2012. The brands in this segment are targeted at consumers nationally. The brands within this segment are generally priced 11% to 26% above economy brands, with the typical retail selling price of a 330ml bottle generally between ₱ 21.00 and ₱ 24.00. Standard brands have been increasingly popular with consumers given the stronger alcohol content on leading brands such as *Red Horse* and *Colt 45*.

Premium brands. Premium brands are mostly brewed locally and represented approximately 25.7% of sales volume in 2012. The brands in this segment are targeted at consumers mostly in urban areas with a purchasing power greater than the mass market. The brands in this segment are generally priced 10% to 25% above standard brands, with the typical retail selling price of a 330ml bottle generally between ₱23.00 and ₱30.00. San Miguel is the dominant force in this segment through *San Miguel Pale Pilsen* and *San Mig Light*.

Super-premium. This segment represented the remaining 0.7% of the beer market by sales volume in the Philippines in 2012, and comprises mainly local brands and international brands imported into the Philippines. The brands in this segment are targeted at urban consumers with relatively high purchasing power and tourists. These products are mostly sold through high-end bars, restaurants and hotels in the Metro Manila area. Super premium brands are significantly more expensive than economy, standard and premium brands and use more sophisticated packaging designed to appeal to urban consumers. The typical retail selling price of a 330ml bottle is approximately ₱36.00 and upwards. The most popular local brands include *San Miguel Super Dry*, *Cerveza Negra* and *Premium All-Malt* whilst imported brands include *Heineken*, *Budweiser* and *Corona*.

Compared with other leading beer markets in Asia, both off and on-premise pricing per liter in the Philippines represent one of the lowest for Asia. The following table sets forth estimated beer pricing per liter in 2013 across the major beer markets in Asia:

Leading Asian Beer Markets Average Per Liter Prices 2013E — US\$

Country	Ave. Price per Liter (in US\$)
Japan	6.00
Hong Kong	4.60
Indonesia	4.10
Vietnam	2.85
Philippines	2.54
Thailand	2.21
China	1.07

Source: Canadean “The Beer Service, Annual Report — 2013 Cycle.”

Key Industry Trends

Economic impact. Consumer incomes have been improving in recent years in view of increased economic activity in specific sectors such as IT-BPM, tourism and construction. These emerging sectors are seen as growth potential for the beer market.

Preference for mainstream over premium brands. The Philippine beer market is largely a pilsner lager type beer market. In recent years, there is increasing preference for mainstream beer which contains higher alcohol content than premium beer due to affordability with consumers. *Red Horse*, produced by San Miguel Brewery Inc., which contains ABV of 6.9% is the leading brand in the mainstream segment whilst *San Miguel Pale Pilsen*, the leading brand in the premium segment, contains an ABV of 5%.

Increasing popularity of light and flavored beers. Other beers that are gaining momentum in the market are light or low-calorie and flavored beers. Low calorie beers account for approximately 10% of industry volumes, mainly represented by *San Mig Light*. Recently, *Manila Beer Light* was launched by Asia Brewery Inc. (“ABI”) to gain a foothold in the light market but its share remained minimal. San Miguel also launched the first flavored beer in the market to target younger segment and capitalize on increasing consumer preference for flavored drinks. The brand has performed extraordinarily well since its launch in 2010.

Distribution challenges. The Philippines is composed of over 7,000 islands that renders distribution a highly complex and expensive business and represents a significant barrier to market entry for new brewers wishing to distribute nationally. San Miguel Brewery Inc. and ABI remain dominant in the beer market and limit competition nationally. Off-premise channel continued to represent bulk of industry volumes with approximately 70% share.

Taxes. On January 1, 2005, the Philippine Government raised excise duty by 20% on beer which was unpopular with both the industry and consumers. Unlike other markets where excise duty is levied on the specific gravity of alcohol, in the Philippines, excise duties are charged according to net retail price per liter of volume capacity.

On February 1, 2006, VAT was raised to 12% from 10% as part of the Government's policy to reduce the fiscal deficit. As a result, beer retail prices increased during 2006 which had a dampening effect on beer consumption during the same year.

On January 1, 2007, 2009 and 2011, the beer excise tax rate was increased by 8% in each year.

In 2013, a new tax structure was imposed on alcoholic beverages, i.e., a change to a two-tiered structure with annual increases and a gradual shift to unitary tax structure by 2017. The increase in excise taxes is expected to raise more revenues for the government which it intends to allocate for health care services for poor families in the country.

Effective January 1, 2013, the excise tax rates on beer were adjusted to ₱15.00 per liter if net retail price is ₱50.60 per liter and below and to ₱20.00 per liter for those beers with a net retail price above ₱50.60 per liter. The rates are set to increase to ₱17.00 and ₱21.00 in 2014, ₱19.00 and ₱22.00 in 2015, ₱21.00 and ₱23.00 in 2016, and to a uniform rate of ₱23.50 in 2017. This rate will be adjusted by 4% every year thereafter.

Aside from higher taxes, the industry's profitability is also affected by fluctuations in prices of commodities and volatility of the local peso which impacts on the cost of raw materials.

Competition

The beer market in the Philippines is highly concentrated, with San Miguel Brewery Inc. continuing to consolidate its leadership locally. The company recorded a high market share of 90% in 2012 as a result of its extensive distribution network and strong brand portfolio. Key brands include *San Miguel Pale Pilsen*, *Red Horse* and *San Mig Light*.

The other key local player is ABI which started out brewing *Carlsberg* under license in 1987 and followed in 1988 with the launch of its own *Beer na Beer* brand. ABI's market share was estimated at 10% in 2012. Key brands include licensed brand *Colt 45*, *Beer na Beer* and *Manila Beer*.

Imported beer comprises a small proportion of the market as these products are primarily found in upscale hotels, bars, restaurants and supermarkets in Metro Manila.

Philippines — Leading Brewers / Importers 2010-2012 (000 hl)

Company	2010	2011	2012
San Miguel	14,369	14,562	14,566
Asia Brewery	1,560	1,646	1,610
Others	26	35	33

Source: Canadian "The Beer Service, Annual Report — 2013 Cycle."

Distribution

The Philippines is composed of over 7,000 islands that renders distribution a highly complex and expensive business, and create a significant barrier to market entry for new brewers wishing to distribute nationally. Metro Manila on the island of Luzon is the most densely populated conurbation and accounts for approximately 30% of all beer consumption in the country.

The brewers distribute direct to retailers through a network of independent, exclusive dealers. In the provinces, these dealers work with a large number of sub-dealers and wholesalers.

The returnable glass bottle enjoys widespread distribution across all channels as it is popular with consumers. For example, the leading brand *Red Horse* costs ₱65.00 for a one liter returnable glass bottle with a ₱4.50 deposit on the bottle when purchased from sari-sari stores. On average, each returnable glass bottle can be used anywhere from 40 to 60 manufacturing cycles depending on the quality of the glass used to make the bottles.

Beer distribution covers large modern supermarkets, smaller supermarkets, convenience stores, gas stations and sari-sari stores as well as on-premise outlets such as bars, clubs, hotels and restaurants. Modern retail such as supermarkets is growing from a small base particularly in Metro Manila and key cities nationwide.

The following table sets forth the outlet universe for beer in the Philippines:

Outlet Universe for Beer (2011)

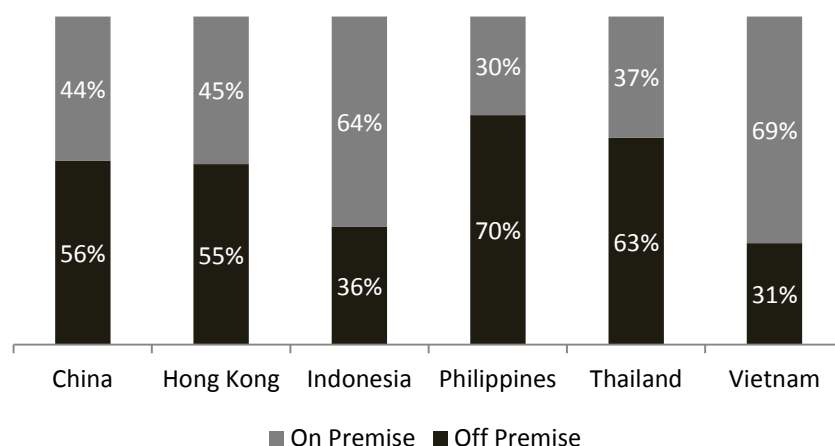
	Number	% share
<i>Retail</i>		
Convenience stores	1,935	0.4
Supermarkets	431	0.1
Warehouse Clubs	58	0.0
Gas Stations	361	0.1
Sari-Sari Stores	515,000	99.4
Other retail	348	0.1
Total Retail	518,133	100.0
<i>On-Premise</i>		
Hotels	4,496	4.5
Restaurants, cafes, fast food	77,641	78.1
Clubs, kiosks, others	17,312	17.4
Total On-Premise	99,449	100.0

Source: Canadean "The Beer Service, Annual Report — 2012 Cycle, Philippines."

The on-premise channel accounts for around 30% of overall beer consumption in 2013 which remained relatively stable in recent years. The volume contribution of modern trade outlets which include convenience stores and large supermarkets remain minimal.

The following table sets forth distribution of beer in leading Asian markets for 2013E:

Major Asian Beer Countries — Off vs. On Premise Volume Sales 2013E



Source: Canadean "The Beer Service, Global Beer Trends 2013 Cycle."

Outlook

The Philippine economy is projected to sustain its favorable performance in the medium-term, with growth seen to average at 6% and inflation to remain moderate at 4%. The upbeat outlook is supported by the strong macroeconomic fundamentals, resilient domestic demand and positive business sentiment. Key growth drivers will include the IT-BPM sector, tourism and gaming, construction, investments, among others. OFW remittances will continue to buoy consumption. Meanwhile, the exports sector is also foreseen to gain growth momentum as the global economy improves.

Outlook for the beer market remains favorable in the medium-term, with growth expected to range at 1%-2%. Coming from a slowdown in sales performance brought about by higher prices due to excise tax hikes in 2013, beer players are seen to focus on brand-building activities and consumption generation to boost beer demand alongside attractive economic and demographic prospects.

BUSINESS OVERVIEW

The Company is the largest producer of beer in the Philippines, with a total market share of 90% in 2012, according to Canadean. The Company's beer brands include all of the top four beer brands in the Philippines, namely *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light* and *Gold Eagle*. *San Miguel Pale Pilsen*, the Company's flagship brand, has a history of over 123 years. San Miguel beer was first produced by La Fabrica de Cerveza de San Miguel ("San Miguel Brewery"), a small brewery in the Philippines that began its operations in 1890. San Miguel Brewery provided the foundation from which SMC has grown to become the largest food, beverage and packaging company in the Philippines today. San Miguel Brewery was renamed San Miguel Corporation in 1963.

From a single brewery producing a single product in 1890, SMC's corporate history and business portfolio have evolved over the years. It entered the soft drinks business in 1922 and became the first overseas bottler of The Coca-Cola Company in 1927. To meet the needs of its beer and soft drinks businesses, SMC established a glass packaging plant in Manila in 1938 to supply its own requirements. SMC has expanded to include other food, beverage and packaging products. It has also grown geographically from a Philippine-based beer company to become a regional producer in the Asian beer market. The San Miguel brewery in Hong Kong was founded in 1948 and by the 1970s, San Miguel beer had established a strong market position in Hong Kong. Building on San Miguel beer's leading positions in the Philippines and Hong Kong, SMC expanded into new markets, including China in 1991, Indonesia in 1992, Vietnam in 1993, and Thailand in 2004. Prior to the creation of the Company, all of SMC's beer operations were under the San Miguel Beer Division ("SMBD"), a business unit of SMC.

The Company was incorporated on July 26, 2007, as a wholly-owned subsidiary of SMC. The domestic beer business was spun off from SMC to the Company effective October 1, 2007 following the approval thereof by the shareholders of SMC, with all plant and equipment used by SMBD in the domestic beer business transferred to the Company, while SMC retained ownership of the San Miguel Beer Brands and San Miguel Land used in the domestic beer business.

SMC subsequently transferred the San Miguel Beer Brands to IBI. On the other hand, the San Miguel Land was later transferred by SMC to BPI. BLI, the wholly-owned subsidiary of BPI, also owns land on which certain sales offices used by the Company in its domestic beer operations are located. The Company purchased all of SMC's interests in IBI on April 29, 2009, as a result of which IBI became a wholly-owned subsidiary of the Company. The Company then purchased all of the interests of SMC in BPI on November 10, 2010, comprising 40% of the issued and outstanding capital stock of BPI. The outstanding portion of the purchase price for the said shares will be paid by the Company to SMC upon transfer by SMC of the remaining eight San Miguel Land titles in the name of BPI.

The Company financed its acquisition of the interests of SMC in IBI and BPI by issuing Philippine peso-denominated fixed rate bonds in the aggregate principal amount of ₱38.8 billion ("Series ABC Bonds") in April 2009. The Company again issued fixed rate bonds in the aggregate principal amount of ₱20 billion ("Series DEF Bonds") to refinance the Series A of the Series ABC Bonds when it matured in April 2012. The outstanding Series ABC Bonds and Series DEF Bonds are listed on the PDEX.

The Company's Common Shares were listed on the PSE on May 12, 2008 following an initial public offering conducted in April to May 2008. Kirin thereafter acquired a 48.39% shareholding in the Company in 2009, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC retained majority ownership of the Company with shareholding of 51%.

The Company geographically expanded its operations when it acquired the international beer and malt-based beverage business of SMC in January 2010, through its purchase of the 100% issued and outstanding capital stock of SMBIL, from San Miguel Holdings Limited, a wholly-owned subsidiary of SMC. The SMBIL group operates one brewery each in Indonesia, Vietnam, Thailand and Hong Kong, and two breweries in China. As of December 31, 2013, international operations account for 19% of the total revenues of the Group. SMBIL's beer brands in the international market, include the San Miguel beer brands, and local brands such as *Blue Star*, *Anker* and *Dragon*.

Meanwhile, the amended rules on minimum public ownership of the PSE took effect on January 1, 2012. Following the SEC's denial of all requests made (including the request of the Company) for the extension of the grace period for listed companies to comply with the PSE's minimum public ownership requirement and the PSE's imposition of a trading suspension on the Common Shares of the Company effective January 1, 2013 as a result of such denial, the Board of Directors of the Company approved the voluntary delisting of the Company's Common Shares from the PSE on February 15, 2013. To comply with the PSE requirements on voluntary delisting, the Company undertook a tender offer to buy back all of the Common Shares held by the public (other than those held by its major stockholders and directors) at an offer price of ₱20.00 per Common Share. A total of 51,425,799 Common Shares were tendered and accepted for payment. The PSE approved the Company's petition for voluntary delisting on April 24, 2013 and the Common Shares of the Company were delisted from the PSE effective May 15, 2013.

Other than the foregoing, or as may be disclosed under the Section "*Management's Discussion And Analysis Of Financial Position And Financial Performance*" of this Prospectus, there was no bankruptcy, receivership or similar proceeding or material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets by the Company which is not in the ordinary course of business since 2010.

Strengths

The Company believes that its principal strengths include the following:

- ***Dominant market share and brand leadership.*** From a single product produced in a single brewery in 1890, San Miguel beer has, over 123 years later, grown into an array of popular beer products catering to the distinct tastes and preferences of beer drinkers across all segments and markets in the Philippines. *San Miguel Pale Pilsen*, the Company's flagship brand, has been an iconic Philippine brand for most of the 20th century and up to today. After considering the Filipino beer drinker's evolving preferences, other brands and products have been introduced, and these have been very successful. Today, the Company offers a portfolio of 11 strong and popular brands: *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light*, *San Miguel Super Dry*, *Cerveza Negra*, *Gold Eagle*, *San Miguel Premium All-Malt*, *San Miguel Flavored Beer*, *San Mig Zero*, *Oktoberfest Brew* (a seasonal beer), and *Calì*, the country's only malt-based non-alcoholic drink. The various products carry distinct attributes that cater to the various segments of the Philippine beer market. The Company's products have been internationally recognized for quality, garnering more than 70 gold, silver and bronze medals as well as more than ten trophies and awards from the Monde Selection International since 2000.
 - ***Strong brand Equity.*** *The Company's products* have consistently dominated the market for beer in the Philippines, the country's largest alcoholic beverage segment. Based on Canadean data, the Company's products captured a high market share of 90% in 2012. The country's top four beer brands are all produced by the Company. Unlike most other markets for beer, in the Philippines, imported brands account for only 0.2% of the market, with distribution primarily in upscale bars, hotels and modern trade channels. Despite the entry of local competition in 1981 and the introduction of a few locally brewed versions of foreign brands, the Company has maintained an extremely strong market position. The popular acceptance and widespread availability of the Company's products have helped strengthen market position over the years. The Company's size and scale of operations provide significant economies of scale in production, research and development, distribution, and managerial and marketing functions over a diversified product portfolio and geographic base. Its size also results in substantial leverage and significant bargaining power with suppliers and retailers.
 - ***Ownership of Events.*** *The Company conducts trademark nationwide and local events* such as San Miguel Oktoberfest, Red Horse Muziklaban, Sarap Mag Babad summer program and National Beer Drinking Contest. It also has a dominant presence in major fiestas and festivals, thereby increasing brand exposure to the consumers.
- ***Efficient Manufacturing Process.***
 - ***Proximity of Production Facilities to Consumer Markets.*** To ensure product availability and freshness, as well as to minimize distribution costs, the Company maintains a network of six production facilities that are strategically located in the three main islands of the Philippines: Luzon, Visayas and Mindanao. The Company has facilities in each of Valenzuela City in Metro Manila, Sta. Rosa City in Laguna, San Fernando City in Pampanga, Mandaue City in Cebu, Bacolod City in

Negros Occidental and Darong, Sta. Cruz in Davao del Sur, with a total annual production capacity of approximately 17 million hectoliters. The facilities are equipped with automated equipment capable of brewing and packaging the Company's products in a variety of sizes and formats, including bottles, cans, and kegs. The strategic location of the Company's production facilities reduces overall risks by having alternative product sources to avert possible shortages and meet surges in demand in any part of the country. This also assists the Company in ensuring that the beer is freshly delivered to dealers and retailers at an optimal cost. The archipelagic nature of Philippine geography and the relative difficulty of transporting products to the country's substantial rural population make these dispersed production facilities particularly valuable.

- **Cost Leadership.** The Company maintains a strong cost leadership position through high productivity and efficiency, as well as cost control measures, which facilitate pricing flexibility and greater profit growth by maintaining the Company's margins. The Company's product quality initiatives, process enhancements, and improvement programs for plant operations and facilities management are all expected to be sustained. The Company continuously implements process optimization efforts and technology enhancements to generate cost savings.
- **Extensive Distribution System and Wide Dealership Network.** The Company has a far-reaching and efficient distribution system in the Philippines. The Company's 50 sales offices, contracted logistics service providers and transportation assets including hauling trucks, routing trucks, pre-sell vans and service pick-ups and its network of close to 500 dealers across the Philippines enable it to maintain optimum stock levels in terms of quality and quantity in approximately 500,000 on-premise and off-premise outlets nationwide. The Company's products from any one of the Company's six production facilities reach sales offices or dealer warehouses within five days from production date. The sales office or dealer then delivers the beer to the wholesaler or retailer promptly afterward, ensuring ample stock and quality wherever and whenever the Company's products are needed.
- **Returnable Glass Bottle System.** The Company's returnable glass bottle system helps keep the price of its beer products affordable. The Company is able to achieve more than 90% retrieval rate for its bottles, maximizing bottle usage and substantially reducing its packaging costs.
- **Positioned in strategic growth markets in Asia-Pacific with a broad portfolio of San Miguel and local brands.** The Company through its subsidiary, SMBIL, has business operations in five countries which are major beer markets in Asia and offer attractive growth prospects in the medium-term (i.e., China, Hong Kong, Vietnam, Indonesia and Thailand). SMBIL has a broad portfolio of strong international and local brands, with the premium brand San Miguel growing in most of its international markets while local brands *Blue Star* in Baoding in northern China and *Anker* in Indonesia remain as major brands in their respective markets. SMBIL also employs focused sales and distribution systems and owns six breweries which have a total production capacity of approximately seven million hectoliters to support its operations. The Company's footprint in the global beer market is also backed by SMBIL's export operations which cover over 40 markets worldwide.
- **Financial Strength.** The Company has consistently shown a strong financial position with attractive growth prospects. Sales growth and cost efficiencies have resulted in consistently high EBITDA margins. The Company continues to exhibit strong cash flows due to efficient working capital management and prudent capital expenditure programs.
- **Highly Experienced Management and Production Team.** The Company has an extensive pool of experienced managers, with many senior managers having been with the Company for an average of 20 years. The management team is well accustomed to the Philippine operating environment, and has been able to effectively manage the Company through periods of crisis and instability in the Philippines. The Company also has established experts in its production process, including more than 35 brewmasters, each of whom has completed advanced training and has more than ten years of on-the-job-training experience working for the Company.

Strategy for Domestic Operations

The Company's principal strategy is to increase the volume of its beer sales, both by asserting its market leadership and by increasing the size of the market, while maintaining its margins. It plans to achieve this through the following:

- **Assert market leadership.** The Company intends to fortify its market leadership in the beer and alcoholic industry by ensuring that its products offer relevant and compelling value proposition to consumers. Volume-generating and brand-building programs consisting of thematic campaigns, visibility initiatives and below-the-line activities will be pursued in an integrated manner, complemented by enhanced trade efficiencies via intensified outlet penetration, availability programs, price campaigns and other trade initiatives. Furthermore, it plans to execute targeted sales and marketing initiatives in the regions and localities where the Company's market share is relatively lower than national average and where competition is aggressive. In the broader alcoholic industry, the Company intends to gain market share primarily through intensified defense programs against competition from other alcoholic products and outlet expansion programs.
- **Further grow the overall market for beer.** The Company also plans to increase its sales volume by increasing the total market for beer sales. The Company's primary strategies to achieve this include:
 - **Segmented pricing strategy.** The Company intends to keep its products affordable for the middle and lower socio-economic sectors by maintaining a moderate pricing strategy for its products in the Popular and Economy markets, where sales are highly price elastic. For the more upscale, or Upper Popular market, where sales are less price elastic, the Company plans to sustain the higher price positioning of its specialty brands, supported by image-building activities to strengthen their premium positioning and improve their profitability. In the medium term, the Company intends to sustain the different price points among segments to ensure coverage of all market segments while sustaining a healthy brand mix.
 - **Enhancing the value proposition of its products.** The Company intends to enhance the value proposition of its products via relevant brand-building initiatives backed by on-ground activations. These will enable the Company to strengthen patronage for its products as well as take advantage of segment-specific growth opportunities and shifts in consumer profile and patterns.

Programs and initiatives to protect its core customers and strengthen preference of new and younger drinkers for the Company's brands will be pursued. The Company expects to further grow its main brands *San Miguel Pale Pilsen*, *Red Horse* and *San Mig Light* through the brand-building initiatives, demand-generating programs, on-ground and digital activations as well as special events aligned with the respective positioning of these brands in the market. Examples of brand-building activities previously implemented include advertising campaigns for *San Miguel Pale Pilsen* using famous endorsers such as Vic Sotto, Kris Aquino and Allan Pineda (a.k.a. apl.de.ap) under the "Walang Katulad" ("Beer like no other"), "Ito ang Beer" ("This is the Standard of Beers") and "Homecoming" campaigns while demand-generating programs include beerhouse and bar tours and various consumer promotions.

For the Company's specialty brands, including *San Miguel Premium All-Malt*, *Cerveza Negra* and *San Miguel Super Dry*, the Company plans to focus on key on-premise and off-premise outlets through visibility and volume-generating efforts such as bars tours, merchandising programs and online initiatives.

- **Increase size of the upscale segment and tap emerging consumer segments and channels.** The Upper Premium and Premium markets for beer in the Philippines are relatively small segments, but they play important roles in brand-building and overall market development. The segments offer promising prospects, underpinned by rising consumer incomes, increasing consumer sophistication, rapidly changing drinker habits and preferences, as well as increasing urbanization. The Company intends to support programs to develop the upscale segment of the beer industry through higher-priced and higher-margin specialty products. For example, in August 2008, the Company launched *San Miguel Premium All-Malt* and *Oktoberfest Brew*, a seasonal beer, which are positioned in the Upper Premium and Upper Popular segments, respectively. With this strategy, the Company aims to take advantage of opportunities in segmenting the market as well as pre-empting the incursion of foreign brands. Relative

to other Asian countries, the Philippine beer market offers greater potential with regard to premium pricing of brands given the current relatively narrow price gap between the Premium and Upper Popular brands. In addition to the upscale segment, the Company intends to continuously tap new growth segments such as the business process outsourcing sector, overseas Filipino workers, and tourism sector through initiatives tailor-fit for these segments and utilization of channels which cater to these markets. The Company also recognizes the importance of fast-growing modern trade channels such as large supermarket chains, hypermarkets and modern convenience stores in marketing and carrying its products to consumers, especially in urban areas. Accordingly, the Company is implementing sales and marketing programs in these emerging segments which offer growth potential.

- ***Intensify Trade Execution and Innovation.*** The Company intends to expand its trade reach and increase the visibility and availability of its products to support volume growth. In pursuing this strategy, the Company will focus on improving trade efficiencies as well as enhance dealer operations and trade partnerships. Furthermore, the Company will likewise implement programs to improve outlet servicing, strengthen channel management as well as enhance sourcing and distribution schemes to ensure availability of the Company's products in specific channels and locations including remote areas. In the modern channel, the Company will remain focused on maximizing visibility and increasing consumer purchases.
- ***Increase sales through special events and promotions.*** The Company intends to pursue volume-generating initiatives such as innovative consumer promotions and campaigns, on-ground activations as well as occasion-creation programs and special events. Examples of these activities include the Company's dominance in town fiestas and conduct of trademark events, such as San Miguel Beer Oktoberfest, Red Horse Muziklaban, San Mig Light Party All Night, Sarap Mag Babad summer program activations as well as National Beer Drinking Contest that aim to make the beer drinking experience more relevant and closer to the consumers.
- ***Develop new products and packaging innovations.*** The Company will continue to explore the introduction of new products and innovative package formats. The Company believes this strategy can tap new consumer segments as well as address the needs of an increasingly fragmenting market. For example, to entice the entry point drinkers, the Company introduced *San Miguel Flavored Beer* in lemon and apple flavors in late 2010, the first flavored alcoholic beer in the market. Meanwhile, *San Miguel Pale Pilsen* in 330ml long neck bottle with paper label packaging was released in 2011 in selected on-premise outlets to contemporize the brand and further boost its awareness and consumption. To capitalize on the health and wellness trend, the Company introduced *San Mig Zero* in 2013 which was formulated to offer the lowest calorie, lowest carbohydrate and zero sugar proposition to health-conscious individuals. The Company likewise intends to pursue packaging innovations to capitalize on the market trends toward convenience packaging as well as increasing sophistication of consumers.
- ***Improve resource allocation and value creation in the supply chain.*** The Company aims to improve resource allocation and cost management towards programs that would create more value for the Company as well as ensure appropriate mix of advertising and promotions that would generate higher sales for the Company. In support of value creation in the supply chain, the Company intends to broaden its base for suppliers and materials to drive down costs without sacrificing quality. Third party service providers will also be managed more effectively, anchored on stronger partnership and shared objectives. Process and productivity improvements will be vigorously pursued in the different stages and areas of production, distribution and promotions to deliver products of superior quality while protecting profitability.

Strategy for International Operations

In the international beer business, the overall objective of SMBIL is to achieve strong volume and profit growth trend following the improvement in its performance. This will be achieved through market-specific programs that cater to local tastes and preferences while pursuing an integrated and consistent campaign for San Miguel beer brands in the region. In particular, key strategies include the following:

- ***Strengthening the portfolio of local and international brands.*** SMBIL intends to further push the appropriate combination of local and international brands in its operating units to capitalize on the varied preferences of consumers in the international markets and pursue healthy, profitable brand mix.

- ***Accelerating the expansion of San Miguel brand.*** SMBIL aims to accelerate growth of San Miguel beer brands mainly *San Miguel Pale Pilsen* and *San Mig Light*, consistent with the Company's thrust to promote San Miguel as the lead brand in the Group's portfolio in the international markets. This will be done primarily through consumer and trade and consumer promotions, events as well as development of new advertising campaigns and creative merchandising materials.
- ***Improving sales and distribution management.*** Supporting the thrust on volume expansion and appropriate brand mix is the objective of improving the efficiency of sales and distribution. This involves strengthening the management of dealers/wholesalers, outlet and channel-specific programs such as bar games, sports-viewing parties and promotions aligned with the respective brands' positioning. SMBIL also aims to strengthen its position in its core markets through increasing outlet penetration in existing areas as well as geographic expansion to new territories. SMBIL will also grow volumes in markets beyond Asia and the Middle East.
- ***Cost reduction and efficiency improvements.*** To increase the cost competitiveness of SMBIL, efficiency programs and cost containment measures will be implemented in the different aspects of the business such as logistics, manufacturing, sales, procurement and marketing. Processes are regularly evaluated for optimization, capability-building and development of potential synergies, where applicable, among the different units. For example, SMBIL intends to reduce freight and distribution costs through improvements in sourcing and ordering of stocks as well as implementation of packaging improvements, lower cost formulation and procurement of materials on a regional scale, among others.

PRODUCTS AND BRANDS

In the Philippines, beer has become synonymous with San Miguel, which has been known for its quality products for over 123 years. Specifically, Filipinos readily associate beer with a San Miguel product that embodies the attributes and values they look for in their beverage. The Company has differentiated its product offerings through effective marketing programs. With the Company's diverse product portfolio, Filipino beer drinkers can have a San Miguel product that caters to their specific tastes and preferences. The Company considers the strong brand associations and imagery that San Miguel beer brands carry to be among the important selling points for San Miguel beer products.

The Company markets its beer under the following brands: *San Miguel Pale Pilsen*, which is the Company's flagship brand, *San Miguel Super Dry*, *San Mig Light*, *San Miguel Premium All-Malt*, *Cerveza Negra*, *Red Horse*, *San Miguel Flavored Beer*, *San Mig Zero*, *Oktoberfest Brew*, and *Gold Eagle*. The Company also sells *Cali*, the country's only malt-based non-alcoholic drink. *Cali* is available in three variants: *Cali Classic Sparkling Pineapple Drink*, *Cali Ice Apple* and *Cali Light* (low-calorie). Recent product introductions were *San Miguel Flavored Beer*, which comes in apple and lemon flavors, and *San Mig Zero*.

The Company's products can be categorized into three classes based on the target market: Premium/Upper Premium/Upper Popular, Popular and Economy. Premium, Upper Premium and Upper Popular products cater to upscale markets especially in highly urbanized areas, while the Popular segment serves the majority of the population or the mass market. The Economy segment caters to the low-end market. The share of the Company's upscale brands (which includes the Premium/Upper Premium and Upper Popular market segments) to total Company's sales has been steadily increasing from 2% in 2000 to 11% in 2013. In contrast, the share of the Company's Popular and Economy brands as a percentage of sales has been decreasing. These trends reflect primarily shifts in consumer preferences given improvements in incomes, increased urbanization and changes in lifestyles.

The following table sets forth each of the Company's principal products, organized by market segment, and includes a description of each product as well as the specific packaging in which the product is sold.

Market Segment	Brand and Product Portfolio		Product Price ⁽¹⁾ (₱)
	Brand/ Product	Description/Target Market	
Upper Premium		<i>San Miguel Premium All-Malt Beer</i> has a malty flavor with pleasant hoppy notes. It is full-flavored with a smooth balanced bitterness that is just right. It is slightly sweetish in taste and has medium to full body. Targeting both male and females aged 25-45. Alcohol content: 5% by volume.	330ml bottle, 330ml can 37.00
		<i>San Miguel Super Dry</i> is the first dry beer in the Philippine market. The target market for this beer is primarily males, aged 22-45 in higher socio-economic groups. It is known for the strong impression of its aromatic hop; light to medium body and accompanied by a bitterness that is just right. Alcohol content: 5% by volume.	330ml bottle, 330ml can 36.00
Premium		<i>Cerveza Negra</i> is a full-bodied dark lager with a balance of moderate bitterness and sweetish roasted malt bouquets. It is marketed to both men and women, primarily those between the ages of 25-34 in higher socio-economic groups. Alcohol content: 5% by volume.	330ml bottle 36.00

Market Segment	Brand and Product Portfolio			Product Price ⁽¹⁾ (₱)
	Brand/ Product	Description/Target Market	Packaging	
Upper Popular		<i>San Mig Zero</i> is the first of its kind in the Philippine market - formulated and brewed to offer the lowest calories, lowest carbs and zero sugar. It is the guilt-free alcoholic drink perfect for the 35 year old and above health-conscious individuals who still want to enjoy the refreshing taste of beer without compromising the hard work they do to their bodies. It offers only 60 calories with a 2.6% ABV.	330ml bottle	30.00
		<i>San Mig Light</i> is the first light/low-calorie beer in the market. This beer is marketed to men and women aged 18-34, primarily those in higher socio-economic groups. Alcohol content: 5% by volume.	330ml bottle, 330ml can, 15L, 30L & 50L kegs	26.00
		<i>San Miguel Flavored Beer</i> is the first fruit flavored alcoholic malt beverage in the country targeted at entry point drinkers in the higher socio-economic groups. It comes in two flavors: Apple and Lemon. Alcohol content: 3% by volume.	330ml bottle	25.00
		<i>Oktoberfest Brew</i> (seasonal) is a pale lager with malty notes balanced with floral and citrus hop notes. It is full flavored yet light-bodied, sweet and smooth without the inebriating effect of alcohol. Targeting both males and females aged 18-24. Alcohol content: 3.6% by volume	330ml bottle	

Market Segment	Brand and Product Portfolio		Product Price ⁽¹⁾ (₱)
	Brand/ Product	Description/Target Market	Packaging
Popular		<i>San Miguel Pale Pilsen</i> is a pale golden lager with a clean, hoppy finish. It has a medium body, with a distinct bitter hop character. This is the Company's flagship brand, marketed to all socio-economic groups, primarily to those in the 24-45 age group, but also to those aged 18-24. It is marketed through various campaigns, including those linked to national marketing events and local festivals that are sponsored or supported by the Company. Alcohol content: 5% by volume.	320ml bottle, 330ml bottle, 1000ml bottle, 330ml can, 15L, 30L & 50L Kegs
		<i>Red Horse Beer</i> has a distinctive, full flavored taste and extra satisfying strength of a world class premium strong beer. This beer is marketed primarily to men between the ages of 18-24 in middle and lower socio-economic groups. Marketing for this beer is often tied to rock music. Alcohol content: 6.9% by volume	330ml bottle, 500ml bottle, 1000ml bottle 330ml can
Economy		<i>Gold Eagle</i> is a low-priced beer. It has a pale amber hue and is moderately light-bodied. It is brewed to have an "easy-drinking" character. It is marketed primarily to men aged 24-45 in middle and lower socio-economic groups. Alcohol content: 4.5% by volume.	320ml bottle 1000ml bottle
Non-Alcoholic		<i>Cali</i> is a line of clear, non-alcoholic malt-based beverages with fruit flavors and slight effervescence. Cali has three variants: Cali Classic Sparkling Pineapple Drink, Cali Ice Apple and Cali Light (low-calorie).	330ml bottle 330ml can

(1) Product prices represent the Company's suggested retail price in the Philippines for each product, expressed in 320ml/330ml bottle.

Over the years, the Company's beer products have been the recipient of numerous international awards for product quality and excellence. San Miguel beer brands are consistent Monde Selection winners. Monde Selection is a Belgian-based international institute for quality selections founded in 1961. The Company considers Monde Selection awards to constitute an exceptional advertising asset and a recognized quality assurance for consumers. The latest awards in 2013 gave San Miguel a grand total of more than 70 gold, silver and bronze medals as well as more than ten trophies and awards from the Monde Selection International since 2000.

PRODUCTION

Facilities

Due to the high cost of shipping relative to product cost — as well as the importance of maintaining freshness and other distribution considerations — the Company maintains a system of regional production facilities rather than a central consolidated production facility. Each of the Company's production facilities is equipped with automated equipment capable of brewing and packaging the products to meet market preferences. The Company currently owns and operates six production facilities in the Philippines which are strategically located in the country's three main island groups of Luzon, Visayas and Mindanao, and are located close to the intended end-markets in order to reduce transportation costs.

In 2013, the Company's six production facilities had a total production capacity of approximately 17 million hectoliters, with overall utilization rate of close to 80%.

The Polo Brewery is located north of Metro Manila and serves the Metro Manila and Southern Luzon markets. Established in 1947, it is the Company's oldest operating brewery. The Polo Brewery underwent a modernization program during the 1990s to upgrade its brewhouse facilities. The San Fernando Brewery is located in the Pampanga province, north of Metro Manila and serves Central and Northern Luzon. It was built in 1981 and was expanded and upgraded in the late 1980s up to mid-1990s. The Mandaue Brewery, located on the island of Cebu, serves part of the Visayas and Mindanao. This brewery was built in 1968 and its facilities were expanded and modernized in the early 1990s. The Bacolod Brewery was built in 1990 on the island of Negros and serves Negros and the island of Panay and its facilities were modernized in 2005-2006. The Davao Brewery was built in 1995 and serves the Mindanao market. Although production at each brewery is typically targeted to serve the geographical area around it, the Company's distribution system can shift production from one brewery to other regions if operational issues or demand changes require it. The Company transports finished beer from the Polo Brewery for bottling in the Sta. Rosa Plant which was established in 2011.

The Company employs state-of-the art brewing equipment and technology which are sourced from leading manufacturers in Germany, United States, Japan and Italy. These include the cylindro-conical beer fermentation and maturation tanks, modern filtering systems, pasteurizers with energy saving systems and camera-type electronic bottle inspectors, among others.

The Company's packaging materials are primarily sourced from the San Miguel Packaging Group. All of the Company's breweries are compliant with the requirements of ISO 9001:2008 and ISO 14001:2004, as assessed by the Company's pool of technical assessors. All of the breweries are also certified by the Food Development Center as compliant to food safety requirements of current Good Manufacturing Practices (cGMP) – Hazard Analysis of Critical Control Points (HACCP).

Raw Materials

The main raw materials for brewing beer include malted barley, hops, water and yeast. Adjuncts, such as sugar and non-malted grains, can also be used in conjunction with malted barley. All of these commodities are subject to price fluctuations.

The Company depends on raw materials sourced from third parties to produce its products. The Company procures key raw materials through a procurement group that uses standardized procurement procedures. Beer production requires malted barley and hops, which are sourced generally from the North America, Australia, Europe, China and South America; and adjuncts which are generally sourced domestically.

The Company enters into supply contracts with key raw material suppliers with terms ranging from approximately one year to five years. These contracts typically provide for a pre-determined fixed and formula price for the duration of the contract. In addition, depending on considerations such as price trends and the quality of raw materials, the Company also makes spot purchases in the open market. To ensure the quality of its products, the Company closely monitors the quality of its raw materials.

Bottles, Packaging Materials and Water Supply

Packaging costs are also a significant factor in the manufacture of beer. The Company mostly sells its products in returnable glass bottles of varying sizes and shapes, as well as in aluminum cans and kegs. As of December 31, 2013, over 90% of the glass bottles used by the Company were returned bottles. The returnable glass bottle is by far the most important and popular package for beer in the Philippines, accounting for more than 95% of the Company's sales. The Company enjoys wide distribution across all trade channels, from supermarkets, grocery and convenience stores to sari-sari ("mom and pop") stores and on-premise outlets throughout the country. The Company's efficient returnable bottle system decreases its exposure to rising packaging costs driven by increases in fuel and therefore helps the Company to keep its products affordable. The durable nature of the returnable glass bottles and plastic crates results in an average usage of over 50 cycles in a span of approximately ten years. Retail outlets selling the Company's products collect deposits on these bottles when customers buy the beer and return the deposit when the bottles are returned. New glass bottles are purchased from time to time to support accelerating sales and to replace broken and scuffed bottles.

For the international operations, the returnable bottle system is also used in Vietnam and Indonesia, except for products which are intended for exports which use one-way containers. Products in Hong Kong are also in one-way containers, while China and Thailand employs both returnable bottle system and one-way containers.

Cans are less popular mainly because they are more expensive, although the number of cans has been increasing in recent years with greater availability and expansion of the modern trade. Kegs for draft beer which come in 15, 30 and 50 liter sizes are very limited.

The Company sources most of its packaging materials from the San Miguel Packaging Group, which manufacture, among other packaging products, new glass bottles, aluminum cans, crowns, and plastic cases.

All water supply used by the Company in its production is provided by deep wells owned by SMC and are operated by the Company, except for water used at the Polo Brewery, which is supplied by the Maynilad Water Services, Inc., a privatized water company serving parts of Metro Manila. While for the international operations, water is supplied by deep wells of the Group or by water utility service providers.

BREWING TECHNOLOGY AND PRODUCT DEVELOPMENT

The Company 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. Brewing technology and processes are constantly updated and new product development is ensured through continuing research and development. Research and development activities are conducted in a technical center and pilot plant located in Polo Brewery.

The Company also has a central analytical laboratory located in the technical center building of the Polo Brewery. The laboratory is equipped with modern equipment necessary for strategic raw materials analysis and validation, beer product evaluation and new raw material accreditation. Specialized equipment includes gas and 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 the Company's beer laboratories. The central analytical laboratory likewise runs proficiency tests for brewery laboratories and suppliers to ascertain continuous reliability and quality of analytical test results. It is also tasked with ensuring compliance of all systems with international standards, specifically ISO 17025-2005.

The following table presents the amounts spent by the Company on research and development activities, in millions of pesos and as a percentage of net sales, for the periods indicated:

		For the years ended December 31,		
		2013	2012	2011
Amount (in millions)		₱87.5	₱104.0	₱106.0
Percentage of net sales		0.12%	0.14%	0.15%

To promote technical manpower development, the Company 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 Company's more than 35 brewmasters has extensive advanced coursework and over ten years of on-the-job-training experience with the Company.

SALES AND DISTRIBUTION

Domestic Market

The Company markets, sells and distributes its products principally in the Philippines. The Company believes that it maintains an extensive and efficient distribution system in the country, which is based on six strategically located production facilities across the country, a broad network of sales offices and warehouses and effective management of dealerships and third party service providers.

The strategic location of the Company's production facilities in the Philippines reduces overall risks by having alternative product sources to avert possible shortages and meet surges in demand in any part of the country. This also assists the Company in ensuring that the beer is freshly delivered to customers at an optimal cost. The Company's products are delivered from any one of the Company's six production facilities by contract haulers and, in certain circumstances, by a fleet of boats contracted by the Company, to a sales office or dealer warehouse generally within five days from production in the breweries. From the sales office or dealer, beer is then promptly delivered to the retailer or wholesaler, ensuring the quality and sufficient stocks wherever and whenever San Miguel beer products are needed. As of December 31, 2013, the Company's beer products are distributed and sold at approximately 500,000 outlets, including off-premise outlets such as supermarkets, grocery stores, sari-sari stores, and convenience stores, as well as on-premise outlets such as bars, restaurants, hotels and beer gardens. The Company also manages 50 sales offices and partners with close to 500 dealers throughout the Philippines.

Dealers generally provide their own warehouse facilities and trucks, considerably reducing the Company's own investment requirements. To increase distribution efficiency, the Company closely works with the dealers and provides support such as systems support, promotional support and various trainings related to dealer operations. The Company enters into written distribution agreements with its dealers that specify the territory in which the dealer is permitted to sell the Company's products, the brands that the dealer is permitted to sell, the performance standards, procedures to be followed and circumstances upon which distribution rights may be terminated. The Company's sales force designs and awards strategic sales territories to dealers based on research of the specific territory covered. Distribution rights, performance standards and sales procedures are developed by the Company and implemented in tandem with dealers to ensure high quality of services. As dealers are given exclusivity over defined geographic areas that the Company actively monitors and enforces, these franchises are heavily sought after by potential dealers.

The Company formed a business development group to handle accounts management and business building of the modern trade accounts such as hypermarkets and convenience stores, high visibility on-premise outlets. Field sales operations, on the other hand, are responsible for the servicing requirements of these accounts. Volume contribution of modern trade off-premise sector was estimated at less than 5% in 2013.

The Company likewise operates a beer delivery service in Metro Manila and selected key cities via its "632-BEER" (632-2337) hotline delivery program wherein customers can place their orders by calling, text messaging or online ordering (www.smbdelivers.com). The delivery service enables the Company to tap emerging segments such as the home market and online consumers.

As of December 31, 2013, the Company, together with its dealers and account specialists, had a sales force of approximately 1,800 in the Philippines. The Company continues to implement programs to beef up its sales

capabilities and systems in support of volume growth. These include trainings and refresher courses for dealers and dealer personnel such as selling skills workshop, selling systems and procedures, logistics management systems, financial management, quality management and human resource management.

International Market

The Company also has brewery operations in Hong Kong, China, Vietnam, Thailand and Indonesia through its subsidiary, SMBIL.

SMBIL has one brewery each in Indonesia, Vietnam, Thailand, and Hong Kong, and two breweries in China, with total capacity of approximately seven million hectoliters. Third party service providers transport the products produced from these breweries to the customers, which may consist of dealers, wholesalers, retail chains, or outlets, depending on the market. SMBIL maintains a total sales force of approximately 550 in the said five countries with 12 sales regions in China (Guangzhou, Greater Foshan, Baoding), seven in Thailand, four in Vietnam and five in Indonesia. In Thailand, all local sales are done through the Group's marketing arm, San Miguel Marketing Thailand Limited, while in Indonesia, the distribution of products is through Jangkar Delta Indonesia, a subsidiary of SMBIL.

In addition, SMBIL also exports its beer products to over 40 countries and territories worldwide in North America, South America, Europe, Africa, the Middle East, Australia and the rest of Asia. SMBIL's exports are primarily sold under various San Miguel beer brands as well as under private labels. The following table shows export sales as a percentage of the Group's net sales:

	For the years ended December 31,		
	2013	2012	2011
Export Sales	0.29%	0.30%	0.30%

Grupo Mahou San Miguel of Madrid, Spain has the rights to the San Miguel brand for beer in Europe. It is not affiliated with either the Company or SMC.

MARKETING ACTIVITIES

The Company actively pursues marketing initiatives to promote new and existing products, as well as to maintain and enhance brand awareness of its existing products. These initiatives include media advertisements featuring well-known Philippine celebrities, sponsorship of special events, various consumer and trade promotions and merchandising campaigns. The Company taps various channels such as television, radio, and print and digital space to reach targeted segments while deploying outdoor billboards and posters that can be placed in retail outlets and restaurants, bars and other on-premise outlets. Advertising and promotion expenses of the Company's domestic beer operations were ₱2,478 million in 2013.

The Company holds trademark special events. San Miguel Beer Oktoberfest has been the brand's flagship event for over three decades. This beer festival takes places at numerous locations across the Philippines and offers beer, popular bands and celebrities, games and raffle promos to entertain the crowds. The National Beer Drinking Contest is also organized by the Company, consisting of beer drinking competitions in various locations across the country and culminating in one grand national competition to gather the best beer drinkers in the country. The Company also holds *San Miguel Pale Pilsen's* nationwide Sarap Mag Babad summer program, which is an annual get-together involving games, concerts and parties at the country's popular summer destinations. In addition to *San Miguel Pale Pilsen*, *Red Horse* is also strongly associated with rock concerts and has its own Muziklaban, the country's biggest annual rock challenge. For *San Mig Light*, the Company conducts music party initiatives such as Party All Night and club music events. The Company also conducts beer tasting bar tours in upscale outlets for its specialty brands *San Miguel Premium All-Malt*, *San Miguel Super Dry* and *Cerveza Negra*.

COMPETITION

The Company faces competition from another domestic producer, ABI, which sells both its own brand and foreign brands it produces under license from foreign brewers. ABI is the Company's largest competitor in the Philippine market. It operates two breweries and also holds the license for *Coors* and *Colt 45* in the Philippines. ABI is also the exclusive distributor of *Asahi Super Dry* in the country. ABI competes, mainly on the basis of price, through its own *Beer na Beer* and *Colt 45* brands. ABI also competes with the Company's market-leading high-alcohol beer product, *Red Horse*, with its licensed *Colt 45*, *Manila Beer* and recently, *Tanduay Ice*, an alcopop product which competes with *San Mig Light* and *San Miguel Flavored Beer*.

Competition from imported beers is minimal. Imported beer comprises a small proportion of the market as these products are primarily found in upscale hotels, bars, restaurants and supermarkets in Metro Manila.

The Company also competes with producers of other alcoholic beverages, primarily gin, rum, brandy, and recently, 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. The Company believes that its market leadership, size and scale of operations, and extensive distribution network in the Philippines create high entry barriers and provide the Company with a competitive advantage in the Philippines.

In its main international markets, the Company contends with both foreign and local beer brands, such as *Blue Girl* (Hong Kong), *Carlsberg* (Hong Kong, Thailand), *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* and *Snow* (China), *Singha* and *Asahi* (Thailand), and *Saigon Beer* (Vietnam).

TAXATION

In the Philippines, excise tax represents a significant component of beer production costs. The National Tax Code provides for the excise taxes on alcohol products, including fermented liquor, such as beer, and the BIR requires establishments subject to such taxes such as the Company to obtain a permit to sell such products to enforce the collection and payment thereof.

Under the Tax Code, excise tax on fermented liquor is determined per liter of volume capacity in relation to the net retail price (excluding the excise tax and value added tax thereon) and is payable by the producer. The tax rate varies depending on the type of alcoholic beverage being produced, with more expensive products being subject to higher rates. Excise tax accounts for a significant portion of the Company's production costs. Excise tax rates applicable to beer have been raised by a further 8% effective January 1, 2011. The excise tax rates applicable to the Company's products ranged from ₱10.41 per liter to ₱20.57 per liter until 2012. Effective January 1, 2013, with the passage of Republic Act No. 10351 (An Act Restructuring the Excise Tax on Alcohol and Tobacco Products by Amending Sections 141, 142, 143, 144, 145, 8, 131 and 288 of Republic Act No. 8424 otherwise known as the National Internal Revenue Code of 1997, as amended by Republic Act No. 9334, and For Other Purposes), a two-tiered excise tax scheme (₱15/liter and ₱20/liter) has been implemented.

Below is the schedule of the current and planned excise tax rates on fermented liquor under Republic Act No. 10351.

Tax Classifications Fermented liquors where the net retail price (excluding excise taxes and value added tax) is:	Excise Tax Rates per Liter Effective January 1 of every year				
	2013	2014	2015	2016	2017
Less than or equal to ₱50.60 per liter (Tier 1)	₱15.00	₱17.00	₱19.00	₱21.00	₱23.50
More than ₱50.60 per liter (Tier 2)	₱20.00	₱21.00	₱22.00	₱23.00	₱23.50

Fermented liquors brewed and sold in microbreweries or small establishments such as pubs and restaurants regardless of the net retail price will be taxed at a rate of ₱28.00 per liter beginning January 1, 2013. This rate will be adjusted by 4% every year thereafter.

The unified tax rate in 2017 of ₱23.50 for all fermented liquor products will be increased by 4% annually until reviewed and amended by an act of Congress.

The sale of beer in the Philippines is also subject to a value-added tax.

The Group's products are also subject to excise tax in the markets in which the Group's international units operate.

Country	Excise Tax
Indonesia	IDR13,000/liter
Vietnam	50% of taxable price
Thailand	a) Excise tax, which is the sum of the ad valorem tax equivalent to 48% of the wholesaler price and the higher of THB155/liter per alcohol content or THB8/liter b) Interior tax equivalent to 10% of the excise tax c) Health tax equivalent to 2% of the excise tax d) Thai Public Broadcasting Service levy equivalent 1.5% of the excise tax
China	RMB220/ton for products priced less than RMB3,000 and RMB250/ton for products priced RMB3,000 or more

EMPLOYEES

The table below presents the Company's personnel numbers by functional category for the periods indicated.

Category	Number of Employees		
	For the year ended Dec. 31, 2013	For the year ended Dec. 31, 2012	For the year ended Dec. 31, 2011
Executives (Officers and Managers).	241	235	231
Project employees and Consultants.	69	83	69
All other employees.	4,316	4,378	4,392
Total.	4,626	4,696	4,692

The Company does not expect the number of its employees to materially change in the next 12 months.

The Company has nine existing domestic Collective Bargaining Agreements ("CBAs") as of December 31, 2013 that cover approximately 40% of the Company's domestic employees. The international operations have five existing collective labor agreements ("CLAs"). Details of the CBAs and CLAs and their expiration dates, in respect of both the term of the agreement for employment and the term for the union to represent employees, are set out in the table below.

Domestic Unions	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Concerned Workers of SMC – Polo Brewery	198	1	June 30, 2016	July 12, 2015
SMBI Employees Union (SMBIEU) – PTGWO	153	1	June 30, 2016	June 30, 2014
San Fernando Brewery Employees Union (SFBEU)	246	1	Feb. 15, 2014	Feb. 15, 2015
San Miguel Brewery Inc. Employees Union (SMBIEU)	98	1	Dec. 31, 2013	Dec. 31, 2014
New San Miguel Corporation Sales Force Union	92	1	Jan. 31, 2014	Jan. 31, 2015
San Miguel Brewing Group- Bacolod Brewery Employees Union (SMBG-BBEU)	61	1	July 31, 2016	Apr. 27, 2014
Philippine Agricultural, Commercial and Industrial Workers Union- Trade Union Congress of the Philippines (PACIWU-TUCP)	39	1	Oct. 31, 2016	Oct. 31, 2014
Kahugpongong Sa Ligdong Mamumu-O (KLM)	129	1	Dec. 31, 2014	Dec. 31, 2015
San Miguel Davao Brewery Employees Independent Union	76	1	Nov. 30, 2015	Nov. 30, 2017

<u>International Unions</u>			<u>Period of CLA</u>			
<u>Country</u>	<u>Installation</u>	<u>Name of Union / Org representing employees</u>	<u>Number of Members</u>	<u>No. of CLAs</u>	<u>Start</u>	<u>Expiration</u>
Vietnam	San Miguel Brewing Vietnam Limited	SMBVL Trade Union is under the supervision of Trade Union of the Khan Hoa Industrial & Economic Zone, Khan Hoa Province, Vietnam	211	1	Jan 1, 2013	Dec 31, 2014
Indonesia	PT Delta Djakarta Tbk	PTD Trade Union is a member of the Cigarette, Tobacco, Food & Beverage Workers Union of Indonesia (National Coverage)	417	1	Agreement is contained in the Company Rules & Regulations which is registered annually with the Department of Labor, Bekasi, Indonesia	
China	Guangzhou San Miguel Brewery Company Limited	Trade Union Committee of Guangzhou San Miguel Brewery Co. Ltd	146	1	Under Negotiation	
	San Miguel Guangdong Brewery Co.	SMGB Trade Union Committee	185	1	June 26, 2013	June 25, 2016
	San Miguel Baoding Brewery Co. Ltd.	SMBB Trade Union Committee	359	1	Under Negotiation	

The Company has not experienced any strikes or work stoppages since the effectivity of the spin-off on October 1, 2007. The Company considers its relationship with its employees to be good.

The Company and some of its international subsidiaries have funded, non-contributory retirement plans covering all of their permanent employees.

Under the Company's plan, all regular monthly-paid employees and daily-paid workers of the Company are eligible members. Eligible members who reach the age of 60 (65 for employees transferred from SMC) are entitled to compulsory retirement. The Company may, however, at its own discretion, continue an employee's membership under the plan on a year-to-year basis after he/she reaches compulsory retirement. Eligible members may opt to retire earlier after they have completed at least 15 years of credited service at the Company. Upon retirement, eligible members will receive a certain percent of their final monthly pay for each year of their credited service. The amount varies depending on the years of service of the retiree. Eligible members may receive certain resignation benefits if they resign before they reach an eligible retirement date if they have completed at least five years of service at the Company.

INSURANCE

The Company has an all-risk policy that covers its facilities and inventories against a variety of risks, including, among others, fire, lightning, catastrophic perils (typhoon, flood, earthquake, volcanic eruption), machinery breakdown, explosion, civil commotion, riot/strike, malicious damage, and other perils liability. The total sum insured under this policy is approximately US\$889 million for property insurance, with a maximum recovery for any one loss of US\$250 million, and ₱2.3 billion for local fire insurance. The Company does not maintain business interruption insurance for its production facilities.

In addition to the all-risk policy, the Company maintains a comprehensive general liability insurance which includes a product liability coverage.

The Company has a marine cargo insurance policy to cover domestic and international shipment of goods and equipment. The comprehensive general liability insurance policy insures all of the Company's exported products. The Company's insurance policies are provided by leading Philippine insurance companies that are supported by Rated A reinsurers. The Company also maintains motor vehicle insurance for its transportation units and liability insurance for its directors and officers.

LEGAL PROCEEDINGS

As of the date of this Prospectus, the Company is not a party to any material pending legal proceedings, and none of the properties of the Company is the subject of any material legal proceeding. SMC is responsible for all pending legal proceedings that involve the domestic beer business prior to the effectivity of the spin-off on October 1, 2007 (such as collection cases and foreclosure of properties given as collateral for product purchases and cases for tax refunds filed with the BIR).

BOARD OF DIRECTORS AND MANAGEMENT

The table below sets forth each member of the Board of Directors of the Company as of the date of this Prospectus:

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>
Ramon S. Ang	60	Filipino	Chairman and Director
Roberto N. Huang	65	Filipino	President and Director
Ferdinand K. Constantino	62	Filipino	Director
Keisuke Nishimura	57	Japanese	Director
Alonzo Q. Ancheta	81	Filipino	Independent Director
Carmelo L. Santiago	71	Filipino	Independent Director
Carlos Antonio M. Berba	49	Filipino	Director
Virgilio S. Jacinto	57	Filipino	Director
Teruyuki Daino	53	Japanese	Director
Shobu Nishitani	50	Japanese	Director

Ramon S. Ang has served as Chairman of the Company since July 26, 2007 and is the Chairman of the Company's Executive Committee. He also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer of SMC; Chairman and Chief Executive Officer of Petron; Director, President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. ("Top Frontier"); Chairman of Sea Refinery Corporation, Petron Malaysia Refining & Marketing Berhad (Malaysia), SMC Global Power Holdings Corp. ("SMC Power"), San Miguel Foods, Inc. ("SMFI"), SMYPC, AIBC, and SMBHK (Hong Kong); and Vice Chairman of GSMI and SMPFC. He is also Chairman of Liberty Telecoms Holdings Inc., Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., and Atea Tierra Corporation; Vice Chairman and Director of The Manila Electric Company; President and Chief Operating Officer of PAL Holdings, Inc. ("PAL Holdings") and Philippine Airlines, Inc. ("PAL"); and Director of Air Philippines Corporation. Mr. Ang has held directorships in various subsidiaries of SMC during the last five years and was previously the Company's President (2007- 2009). He was also a former director of Cyber Bay Corporation (2001-2012). Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University.

Roberto N. Huang has served as Director since October 8, 2007 and President of the Company since April 30, 2009. He is also a Member of the Company's Executive Committee, Director of SMBIL and SMBHK, and Chairman and President of IBI, BPI and BLI. He also served as General Manager of the Company (2007-2009), Director of GSMI (2004-2008), SMPFC (2004-2008); and President of San Miguel Beverages, Inc. (2007-2008). Mr. Huang holds a Bachelor's Degree in Mechanical Engineering from Mapua Institute of Technology and completed academic requirements for a Master's Degree in Business Administration from De La Salle University.

Ferdinand K. Constantino has served as Director of the Company since July 26, 2007 and is the Chairman of the Company's Executive Compensation Committee and a Member of its Audit Committee. He also holds, among others, the following positions: Director, Senior Vice President, Chief Finance Officer and Treasurer of SMC; President of AIBC; and Director of SMYPC, SMC Power, Top Frontier, GSMI and SMFI. He is also a Director of PAL Holdings and PAL. Mr. Constantino also previously served as Director of SMPFC (2008-2009), GSMI (2008-2010) and SMPI (2001-2009); Chief Finance Officer of Manila Electric Company (2009); and as Chief Finance Officer and Treasurer of the Company (2007-2009). He has held directorships in various subsidiaries of SMC during the last five years. Mr. Constantino holds a Bachelor's Degree in Economics from the University of the Philippines and completed academic requirements for a Master's Degree in Economics from the University of the Philippines.

Keisuke Nishimura has served as Director of the Company since April 30, 2009. He is a Director of the Board of Kirin and China Resources Kirin Beverages (Greater China) Company, Limited. He was previously the Executive Officer and General Manager, Strategy Planning Department of Kirin, the Company's Executive Vice President (2009-2011), and Director of SMBHK (2010-2011) and SMBIL (2010-2011). Mr. Nishimura holds a Bachelor's Degree in Business from Yokohoma National University and a Master's Degree in Business from the University of Washington.

Carmelo L. Santiago has served as Independent Director of the Company since February 25, 2010. He was also an Independent Director of the Company from October 8, 2007 to April 30, 2009. He is the Chairman of the Company's Audit Committee and a Member of its Executive Committee, Executive Compensation Committee and Governance and Nomination Committee. He is currently an Independent Director of SMPFC, Liberty Telecoms Holdings Inc.; and an Independent Non-executive Director of SMBHK; and Director of Terbo Concept, Inc. He was a former independent director of SMC (2008-2013), GSMI (2010-2012), and AIBC. Mr. Santiago is the founder and owner of several branches of Melo's Restaurant and founder of Wagyu Restaurant. Mr. Santiago holds a Bachelor's Degree in Business Administration from University of the East.

Alonzo Q. Ancheta has served as an Independent Director of the Company since April 30, 2009 and is the Chairman of the Company's Governance and Nomination Committee and a Member of its Audit Committee. Atty. Ancheta is a Director of Philippine Tobacco Flue-Curing and Redrying Corporation; President of Zobella & Co. (A.Q. Ancheta and Partners), Ogilvy & Mather (Philippines), Inc. and Growe Investments Ltd.; Member of the Board of Trustees and Corporate Secretary of St. Luke's Medical Center; Council Adviser of the Intellectual Property Association of the Philippines; and Philippine National Committee member and Vice Chair of the ASEAN Law Association. He was the Senior Vice President (2000-2006) and President (2006-2009) of the Asian Patent Attorneys Association. Atty. Ancheta holds a Bachelor of Arts Degree and Bachelor of Laws Degree from the University of Manila.

Carlos Antonio M. Berba has served as Director of the Company since August 10, 2010. He is the Managing Director of SMBIL since January 1, 2008. He is also currently Vice Chairman of SMBHK, a Commissioner of PTD (Indonesia) and Chairman/Director of other subsidiaries of SMBIL. Mr. Berba holds a Bachelor's Degree in Electrical Engineering from the University of the Philippines, a Master's Degree in Japanese Business Studies from the Japan America Institute of Management Science & Chaminade University of Honolulu, and a Master's Degree in Business Administration from the Wharton School, University of Pennsylvania.

Virgilio S. Jacinto has served as Director of the Company since October 14, 2010 and is a Member of the Audit Committee and the Governance and Nomination Committee. He is the Corporate Secretary, Compliance Officer, Senior Vice- President and General Counsel of SMC; Director of Petron, Corporate Secretary and Compliance Officer Top Frontier; and Corporate Secretary of GSMI. He was formerly the Vice President and First Deputy General Counsel of SMC (2006-2010). He was Director and Corporate Secretary of United Coconut Planters Bank; Partner at Villareal Law Offices and Associate at SyCip Salazar Feliciano & Hernandez Law Office. Atty. Jacinto is an associate professor at the University of the Philippines College of Law. He holds a Bachelor's Degree in Philosophy and Bachelor of Laws Degree from the University of the Philippines and a Master's Degree in Law from Harvard University. Atty. Jacinto has held various directorships in various subsidiaries of SMC in the last five years.

Teruyuki Daino has served as Director of the Company since April 12, 2011 and as Executive Vice President since October 11, 2011. He is a member of the Executive Committee and Executive Compensation Committee, and a Director of SMBHK and SMBIL. He was previously the Executive Financial Advisor of the Company (April-October 2011). His previous work experience includes: General Sales Manager of Gifu Branch of Kirin Brewery Company Limited (2009-March 2011); and President and Chief Executive Officer of Four Roses Distillery, LLC (2002-2009). Mr. Daino holds a Bachelor's Degree in Economics from Hitotsubashi University and a Master's Degree in Business Administration from the Massachusetts Institute of Technology.

Shobu Nishitani has served as Director of the Company and Executive Financial Advisor since October 11, 2011. He is a member of the Executive Committee and Audit Committee and a Director of SMBHK and SMBIL. He served as Deputy General Manager of Finance and Accounting Department of Kirin Group Office Company, Limited. He was also the Deputy General Manager of Finance and Accounting Department of Kirin Business Expert Company, Limited (2008-2010) and Manager of Finance Group (2006-2007). Mr. Nishitani holds a Bachelor's Degree in Commerce from Waseda University and a Graduate of the Program for Management Development from the Harvard Business School.

SENIOR MANAGEMENT

The table below sets forth the Company's executive officers as of the date of this Prospectus.

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>
Roberto N. Huang	65	Filipino	President
Teruyuki Daino	53	Japanese	Executive Vice President
Mercy Marie Jacqueline L. Amador	52	Filipino	Vice President, Chief Finance Officer and Treasurer
Shobu Nishitani	50	Japanese	Executive Financial Advisor
Minerva Lourdes B. Bibonia	55	Filipino	Senior Vice President and Marketing Manager
Debbie D. Namalata	48	Filipino	Vice President and National Sales Manager
Rosabel Socorro T. Balan	50	Filipino	Vice President, General Counsel, Corporate Secretary and Compliance Officer
Rebecca S. Flores	58	Filipino	Assistant Vice President and Head – Brewing Technical Group
Rene T. Ceniza	51	Filipino	Assistant Vice President and Head – Logistics
Enrico E. Reyes	51	Filipino	Assistant Vice President and Head – Human Resources

Mercy Marie Jacqueline L. Amador is Vice President and Chief Finance Officer and Treasurer of the Company since March 16, 2009. She was previously Chief Finance Officer of SMBIL (2007-2009). She also previously worked in SMC as the Division Finance Officer of the San Miguel Beer Division and Vice President and Manager, Financial Planning Analysis and Investor Relations (2001-2006). Ms. Amador holds a Bachelor's Degree in Business Economics from the University of the Philippines and Master's Degree in Business Administration from the Amos Tuck School of Business, Dartmouth College.

Minerva Lourdes B. Bibonia is Senior Vice President and Marketing Manager of the Company since October 1, 2007. She was former Director of SMBHK (2006-2010) and Commissioner of PTD. She also previously worked in SMC as Senior Vice President and Marketing Head of Corporate Marketing. Ms. Bibonia holds a Bachelor's Degree in Accounting from the University of Nueva Caceres.

Debbie D. Namalata is Vice President and National Sales Manager of the Company since October 1, 2007. She previously worked in SMC as Vice President and National Sales Manager of the San Miguel Beer Division and Executive Assistant to the San Miguel Beer Division President. She was also General Manager of San Miguel Super Coffeemix Co., Inc. and Magnolia, Inc. Ms. Namalata holds a Bachelor's Degree in Business Administration, Major in Accounting from the University of the Philippines and a Master's Degree in Management from the Asian Institute of Management.

Rosabel Socorro T. Balan is Vice President and General Counsel since January 1, 2010 and Corporate Secretary and Compliance Officer since October 14, 2010. She is also currently the Corporate Secretary of SMBIL and its various subsidiaries, IBI, BPI and BLI. She was Vice President and Deputy General Counsel of SMC (2003-2009) and Assistant Corporate Secretary of the Company (2007-2010). She also acted as Assistant Corporate Secretary of SMC, GSMI, SMPFC and SMPI; and Compliance Officer of AIBC and SMCSTSC. Atty. Balan has also been a director, corporate secretary and/or assistant corporate secretary of other various subsidiaries of SMC, during the last five years. Atty. Balan holds a Bachelor's Degree in Economics from the University of the Philippines, a Juris Doctor Degree from the Ateneo Law School, and a Master's Degree in Business Administration from De La Salle University.

Rebecca S. Flores is Assistant Vice President and Head of the Brewing Technical Group of the Company since February 16, 2008. She previously worked in SMC San Miguel Beer Division as Plant Manager of San Miguel Baoding Brewery, North China Operations and the Mandaue Brewery and Bacolod Brewery and as a Brewmaster and Brewing Manager of Mandaue Brewery. Ms. Flores holds a Bachelor's Degree in Chemical Engineering from the University of San Carlos.

Rene T. Ceniza is Assistant Vice President and Logistics Head since October 1, 2007. He previously worked in SMC as Assistant Vice President and Manager for National Logistics and Manager, National Logistics of the San Miguel Beer Division. Mr. Ceniza holds a Bachelor's Degree in Industrial Management Engineering from the Cebu Institute of Technology.

Enrico E. Reyes is Assistant Vice President and Human Resources and Business Affairs Communications Head since October 1, 2007. He previously worked SMC as Assistant Vice President and Human Resources and Business Affairs and Communications Head and Compensation and Benefits Manager, Human Resources Division. Mr. Reyes holds a Bachelor's Degree in Business Economics from the University of the Philippines.

The Company has engaged the consultancy services of Mr. Josefino C. Cruz to direct the Company's manufacturing operations.

TERM OF OFFICE

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

QUALIFICATIONS AND DISQUALIFICATIONS

The Company's amended by-laws require that directors have at least 5,000 shares registered in their names in the books of the Company.

No person shall qualify or be eligible for nomination or election to the Board of Directors if such person is engaged in any business, which competes with or is antagonistic to the business of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be engaged in a business competing with or antagonistic to the Company's business under the following circumstances:

- (a) If the person is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board of Directors, by at least three-fourths vote, determines to be competitive or antagonistic to that of the Company; or
- (b) If the person is an officer, manager or controlling person, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Company, when in the judgment of the Board of Directors, by at least three-fourths vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors of the Company; or
- (c) If the Board of Directors, in the exercise of its judgment in good faith, determines by at least three-fourths vote that he is the nominee of any person set forth in (a) or (b) above.

The Board of Directors may also take into account other factors such as business and family relationship in determining whether or not a person is a controlling person, beneficial owner or the nominee of another.

Other qualifications and disqualifications of the directors are provided in the Company's Manual.

EXECUTIVE COMPENSATION

By resolution of the Board of Directors, each director shall receive a reasonable per diem allowance for his attendance at each board meeting. The Company intends to provide each director with reasonable per diem of ₱20,000 and ₱10,000 for each Board and Board Committee meeting, respectively, attended by such director. Other than these per diem amounts, there are no standard arrangements pursuant to which the directors of the Company are compensated, or are to be compensated, directly or indirectly, by the Company for services rendered by such directors as of the date of this Prospectus.

The table below sets out the aggregate compensation paid or incurred by the Company in 2013 and 2012 and estimated to be paid in the ensuing fiscal year to the President and senior executive officers of the Company:

<u>NAME</u>	<u>YEAR</u>	<u>SALARY</u>	<u>BONUS</u>	<u>OTHERS</u>	<u>TOTAL</u>
			(in ₱ millions)		
Total Compensation of the Chief Executive Officer (President) and Senior Executive Officers other than the President ⁽¹⁾	2014 (est)	73.0	14.5	12.5	100.0
	2013	67.5	23.4	14.3	105.2
	2012	62.5	25.3	14.6	102.4
All other officers and directors as a group unnamed	2014 (est)	156.3	44.1	48.7	249.1
	2013	140.8	49.8	44.3	234.9
	2012	130.7	55.5	42.5	228.7
Total	2014 (est)	229.3	58.6	61.2	349.1
	2013	208.3	73.2	58.6	340.1
	2012	193.2	80.8	57.1	331.1

⁽¹⁾ The President and Senior Executive Officers of the Company for 2012 to 2014 are Roberto N. Huang, Carlos Antonio M. Berba, Mercy Marie Jacqueline L. Amador, Minerva Lourdes B. Bibonia and Rosabel Socorro T. Balan.

OTHER ARRANGEMENTS

There are no other arrangements pursuant to which the directors of the Company are compensated, or are to be compensated, directly or indirectly, by the Company for services rendered by such directors as of the date of this Prospectus.

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL

There are no employment contracts between the Company and its executive officers. There is no compensatory plan nor arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

WARRANTS AND OPTIONS OUTSTANDING

As of the date of this Prospectus, there are no outstanding warrants or options in respect of the Company's shares held by the Company's President, named executive officers and all directors and officers as a group.

SIGNIFICANT EMPLOYEES

The Company has no individual employee who is not an executive officer but who is expected to make a significant contribution to the business.

FAMILY RELATIONSHIPS

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the directors or executive officers of the Company have been involved in any legal proceeding for the past five years up to the latest date, that is material to the evaluation of their ability or integrity to hold their respective positions in the Company, including being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities,

which is not subsequently reversed, suspended or vacated, or (d) judgment by a domestic or foreign court of competent jurisdiction in a civil action, by the SEC or a comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization for a violation of a securities or commodities law.

DISCLOSURE ON COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

Manual on Corporate Governance

The Company's Manual was approved by the Board of Directors on October 25, 2007, and was further amended on April 10, 2008, March 25, 2010, March 11, 2011, December 8, 2011 and February 7, 2014. The latest amendments aligned the Manual with recent rules and guidelines of the SEC on the annual corporate governance report ("ACGR") and attendance by directors and key officers of a corporate governance program by SEC-accredited providers at least once a year.

Independent Directors

The Manual requires the Company to have at least two independent directors or such number of independent directors that constitutes 20% of the members of the Company's Board of Directors, whichever is lesser. At least two independent directors must serve on the Company's Audit Committee and one independent director on each of the Governance and Nomination Committee and the Executive Compensation Committee. Under the Manual and implementing rules and regulations of the SRC, an independent director is defined as a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. An independent director must satisfy the qualifications and must have none of the disqualifications of an independent director set out in the SRC and its implementing rules and regulations, the Manual, the amended articles of incorporation and amended by-laws of the Company.

Board Committees

To aid the Board of Directors in complying with the principles of good corporate governance, the Board of Directors constituted the following Board Committees. The Audit, Governance and Nomination, and Executive Compensation Committees have adopted their respective charters which set out their role, authority, duties and responsibilities, and the procedures which guide the conduct of their functions. The Audit Committee amended its charter in 2012 to include requirements of the SEC under its Memorandum Circular No. 4, such as the conduct of an assessment of the Audit Committee's performance.

Executive Committee

The Executive Committee is currently composed of five directors, which includes the Chairman of the Board, the President, and an independent director. The Committee acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of the power to appoint any entity as general managers or management or technical consultants, to guarantee obligations of other corporations in which the Company has lawful interest, to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the company or entities in which it has interests and to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.

The Company's Executive Committee is chaired by Mr. Ramon S. Ang with Mr. Roberto N. Huang, Mr. Carmelo L. Santiago (independent director), Mr. Teruyuki Daino and Mr. Shobu Nishitani as members.

Audit Committee

The Audit Committee is comprised of at least three members of the Board of Directors, at least two of whom shall be independent directors. One of the independent directors must be the Chairman of the Audit Committee. All members of the Committee shall preferably have accounting and finance backgrounds and one member with audit experience. Each member shall have an adequate understanding of the Company's financial management systems and environment, including the Company's risk management and environment. The Audit Committee is responsible for assisting the Board of Directors in discharging its corporate governance and fiduciary duties in relation to financial reporting, internal control structure, risk management systems and internal and external audit functions. It reviews and monitors, among others, the integrity of the Company's financial statements and reports, and ensures their compliance with pertinent accounting standards and regulatory requirements, and evaluates the adequacy and effectiveness of its internal control procedures and enterprise risk management framework and processes, performs oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management.

The Company's Audit Committee is chaired by Mr. Carmelo L. Santiago (independent director) with Mr. Ferdinand K. Constantino, Atty. Alonzo Q. Ancheta (independent director), Atty. Virgilio S. Jacinto and Mr. Shobu Nishitani as members.

Governance and Nomination Committee

The Governance and Nomination Committee is composed of at least three voting members, and one non-voting member in the person of the Human Resources director or manager. One of the three voting members must be an independent director. Other members of the Committee may be non-directors and shall be non-voting. The Governance and Nomination Committee assists the Board of Directors in the performance of its oversight responsibilities in the development and implementation of the corporate governance principles, policies and systems of the Company, and in the establishment and implementation of mechanisms for the assessment and improvement of the performance of the Board of Directors, its members and the Board Committees, and evaluation of the Company's compliance with the Manual. It is also responsible for making recommendations to the Board of Directors on matters relating to the directors' appointment, election and succession, with the view of appointing individuals to the Board of Directors with the relevant experience and capabilities to maintain and improve the competitiveness of the Company and increase its value. It pre-screens and shortlists all nominees in accordance with the qualifications and disqualifications for directors set out in the Manual, the amended articles of incorporation and amended by-laws of the Company and applicable laws, rules and regulations.

The Company's Governance and Nominations Committee is chaired by Atty. Alonzo Q. Ancheta (independent director) with Atty. Virgilio S. Jacinto and Mr. Carmelo L. Santiago (independent director) as voting members, and Ms. Mercy Marie J.L. Amador and Ms. Lynn B. Santos as nonvoting members.

Executive Compensation Committee

The Executive Compensation Committee is composed of three members, one of whom must be an independent director. It is responsible for advising and assisting the Board of Directors in the establishment of formal and transparent policies and practices on directors and executive remuneration, succession planning, promotion and career advancement, and providing oversight over remuneration of directors, senior management and other key personnel to ensure that the Company's compensation scheme fairly and responsibly reward directors and executives based on their performance and the performance of the Company, and remain competitive to attract and retain directors and officers who are needed to run the Company successfully.

The Executive Compensation Committee is chaired by Mr. Ferdinand K. Constantino with Mr. Carmelo L. Santiago (independent director) and Mr. Teruyuki Daino as members.

Compliance and Monitoring System

The Chairman of the Board of Directors has designated Atty. Rosabel Socorro T. Balan as Compliance Officer of the Company. The Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of the Manual and ensuring adherence to corporate principles and best practices. The Compliance Officer holds the position of Vice President or its equivalent and has direct reporting responsibilities to the Chairman of the Board.

Annual Corporate Governance Report

The Company filed its ACGR with the SEC in compliance with its Memorandum Circular No. 5, series of 2013 (“MC No. 5”). The ACGR contains comprehensive information, among others, on the Company’s board composition, disclosure policies, policies on code of conduct and ethics, related party transactions, risk management system, remuneration process, policies relating to shareholder and stakeholder rights, and investor relations programs. The SEC considered the Company to be a listed company for purposes of compliance with MC No. 5 notwithstanding the delisting of its Common Shares from the PSE, as the Company’s fixed-rate bonds are listed with the PDEx, and required the Company to submit the ACGR for as long as its bonds are listed in the PDEx.

The ACGR is also posted on the Company’s website and is updated in accordance with the current reports and letters of advice submitted to the SEC from time to time.

RELATED PARTY TRANSACTIONS

The following are summaries of the material terms of the Group's transactions with related parties in 2013 and should not be considered to be a full statement of the terms and provisions of such transactions or the contracts relating thereto. Accordingly, the following summaries are subject to the full text of each contract.

Below is a summary of the Company's related party transactions.

SMC	SMC receives a fixed monthly service fee under a shared services agreement in consideration for rendering to the Company as part of the San Miguel group of companies, certain corporate services and facilities related to finance, human resources, investor and stakeholder relations, information and technology management, and services relating to mergers and acquisitions. The Company also pays SMC the actual costs and expenses incurred by SMC in performing the said services. The shared services agreement continues to be in effect until terminated by the parties in accordance with its terms.
LNPI	LNPI, an indirect wholly-owned subsidiary of SMC, receives lease payments under a contract of lease for the lease by the Company of parcels of land on which its production facilities in Sta. Rosa, Laguna are located. The term of the lease is seven years, renewable for another three years under such terms and conditions as may be agreed upon by the parties.
SMYPC and a subsidiary	- SMYPC, a subsidiary of SMC, supplies packaging products, such as glass bottles, caps, metal crowns, cans, plastic pallets and crates, to the Company under a supply agreement with a term of three years ending December 31, 2013. The parties are currently negotiating on the renewal of the agreement. Purchases for 2014 are covered by various purchase orders which define the prices and delivery schedules negotiated and agreed upon by the parties from time to time. - SMYPC purchases from the Company glass bottles and plastic crates which are no longer fit for use or service for the Company's operations and which are capable of being turned into cullets and pellets. - SMPYC provides services on the design, development and maintenance of the Company's and its products' websites for a fixed service fee subsisting on a month-to-month basis.
SMYAC	SMYAC, a subsidiary of SMC, receives payments from the Company for glass bottles purchased by the Company. These purchases are covered by various purchase orders which define the prices and delivery schedules negotiated and agreed upon by the parties. Payment term for these purchases, unless agreed otherwise, is 30 days after delivery date and presentation of invoices and delivery receipts.
Petron and subsidiaries	- The Company purchases its petroleum products requirements from Petron, a subsidiary of SMC. These purchases are covered by various purchase orders which define the prices and delivery schedules negotiated and agreed upon by the parties. - The Company also leases outdoor advertising sites from Petron in selected locations. The lease term is for one to two years.
SMCSL	SMCSL, a 70% subsidiary of SMC and a joint venture between SMC and KADIWA Transport Corporation, receives fixed fees for cargo handling, warehousing and shipping services. SMCSL also receives rental payments for the Company's lease of container vans used for the transport of raw materials and finished goods.

GSMI	GSMI, a majority-owned subsidiary of SMC, pays a fee on a per case basis in consideration for toll-manufacturing services rendered by the Company for GSMI's non-alcoholic beverages, which services are performed in the Company's breweries using such breweries' excess capacities. The agreement is on a month-to-month term. GSMI also reimburses the Company for use of utilities and services, and provides supply of drinking water for selected offices of the Company.
SMPFC and subsidiaries	SMPFC, a majority-owned subsidiary of SMC, has a subsidiary which obtains spent grains and malt dust that are among the waste products resulting from the Company's brewing process. SMPFC's subsidiary uses spent grains and maltdust as a minor component in the production of animal feeds. All costs associated with the withdrawal of the spent grains are for the account of SMPFC's subsidiary. Spent grains would be a pollutant if retained in the Company's facilities, and their disposal would be an expense for the Company. SMPFC and its subsidiaries also reimburse the Company for utilities.
SMITS and a subsidiary	SMITS, a wholly-owned subsidiary of SMC, and its subsidiary receive monthly fees from the Group for information technology and systems services, including maintenance of the Group's software and hardware facilities, and business process outsourcing and customer care services. SMITS also provides the Group advisory services on the development of new systems and/or up-grade of existing systems which are outsourced to non-related third parties on a per engagement and/or per service basis. The term of these engagements/services is dependent on the requirements of the Group.
AIBC	AIBC, a subsidiary of SMC, receives service fees on a per transaction or engagement basis from the Company for the Company's share in the insurance brokering services rendered by AIBC for the entire SMC Group for the SMC Group's consolidated insurance requirements such as insurance for motor vehicles, fire insurance, etc. For the comprehensive insurance coverage of the SMC Group which it bids out to global insurance institutions, AIBC is engaged to assist in the bidding process and pre-qualification of insurance companies.
Archen	Archen, a wholly-owned subsidiary of SMC, receives a fixed service fee for liaison and consultancy services relating to power and energy concerns of the Company. The agreement has a term of one year, renewable at the option of the parties. Archen also receives fees for consultancy services relating to the capital expenditures of the Company. The Company also leases an outdoor advertising site from Archen, which is renewed annually.
SMCSTSC	SMCSTSC, a wholly-owned subsidiary of SMC, receives retainer fees and processing fees for stock transfer services rendered to the Company. The agreement has a term of one year, which is renewed annually.
BOC	In consideration for the use of the deposit pick up and payroll services of BOC, an associate of SMC, the Company agrees to maintain an agreed-upon reasonable average daily balance in a specified account with BOC. The agreement shall remain in effect until terminated by either party.
Kirin and subsidiaries	The Company purchases Kirin products for distribution in the Philippines and equipment from Kirin subsidiaries. Kirin reimburses the Company for expenses incurred by their consultants assigned to the Company.
SMPI	The Company leases office space from SMPI.

- SMIL subsidiaries • SMBIL and its subsidiaries purchase packaging products from an SMIL subsidiary. An SMIL subsidiary also pays rental to the Group for use of its premises.
- SMELC and SMEC • The Company purchases its supply of power for its Bacolod Brewery and San Fernando Brewery from SMELC and SMEC, subsidiaries of SMC Global Power Holdings Corp. (an SMC subsidiary) under a retail supply contract (“RSC”). The RSC with SMELC and SMEC has a duration of one year until June 25, 2014 and March 31, 2014, respectively. The Company pays SMEC for power supplied using a basic energy rate (Peso per kilowatt hour), which depends on the time of use, and applied to the agreed upon fixed contract energy level. The Company pays SMELC for power supplied, a capacity charge and associated energy charges, comprising of, among others, transmission and distribution charges, fuel rate, and monthly and fixed operations and maintenance charges.
- ETPI • ETPI, an indirect subsidiary of SMC, provides fiber multiprotocol label switching (MPLS) connectivity to identified installations of the Company for a period of three years from February 28, 2012. The Company pays a monthly service fee to ETPI based on the bandwidth size.
- PAL and Air Philippines Corporation • The Company purchases plane tickets from PAL and Air Philippines Corporation, associates of SMC.

The Group pays certain expenses, fees and cost of services incurred by SMC and its subsidiaries from which expenses and services the Group has benefitted, such as utilities, lease of outdoor advertising spaces, and management of accounts of employees who subscribe to the SMC stock employees purchase plan. SMC and its subsidiaries and associates also purchase the Company’s products, and the Group also purchases products of the SMC subsidiaries, for annual Christmas gift packages, complimentary and promotional purposes.

Year 2013	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement plan (Note 29)	₱ -	₱ -	₱ -	₱ 15	On demand; Non-interest bearing	Unsecured No impairment
Parent	9	999	13	565	On demand; Non-interest bearing	Unsecured No impairment
Shareholder	-	-	4	-	On demand; Non-interest bearing	Unsecured No impairment
Associate of Parent	8	4	3	1	On demand; Non-interest bearing	Unsecured No impairment
Under common control	292	6,967	135	1,766	On demand; Non-interest bearing	Unsecured; With impairment
	₱ 309	₱ 7,970	₱ 155	₱ 2,347		

For further information on the Company’s related-party transactions, see Note 26 of the Company’s audited consolidated financial statements.

DESCRIPTION OF PROPERTIES

OWNED PROPERTIES

The Group's principal owned properties consist of 12 production facilities, 35 sales offices and 11 warehouses. The land, improvements, buildings, machinery, transportation equipment, office equipment and furniture, and/or tools and small equipment, owned by the Group as well as the Group's investment properties have a net book value of ₱21,277 million as of December 31, 2013. The locations and general asset description of these properties and equipment are set out below:

Production Facilities

The Company has 12 production facilities in the following locations:

- Polo Brewery
Marulas, Valenzuela City, Metro Manila
- San Fernando Brewery
Brgy. Quebiawan, McArthur Highway, San Isidro, San Fernando, Pampanga
- Sta. Rosa Plant
Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna
- Bacolod Brewery
Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental
- Mandaue Brewery
National Highway, Brgy. Tipolo, Mandaue City
- Davao Brewery
Brgy. Darong, Sta. Cruz, Davao del Sur
- San Miguel Beer Thailand Ltd. (SMBTL)
89 Moo2, Tivanon Rd., Bann Mai, Muang , Pathumtani 12000, Thailand
- PT Delta Djakarta Tbk (PTD)
Jalan Inspeksi Tarum Barat Desa Setia Darma, Tambun, Bekasi Timur 17510, Indonesia
- San Miguel Brewery Hong Kong Limited (SMBHK)
22 Wang Lee St., Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong
- San Miguel (Guangdong) Brewery Co., Ltd. (SMGB)
San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China
- San Miguel (Baoding) Brewery Co. Ltd. (SMBB)
Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China
- San Miguel Brewery Vietnam Ltd. (SMBVL)
Quoc Lo 1, Suoi Hiep, Dien Khanh, Khanh Hoa, Vietnam

The production facilities of SMBHK, SMGB, SMBB and SMBVL are located on state-owned lands.

A more detailed description of these breweries are found in the Section entitled “*Business Overview — Production.*”

Sales/Area Offices and Warehouses

The Group owns land, improvements, buildings, machinery, transportation, office equipment, tools and/or furniture in the following sales/area offices and warehouses.

- *Central and North Luzon Area*
 - SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga
 - Carmen East, Rosales, Pangasinan
 - Caranglaan Dist., Dagupan City, Pangasinan
 - Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet
 - Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union
 - Brgy. San. Fermin, Cauayan, Isabela
 - National Road, Brgy. Mabini, Santiago City, Isabela
 - San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga
 - Maharlika Road, Bitas, Cabanatuan City, Nueva Ecija
 - Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte
 - Brgy. Tablac, Candon City, Ilocos Sur
 - Maharlika Highway, Brgy. Sta. Maria, Lallo, Cagayan
 - Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan
 - Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija
 - 578 P. Burgos St., Cabanatuan City, Nueva Ecija
- *Greater Manila Area North*
 - A. Cruz St., Brgy. 96, Caloocan City
 - Honorio Lopez Blvd., Guidote St., Tondo, Manila
 - Brgy. Mangga, Cubao, Quezon City
 - Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila
 - Quirino Highway, Novaliches, Quezon City, Metro Manila
- *Greater Manila Area South*
 - Brgy. 425, Zone 43, Sampaloc District, Manila
 - M. Carreon St., Brgy. 864, Sta. Ana District, Manila
 - Manila East Rd., Brgy. Dolores, Taytay, Rizal
 - No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila

- Mercedes Ave., Pasig City, Metro Manila
- *South Luzon Area*
 - Silangan Exit, Canlubang, Calamba City, Laguna
 - Maharlika Highway, Brgy. Isabang, Lucena City, Quezon
 - Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon
 - Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur
 - Brgy. Mandaragat, Puerto Princesa City, Palawan
 - Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro
 - Brgy. Lankaan II, Governor's Drive, Dasmariñas, Cavite
 - National Rd., Brgy. Balagtas, Batangas City, Batangas
 - Ayala Highway, Brgy. Balintawak, Lipa City, Batangas
 - Tahao St., Brgy Gogon, Legaspi City, Bicol
 - Tirona Highway, Habay, Bacoar, Cavite
 - T. de Castro St., Zone 8, Bulan, Sorsogon
 - Matungao, Tugbo, Masbate City
 - Brgy. Bulilan Norte, Pila, Laguna
- *Negros*
 - Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental
 - Muelle Loney St., Brgy. Legaspi, Iloilo City
 - National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental
 - Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental
 - Brgy. Camansi Norte, Numancia, Aklan
 - Brgy. Libas, Roxas City, Capiz
 - Brgy. Pulang Tubig, Dumaguete City
- *Visayas*
 - National Highway, Brgy. Tipolo, Mandaue City
 - Access Rd., Fatima Village, Brgy. 73 (formerly part of Brgy. Sagcahan), Tacloban City, Leyte
 - Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol
 - San Bartolome St., Catbalogan, Samar

- *Mindanao*
 - Brgy. Darong Sta. Cruz, Davao del Sur
 - Ulas Crossing, Ulas, Davao City
 - National Highway, Brgy. Magugpo, Tagum City
 - Sergio Osmeña, Brgy. Poblacion, Koronadal City
 - National Highway, Brgy. Lagao, Gen. Santos City
 - National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental
 - R.T. Lim Blvd., Baliwasan, Zamboanga City
 - Fort Poyohan, Molave St., Butuan City, Agusan del Norte
 - Brgy. Mangangoy, Bislig City, Surigao del Sur (building only)
 - Brgy. Bongtod, Tandag City, Surigao del Sur
 - J.P. Rizal Ave., Poblacion, Digos City
 - National Highway, Sta. Felomina, Dipolog City
 - Pandan, Sta. Filomena, Iligan City
 - Baybay, Liloy, Zamboanga del Norte
- *San Miguel Brewery Hong Kong Limited*
 - Admin Office
9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong
 - Warehouse
San Miguel Industrial Building, Nos. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hong Kong
- *Guangzhou San Miguel Brewery Company Limited*
 - Shantou Sales Office
Room 803 and Room 804, Underground Parking, Huamei Garden, Shantou City, Guangzhou, China
- *San Miguel (China) Investment Co. Ltd*
 - Apartment
1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China
- *San Miguel (Baoding) Brewery Company Limited*
 - 4-3-102, 4-3-202, 4-3-302 JiXing Yuan, Baoding City
 - JinXia Villa, Baoding City, China

Power Plant

San Miguel Baoding, Utility Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China

Terminal

Bataan Malt Terminal, Mariveles, Bataan (building, machineries and equipment, furniture and fixtures only).

Investment Properties

- Brgy. Estefania and Brgy. Granada, Bacolod City (10 lots)
- Brgy. Penabatan, Pulilan, Bulacan
- L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna
- District of Jaro, Iloilo City, Panay Island (2 lots)
- Room 302, Haitao Building, Marine Fisheries Pier, North Binhai Avenue, Haikou City, China
- 1st-4th Floor, Xianda Building, Shuichan Pier, North Binhai Avenue, Haikou City, China

LEASED PROPERTIES

The Company leases buildings and improvements in various locations in the Philippines. Set out below are the details on the leases of the Company.

Leases from Third Parties

Domestic

	Location	Leased Asset Description	Monthly Rental (₱)	Expiration Date
Terminal Bataan Malt Terminal	Mariveles, Bataan	Land	534,279.76	04/30/2025

Sales/Area Offices and Warehouse

Head Office	40 San Miguel Ave., Mandaluyong City	Office Space	3,688,317.58	12/31/2014
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Greater Manila Area

North

Tondo S.O.	Guidote St., Tondo Manila	Land	63,577.11	10/15/2015
Valenzuela S.O.	Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land & Land Improvement	266,932.05	04/30/2014
Novaliches S.O.	Quirino Highway, Novaliches, Quezon City, Metro Manila	Land & Buildings	666,474.00	12/31/2015
Bottle Segregation Site	Maysilo, Malabon	Open Space	100,000.00	09/30/2016
Bottle Segregation Site	#8002 Industrial Road, Gov Pascual Ave., Portrero, Malabon	Open Space	171,000.00	07/31/2015

Greater Manila Area
South

Pasig S.O.	Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse	761,893.60	12/31/2014
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Central North Luzon

Cabanatuan S.O.	No. 140, Bitas, Cabanatuan City	Land & Warehouse	71,713.32	01/31/2014
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Nueva Ecija-Aurora Region Office	578 P. Burgos St. Cabanatuan City, Nueva Ecija	Building	31,403.79	05/31/2015
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South Luzon Area

Legazpi S.O.	Tahao St., Bgy. Gogon, Legaspi City, Bicol	Land & Land Improvements	290,400.00	12/31/2016
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Dasmarinas S.O.	Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Warehouse	315,534.58	01/31/2014
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Bacoor S.O.	Tirona Highway, Habay 1, Bacoor, Cavite	Warehouse	191,391.86	03/31/2015
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Bulan S.O.	T. de Castro St., Zone 8, Bulan, Sorsogon	Warehouse	44,642.86	01/31/2014
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Masbate S.O.	Magtungao, Tugbo, Masbate City	Warehouse	77,142.86	01/31/2015
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Pila S.O.	Brgy. Bulilan Norte, National Highway, Pila, Laguna	Warehouse	267,857.14	09/30/2015
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Sta. Rosa Bottling Plant	Sta. Rosa Industrial Complex, Brgy. Pulong, Sta. Cruz, Sta. Rosa City, Laguna	Land	775,200.00	06/30/2017
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Bottle Segregation Site	Sitio Aratan, Brgy. Pulong, Sta. Cruz, Sta. Rosa, Laguna	Warehouse	54,000.00	06/30/2014
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Negros

Dumaguete Region Office	Brgy. Pulang Tubig, Dumaguete City	Land Improvement	38,223.42	01/01/2015
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Dumaguete S.O.	Brgy. Pulang Tubig, Dumaguete City	Warehouse	93,783.06	09/30/2014
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Bottle Segregation Site	Burgos Extension, Sta. Fe Barangay Granada, Bacolod City	Warehouse	30,000.00	04/30/2014
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Visayas

Mandaue Brewery	A Del Rosario Avenue, Brgy. Tipolo, Mandaue City	Warehouse	112,500.00	11/15/2014
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Samar Region Office	San Bartolome St., Catbalogan, Samar	Office Space	25,000.00	09/30/2014
Tacloban Sales Office	Fatima Village, Tacloban City, Leyte	Land	15,851.15	06/30/2014
Tagbilaran Sales Office	BTH Warehouse Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol	Warehouse	75,000.00	02/28/2014
<i><u>Mindanao</u></i>				
Butuan Region Office	Fort Poyohan, Molave St., Butuan City, Agusan del Norte	Land & Land Improvement	75,148.59	05/31/2015
Ozamis Region Office	Bonifacio St., Lam-an, Ozamis City, Misamis Occidental	Land & Building	87,867.20	08/31/2022
Iligan S.O.	Pandan, Sta. Filomena, Iligan City	Warehouse	62,500.00	09/30/2014
Liloy S.O.	Baybay, Liloy, Zamboanga del Norte	Warehouse	44,642.86	09/30/2014
Dipolog S.O.	Sta. Filomena, Dipolog City	Warehouse	50,892.86	09/30/2014

International

	Location	Leased Asset Description	Monthly Rental	Expiration Date
<i><u>Guangzhou San Miguel Brewery Company Limited</u></i>				
Pingsha Warehouse	2nd Floor, NO.1, E Building, Junhe Street, Baiyun District, Guangzhou City	Warehouse	RMB 1,875.00	12/31/2013 (will not be renewed)
Guangzhou Admin Office	Unit 2428, 24/F, Wu Yang New City Plaza No. 111-115 Si You New Road, Guangzhou	Office Space	RMB 75,181.05	12/31/2017
Dongguan Sales Office	Unit 15, 13/F, Zhong Huan Cai Fu Plaza, No. 92 Hong Fu Road, Nancheng District, Dongguan City	Office Space	RMB 4,500.00	04/30/2014
Dongguan Sales Office	Unit 01H, 22/F, Star Remit Center, South Shop Village, Changping District, Dongguan City	Office Space	RMB 1,918.51	04/30/2015
Dongguan Sales Office	Unit 809, 8/F, Xilaideng Business Center, No. 298 Hu	Office Space	RMB 2,275.00	05/31/2015

	Location	Leased Asset Description	Monthly Rental	Expiration Date
	Men Road, Hu Men District, Dongguan City			
Shunde Sales Office	Unit 16, 3/F, XinJi Commercial Building, No. 2 Ma Di Road, Daling District, Shunde City	Office Space	RMB 2,667.00	11/30/2015
Shenzhen Sales Office	Unit 1316, 13/F, No. 49 Solar Silicon Valley, No. 3 Yun Feng Road, Dalang Street, Longhua District, Shenzhen City	Office Space	RMB 2,800.00	12/31/2014
<u><i>San Miguel Baoding Brewery Company Limited</i></u>				
Shijiazhuang Sales Office	28-14D, YinDu Garden, Shifang Road, Shi Jia Zhuang City, Hebei Province, China	Office space	RMB 1,500.00	5/7/2015
Handan Sales Office	6-3-302, Bai Hua Western District, Xing Tai City, Hebei Province, China	Office space	RMB 1,500.00	12/31/2014
San Miguel Baoding Brewery Company Limited	Shengli Street, Tianwei West Road, Baoding City, Hebei Province	Land	Entire rent paid at the start of lease term	06/2046
<i>San Miguel China Investment Company Limited</i>	Unit 607-608, 6 Floor Golden Land Building, No 32 Liang Ma Qiao Road, Chaoyang District, Beijing 100016	Office space	RMB 23,785.83	09/30/2015
<u><i>San Miguel Marketing Thailand Limited</i></u>				
North office	403/8 Lumpoon Road, Wadked , Amphor Muang, Lumpoon	Office space	THB 5,265.00	10/31/2014
North office	403/9 Lumpoon Road, Wadked , Amphor Muang, Lumpoon	Office space	THB 5,265.00	12/31/2014
South sales office (Phuket)	14/4 Moo 4 , Tambon Wichit Amphor Muang, Phuket	Office space	THB 18,948.00	09/30/2015

	Location	Leased Asset Description	Monthly Rental	Expiration Date
South sales office (Samui)	44/38 Moo 1 Tambon Maenam, Amphur Koh Samui Suratthani	Office space	THB 15,789.47	03/31/2014
Northeast sales office	44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean	Office space	THB 8,422.00	12/31/2014
Pattaya warehouse	324 Moo 12 Cahiyapruk 1 Rd., Tambon Nongprue Banglamung, Chonburi	Warehouse	THB 174,628.63	09/30/2014
Pattaya office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office space	THB 14,705.88	02/28/2014
<u><i>San Miguel Brewery Vietnam Limited</i></u>				
San Miguel Brewery Vietnam Ltd.	Quoc Lo 1, Suoi Hiep, Dien Khanh, Khanh Hoa	Land	VDN 6,439,619.00	11/12/2024
Ho Chi Minh Sales Office	422-424 Ung Van Khiem, Ward 25, Binh Thanh Dist, HCM City	Office space	VND 223,276,770.00	02/28/2014
Da Nang Sales Office	26 Nguyen Van Linh, Da Nang City	Office space	VND 24,000,000.00	07/30/2014
Nha Trang Sales Office	48 B Yersin, Nha Trang City	Office space	VND 11,000,000.00	07/31/2015
Ho Chi Minh Warehouse	1500/3C, An Phu Dong Ward, Dist 12, HCM City	Warehouse	VND 36,300,000.00	02/10/2014
<u><i>San Miguel Brewery Hong Kong</i></u>				
San Miguel Brewery Hong Kong	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Land	HKD 183,697.00	2047
San Miguel Brewery Hong Kong	9 th Floor, Citimark Building, No. 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land	HKD 17,676.00	2047
San Miguel Brewery Hong Kong	San Miguel Industrial Building, Nos 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hong Kong	Land	HKD 33,920.00	2047

	Location	Leased Asset Description	Monthly Rental	Expiration Date
<u><i>San Remo Taiwan (SRT)</i></u>				
San Miguel Company Ltd. Taiwan Branch-Taipei	5F-2, No. 164, Fusing N. Rd., Taipei, Taiwan	Office Space	NTD 70,000.00	10/19/2014
San Miguel Company Ltd. Taiwan Branch-Kaohsiung	No. 1440, Chengguan Rd., Renwu Dist., Kaohsiung City, Taiwan	Office Space	NTD 55,555.00	03/31/2014
<u><i>San Miguel (Guangdong)</i></u>				
<u><i>Brewery Co., Ltd.</i></u>				
San Miguel (Guangdong) Brewery Co., Ltd.	Longjiang Industrial Estate, Shunde District, Guangdong Province	Land	Entire rent paid at the start of lease term	05/2053

CONDITION OF PROPERTIES

The properties owned by the Company and leased by the Company from BPI and BLI are in good condition except for certain properties and improvements in the Visayas region which have been affected by the recent calamities. However, the Company does not foresee damages to such properties to materially affect its operations in the region. The properties owned by the Company and leased by the Company from BPI and BLI are also free from liens and encumbrances, other than those permitted under the Trust Agreement. The Company does not intend to acquire any other material assets. All of the Company's existing lease contracts contain a provision that the contract is renewable upon agreement by the parties.

MATERIAL CONTRACTS

The following are summaries of the material terms of the principal contracts related to the Company's primary business and should not be considered to be a full statement of the terms and provisions of such contracts. Accordingly, the following summaries are subject to the full text of each contract.

SUPPLY OF RAW MATERIALS

Malted Barley

The Company sources a significant portion of its malted barley requirements from Joe White Maltings Pty. Ltd. ("JWM") and Malteurop France S.A. ("Malteurop").

JWM supplied malted barley to the Company under a supply agreement which expired on December 31, 2013. Under the said agreement, the Company had the option to increase its purchases up to 20% above the agreed minimum tonnage at the agreed prices in the agreement and up to 50% above the agreed minimum tonnage at prices and conditions to be negotiated by the parties. For 2014, purchases for malted barley by the Company from JWM are covered by various purchase orders which define the prices and delivery schedules negotiated and agreed upon by the parties from time to time.

The Company purchases malted barley from Malteurop under a supply agreement with an initial term of five years from 2008 to 2013, and renewed annually on a rolling basis at least three months before the end of the specified delivery periods. The parties may cancel the rolling renewal by written notice at least three months before October 1. Under the agreement, the Company has the option to increase or decrease its purchases by up to 5% above or below the agreed minimum tonnage at prices and conditions to be negotiated by the parties.

Non-Malted Grains

The Company sources a significant portion of its non-malted grains in the form of yellow corn grits from Cagayan Corn Products Corporation and RJJ Enterprises, under a supply agreement with a term of five years from July 1, 2012 to June 30, 2017, and three years from April 1, 2011 to March 31, 2014, respectively. The Company purchases the yellow corn grits from these suppliers at fixed base prices per kilogram (subject to adjustments in the event of fluctuations in the national price for yellow corn grains) for specified breweries of the Company.

SUPPLY OF PETROLEUM PRODUCTS

The Company exclusively sources its petroleum products requirements from Petron. See "Related Party Transactions" for descriptions of the terms of this agreement.

LEASE AGREEMENT WITH LNPI

See "Related Party Transactions" for descriptions of the terms of this agreement.

SHARED SERVICE AGREEMENT WITH SMC

See "Related Party Transactions" for descriptions of the terms of this agreement.

SUPPLY OF PACKAGING MATERIALS

The Company principally sources its packaging requirements from the San Miguel Packaging Group. See also "Related Party Transactions" for the description of the agreements relating to supply of packaging products to the Company.

RELATED STOCKHOLDER MATTERS

HOLDER OF THE COMPANY'S COMMON SHARES

As of December 31, 2013, the following are the top 20 stockholders^a of the Company:

	Stockholder Name	Common Shares	% to O/S
1	San Miguel Corporation	7,859,319,270 ^b	51.092690
2	Kirin Holdings Company, Limited	7,456,859,880 ^c	48.476340
3	San Miguel Brewery Inc. Retirement Plan	28,549,900	0.185600
4	San Miguel Corporation Retirement Plan	5,085,800	0.033062
5	Q-Tech Alliance Holdings, Inc.	2,852,900	0.018546
6	Angel D. R. Arceo	312,000	0.002028
7	PCD Nominee Corporation (Non-Filipino).	311,800	0.002027
8	PCD Nominee Corporation (Filipino).	209,500	0.001362
9	Jeanie C. Mendoza.	170,000	0.001105
10	Joaquin Tan Dee and/or Leticia Dy Dee and/or Angela Dee Cruz.	150,000	0.000975
11	Mary Iris Ang Tan or Thomas Ang Tan ITF Samantha Louise Tan.	139,100	0.000904
12	Mary Iris Ang Tan or Thomas Ang Tan ITF David Ian Ang Tan.	139,000	0.000904
13	Mary Iris Ang Tan or Thomas Ang Tan ITF Matthew Ryan Ang Tan.	139,000	0.000904
14	Corazon M. Cruz.	125,000	0.000813
15	Celso E. Abastillas and/or Evangeline D. Abastillas.	94,000	0.000611
16	Wilson Chua and/or Elizabeth and/or Wilynda Chua.	93,100	0.000605
17	Joaquin Dee and/or Leticia and/or Angela.	80,000	0.000520
18	Angelica Santiago.	62,500	0.000406
19	Carolina L. Yu.	62,000	0.000403
20	Ramel A. Fernandez.	62,000	0.000403

^a Excludes shareholders who have tendered their shares but whose respective Certificates Authorizing Registration are pending from the BIR

^b Excludes the 5,000 shares each held by the five nominee directors of SMC

^c Excludes the 5,000 shares each held by the four nominee directors of Kirin

Description of Principal Shareholders

San Miguel Corporation

SMC, together with its subsidiaries, (collectively, the “SMC Group”) is one of the most diversified and largest conglomerates in the Philippines in terms of market capitalization and total assets. The SMC Group’s traditional businesses comprise primarily of beverage, food, properties, and packaging products. Since 2008, the SMC Group embarked on a diversification strategy through a series of acquisitions of and investments in new businesses, including power, fuel and oil, infrastructure, mining, telecommunications, property development and aviation.

Through strategic partnerships it has forged with major international companies, among them Nihon Yamamura Glass Company Ltd., Hormel Foods International Corporation of the United States, Super Coffee Corporation Pte Ltd of Singapore and Kirin of Japan, the SMC Group has gained access to managerial expertise, international practices and advanced technology, thereby enhancing its performance and further establishing itself as a world-class organization.

Kirin Holdings Company, Limited

Established in 1907, Kirin is one of the leading food and beverage manufacturers in Asia and Oceania. Kirin's core businesses cover an extensive range of products from alcohol and soft drinks to dairy foods, biochemicals and pharmaceuticals.

Kirin is looking to expand on a global scale, and aims to achieve a quantum leap in growth to become a leading food and health company in Asia, Oceania and Brazil. To this end, Kirin views the ongoing advance into international markets as strategically important. Efforts are being made to accelerate business development in Southeast Asia and China.

DIVIDENDS AND DIVIDEND POLICY

The table below sets forth the cash dividends declared by the Company's Board of Directors for the years ended December 31, 2013 and December 31, 2012.

Declaration Date	Payment Date	Amount of Cash Dividends	
		Per share	Total (in ₱ millions)
February 7, 2012	March 5, 2012	₱ 0.14	2,157
May 10, 2012	June 11, 2012	₱ 0.14	2,157
August 9, 2012	September 10, 2012	₱ 0.14	2,157
November 13, 2012	December 5, 2012	₱ 0.14	2,157
March 14, 2013	April 15, 2013	₱ 0.14	2,157
May 9, 2013	June 10, 2013	₱ 0.14	2,157
August 7, 2013	September 16, 2013	₱ 0.14	2,154
November 8, 2013	December 16, 2013	₱ 0.14	2,154

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. These requirements include, for example, that the Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Company's Board of Directors may not declare dividends which will impair its capital.

The cash dividend policy of the Company entitles the holders of its Common Shares to receive quarterly cash dividends equivalent to 100% of the prior quarter's recurring net income, which is net income calculated without respect to extraordinary events that are not expected to recur, based on the recommendation of the Board of Directors. Such recommendation will take into consideration factors such as the implementation of business plans, debt service requirements, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others. The cash dividend policy is subject to review and may be changed by the Company's Board of Directors at any time.

Generally, dividend declarations and payments of the Company's subsidiaries are also contingent on the subsidiaries' financial condition and performance, taking into consideration the subsidiaries' business plans, funding for new investments, appropriate reserves and working capital requirements.

MARKET PRICE OF COMPANY'S COMMON EQUITY

The Company's common equity is not traded in any exchange. On May 15, 2013, the Company's Common Shares were delisted from the PSE following the PSE's approval of the Company's petition for voluntary delisting during PSE's board meeting held on April 24, 2013.

The approximate number of shareholders of Common Shares as of December 31, 2013 is 1,332.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

There were no securities sold by the Company in the past three years which were not registered with the SEC or which constitute exempt securities or transactions under the SRC.

The Company issued the Series D, E and F Bonds in the aggregate principal amount of ₱20.0 billion in April 2012 pursuant to a registration statement rendered effective, and permit to sell issued, by the SEC on March 16, 2012.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of the date of this Prospectus are as follows:

<u>Title of Class</u>	<u>Name, Address of Record Owner and Relationship with Issuer</u>	<u>Name of Beneficial Owner and Relationship with Record Owner</u>	<u>Citizenship</u>	<u>Number of Shares Held</u>	<u>Percent to O/S</u>
Common	San Miguel Corporation, 40 San Miguel Avenue, Mandaluyong City 1550 Philippines	San Miguel Corporation	Filipino	7,859,344,270 ^a	51.10%
Common	Kirin Holdings Company, Limited 10-2, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan	Kirin Holdings Company, Limited	Japanese	7,456,879,880 ^b	48.48%

^a Includes the 25,000 shares held by the nominees of SMC

^b Includes the 20,000 shares held by the nominees of Kirin

Security Ownership of Management

The following are the number of Common Shares comprising the Company's capital stock (all of which are voting shares) owned of record by the directors and key executive officers of the Company, as of the date of this Prospectus:

<u>Title of Class</u>	<u>Name of Owner</u>	<u>Name of Beneficial Owner and Relationship of Record Owner</u>	<u>Amount and Nature of Ownership</u>	<u>Citizenship</u>	<u>% to O/S</u>
Common	Ramon S. Ang	SMC, nominee	5,000 (Indirect)	Filipino	— ⁽¹⁾
Common	Roberto N. Huang	SMC, nominee	5,000 (Indirect)	Filipino	— ⁽¹⁾
Common	Ferdinand K. Constantino	SMC, nominee	5,000 (Indirect)	Filipino	— ⁽¹⁾
Common	Keisuke Nishimura	Kirin, nominee	5,000 (Indirect)	Japanese	— ⁽¹⁾
Common	Carmelo L. Santiago	Carmelo L. Santiago	5,000 (Direct)	Filipino	— ⁽¹⁾
Common	Alonzo Q. Ancheta	Alonzo Q. Ancheta	10,000 (Direct)	Filipino	— ⁽¹⁾
Common	Carlos Antonio M. Berba	SMC, nominee	5,000 (Indirect)	Filipino	— ⁽¹⁾
Common	Virgilio S. Jacinto	SMC, nominee	5,000 (Indirect)	Filipino	— ⁽¹⁾
Common	Teruyuki Daino	Kirin, nominee	5,000 (Indirect)	Japanese	— ⁽¹⁾
Common	Shobu Nishitani	Kirin, nominee	5,000 (Indirect)	Japanese	— ⁽¹⁾

(1) Shareholding represents less than 0.01% of the Company's outstanding capital stock.

Except for the two independent directors, all directors are nominees of SMC or Kirin and hold nominee shares in their names. The beneficial ownership of the nominee shares held by such nominee directors remain with SMC or Kirin, as the case may be.

VOTING TRUST HOLDERS OF 5% OR MORE

As of the date of this Prospectus, there were no persons holding more than 5% of the Common Shares under a voting trust or similar agreement.

CHANGE OF CONTROL

Since the beginning of the last fiscal year, there were no arrangements which resulted in a change in control of the Company.

REGULATORY FRAMEWORK

REGULATORY MATTERS

Various government agencies in the Philippines regulate the different aspects of the Company's beer manufacturing, sales and distribution business.

Philippine national and local government legislation require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to persons below 18 years of age or within a certain distance from schools and churches.

The Food and Drug Administration (formerly the Bureau of Food and Drugs), the government agency under the Department of Health, administers and enforces the law, and issues rules and circulars, on safety and good quality supply of food, drug and cosmetic to consumers, and regulation of the production, sale, and traffic of the same to protect the health of the people. In particular, it is tasked to implement and enforce the Foods, Drugs and Devices, and Cosmetics Act as amended by the Food and Drug Authority Act of 2009 ("FDDC Act"). The FDDC and its implementing rules provide for the standards and quality measures in relation to the manufacture and labeling of health products, including food products, to ensure safe supply thereof to and within the Philippines. Pursuant to the FDDC Act, food manufacturers are required to obtain a license to operate as such. The law further requires food manufacturers to obtain a certificate of product registration for each product.

The Department of Health also prescribed the Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers. These guidelines provided for the minimum operating standards, procedures and requirements in respect of the operations and facilities of establishments engaged in the manufacture, packing, repacking or holding of food products.

The Consumer Act of the Philippines, the provisions of which are principally enforced by the Department of Trade and Industry, among others, seeks to protect consumers against hazards to health and safety and against deceptive, unfair and unconscionable sales acts and practices; and provide information and education to facilitate sound choice and the proper exercise of rights by the consumer, including means of redress in cases of violations of such rights.

The Standards of Trade Practices and Conduct in the Advertising Industry as formulated by the Philippine Advertising Board, a voluntary association of various companies and groups engaged in the fields of advertising, marketing and media in the Philippines, prescribe rules on the advertising activities of its members.

Under the SRC, the SEC has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. As the government agency regulating the Philippine securities market, the SEC issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers and reportorial requirements for publicly listed companies and the proper application of SRC provisions, as well as the Corporation Code, and certain other statutes.

The SMBIL Group's international operations are also regulated by various applicable laws in their respective markets, including the regulations on food labeling in China and Hong Kong, the regulatory ban on advertising alcohol in Thailand, and the local regulations in Indonesia passed by cities, municipalities and provinces which are influenced by the sharia (religious law of Islam) or the peraturan daerah. In addition, the SMBIL Group's Hong Kong and Indonesia subsidiaries are listed companies, and are thus subject to the regulatory and listing requirements of their respective stock exchanges.

ENVIRONMENTAL MATTERS

The operations of the Company are subject to various Philippines legislation, which are promulgated for the protection of the environment.

The Company is required to comply with the provisions of the Philippine Environmental Impact Statement System (“EIS System”). The EIS System is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical; or (ii) is situated in an environmentally critical area. The law is implemented by the DENR. Under the EIS System, an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area is required to submit an Environmental Impact Statement and secure an Environmental Compliance Certificate (“ECC”). This ECC requirement is applicable to the production facilities that the Company operates throughout the Philippines.

The Company is also subject to the provisions of the Philippine Clean Water Act of 2004 (“Clean Water Act”) and its implementing rules and regulations. The Clean Water Act requires the Company to secure a wastewater discharge permit, which authorizes it to discharge liquid waste and/or pollutants of specified concentration and volume from its breweries into any water or land resource for a specified period of time. The Environmental Management Bureau of the DENR is responsible for issuing discharge permits and monitoring and inspection of the facilities of the grantee of the permit.

The provisions of the Philippine Clean Air Act and its implementing rules and regulations are likewise applicable to the Company. The Clean Air Act provides that before any business may be allowed to operate facilities and equipment, which emit regulated air pollutants, the establishment must first obtain a Permit to Operate Air Pollution Source and Control Installations. The Environmental Management Bureau is responsible for issuing permits to operate air pollution source and control installations as well as monitoring and inspection of the facilities of the grantee of the permit.

Other regulatory environmental laws and regulations applicable to the Company are as follows:

- The Water Code, which governs the appropriation and use by any entity of water within the Philippines. Water permits are issued by the National Water Resources Board.
- Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and its implementing rules and regulations, which requires waste generators to register with the Environmental Management Bureau. The law aims to regulate the management of hazardous wastes generated by various establishments such as the Company.
- RA 9003 known as the “Biological Solid Management Act of 2000 and with DENR Administrative Order 2011-34 as the implementing rules and regulations. This sets the guidelines for solid waste reduction through sound reduction and waste minimization, including composting, recycling, re-use, recovery before collection, treatment and disposal in appropriate and environmentally sound solid waste management facilities in accordance with ecologically sustainable principles.
- DENR Administrative Order 1992-26 or the Appointment of Pollution Control Office to manage and address environmental problems and programs of the plant as well as liaison with the environmental government agencies

In 2013, the Company spent ₱58 million in complying with environmental laws and regulations.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus. The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines," otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines.

Taxation of Interest

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

Tax-Exempt Status or Entitlement to Preferential Tax Rate

Bondholders who are claiming exemption from any applicable tax or entitlement to a preferential tax rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements: (i) a current, valid and subsisting BIR-certified true copy of the original tax exemption certificate, ruling or opinion issued by the BIR confirming the applicant's exemption or entitlement to a preferential tax rate; (ii) with respect to tax treaty relief, a current, valid and subsisting BIR-certified true copy of the ruling issued by the International Tax Affairs Division of the BIR, confirming that the preferential tax treatment sought by the applicant is applicable; (iii) a duly notarized undertaking declaring and warranting the applicant's tax-exempt status or preferential tax rate entitlement and undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension, revocation or modification of the tax exemption certificates and preferential tax rate or treaty privileges, and agreeing to indemnify and hold the

Issuer, the Registrar and the Paying Agent free and harmless against all claims, actions, suits, and liabilities resulting from the non-withholding, or withholding of a reduced rate, of the required tax; and (iv) such other documentary requirements as may be required by the Issuer, the Registrar and the Paying Agent, or under the applicable regulations of the relevant taxing or other authorities; provided, that the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three Business Days from settlement date.

Value-Added Tax

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax.

Gross Receipts Tax

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and non-bank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

Documentary Stamp Tax

A documentary stamp tax is imposed upon the original issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of ₱1.00 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

Taxation On Sale Or Other Disposition Of The Bonds

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 32%, 25%, or 30%, as the case may be. If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the Bureau of Internal Revenue for the availment of tax treaty benefits.

Estate and Donor's Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000. A Bondholder shall be subject to donor's tax based on the net gift on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000 and where the donee or beneficiary is not a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor or lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.

LEGAL MATTERS

Certain Philippine legal matters in connection with the Offer have been passed upon for the Company by Picazo Buyco Tan Fider & Santos, Makati, Philippines, and for the Issue Manager and the Joint Lead Managers by SyCip Salazar Hernandez & Gatmaitan, Makati, Philippines.

Neither Picazo Buyco Tan Fider & Santos nor SyCip Salazar Hernandez & Gatmaitan, has or will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to, or in connection with, the Offer. Neither Picazo Buyco Tan Fider & Santos nor SyCip Salazar Hernandez & Gatmaitan has acted or will act as promoter, underwriter, voting trustee, officer or employee of the Company.

EXPERTS

Canadean, a leading global beverage research company, provided certain information and statistics set forth in this Prospectus. Canadean does not own any interests in the Company.

INDEPENDENT PUBLIC ACCOUNTANTS

The audited consolidated financial statements of the Company as of and for the year ended December 31, 2013 and the historical financial statements which comprise the consolidated statements of financial position as at December 31, 2012, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2012 and 2011, including the notes thereto which are incorporated by reference included in this Prospectus, have been examined and audited, as the case may be, without qualification by R.G. Manabat & Co., auditors as stated in their reports appearing herein.

The Company has not had any disagreements on accounting and financial disclosures with its current external auditors for the same periods or any subsequent interim periods. R.G. Manabat & Co., one of the top four auditing firms in the Philippines, has acted as the auditors of San Miguel Corporation (SMC), the parent company. The shareholders approved the appointment of R.G. Manabat & Co. as the Company's external auditors upon the recommendation of the management. The Company's management recommended and engaged R.G. Manabat & Co.'s services based on their professionalism, efficient services and cost competitiveness. Enrico E. Baluyut is the Engagement Partner. R.G. Manabat & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. R.G. Manabat & Co. will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

AUDIT AND AUDIT-RELATED FEES

The Company's audit and audit-related fees are as indicated in the table below:

	<u>(in ₱)</u>
Audit and Audit Related Fees	
Professional fees related to the statutory reports as of December 31, 2013	6,680,000.00
Professional fees related to the bond issuance	<u>3,000,000.00</u>
Total	<u><u>9,680,000.00</u></u>

Apart from the foregoing, no other services were rendered or fees billed by the Company's auditors as of and for the year ended December 31, 2013. R.G. Manabat & Co. does not have any direct or indirect interest in the Company.

INDEX TO FINANCIAL STATEMENTS

Appendix A – Audited Consolidated Financial Statements as at December 31, 2013 and 2012 and for the year ended December 31, 2013, 2012 and 2011, and the notes to the Audited Financial Statements [F1]

Appendix B – San Miguel Brewery Inc. and Subsidiaries: Supplementary Information, including (i) Map of the Conglomerate to which SMB belongs, as of December 31, 2013, (ii) Schedule of Philippine Financial Reporting Standards, and (iii) Supplementary Schedules of Annex 68-E in compliance with Securities Regulation Code Rule 68, As Amended [F94]

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011



SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Corporation

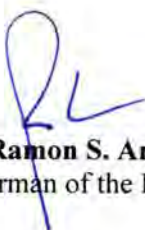
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **San Miguel Brewery Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

R. G. Manabat & Co. (formerly Manabat Sanagustin & Co., CPAs), the independent auditors 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.

Dated as of February 7, 2014.



Ramon S. Ang
Chairman of the Board



Roberto N. Huang
President



Mercy Marie J. L. Amador
Chief Finance Officer and Treasurer

SUBSCRIBED AND SWORN to before me this
exhibiting to me their passports as follows:

day of FEB 10 2014 2014, affiant

Name
Ramon S. Ang
Roberto N. Huang
Mercy Marie J. L. Amador

Passport No.
XX0748364
EB5630774
EA0031708

Expiry Date/Place of Issue
July 10, 2016/Manila
June 12, 2017/Manila
February 14, 2015/Manila

Doc. No. 496
Page No. 01;
Book No. VII;
Series of 2014.


NOTARY PUBLIC
JESSICA L. ABRENICA
Commission No. 0238-13
Notary Public for Mandaluyong City
Until Dec. 31, 2014
SMB, 40 San Miguel Ave., Mandaluyong City
Roll No. 47590
PTR No. 1617590; 01/04/13; Mandaluyong
Lifetime Member No. 09484; 01/05/11; Makati

**R.G. Manabat & Co.**

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Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
San Miguel Brewery Inc.
No. 40 San Miguel Avenue
Mandaluyong City

We have audited the accompanying consolidated financial statements of San Miguel Brewery Inc. and Subsidiaries (a subsidiary of San Miguel Corporation), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, 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, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Brewery Inc. and Subsidiaries (a subsidiary of San Miguel Corporation) as at December 31, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

ENRICO E. BALUYUT

Partner

CPA License No. 065537

SEC Accreditation No. 1177-A, Group A, valid until January 4, 2015

Tax Identification No. 131-029-752

BIR Accreditation No. 08-001987-26-2011

Issued November 3, 2011; valid until November 2, 2014

PTR No. 4225115MC

Issued January 2, 2014 at Makati City

February 7, 2014

Makati City, Metro Manila

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

		December 31	January 1	
		2012	2012	
		As restated	As restated	
	Note	2013	(Note 3)	(Note 3)
ASSETS				
Current Assets				
Cash and cash equivalents	6, 31, 32	P14,198	P21,959	P18,279
Trade and other receivables - net	4, 7, 26, 31, 32	6,352	4,997	4,977
Inventories	4, 8	3,254	3,134	3,370
Prepaid expenses and other current assets	4, 9, 31, 32	938	933	996
Total Current Assets		24,742	31,023	27,622
Noncurrent Assets				
Investments - net	10, 31, 32	62	63	132
Property, plant and equipment - net	4, 11	20,544	20,539	20,214
Investment property - net	4, 12	733	703	664
Intangible assets - net	4, 13	36,009	35,849	36,063
Deferred tax assets	4, 17	1,909	1,260	1,106
Other noncurrent assets - net	4, 14, 26, 27, 28, 31, 32	8,911	7,189	6,288
Total Noncurrent Assets		68,168	65,603	64,467
		P92,910	P96,626	P92,089
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable		P -	P -	P1,857
Accounts payable and accrued expenses	15, 26, 31, 32	7,861	7,640	7,296
Income and other taxes payable	17	2,869	2,761	2,606
Current maturities of long-term debt - net of debt issue costs	16, 31, 32	22,386	459	13,577
Total Current Liabilities		33,116	10,860	25,336
Noncurrent Liabilities				
Long-term debt - net of current maturities and debt issue costs	16, 31, 32	22,627	51,763	37,962
Deferred tax liabilities	17	17	19	35
Other noncurrent liabilities	4, 28	4,115	3,379	2,828
Total Noncurrent Liabilities		26,759	55,161	40,825

Forward

		December 31	January 1	
		2012	2012	
		As restated	As restated	
	Note	2013	(Note 3)	
		(Note 3)	(Note 3)	
Equity				
Equity Attributable to Equity Holders of the Company				
Capital stock	18	P15,410	P15,410	
Additional paid-in capital		515	515	
Cumulative translation adjustments	32	(847)	(1,502)	
Reserve for retirement plan		(2,870)	(2,202)	
Retained earnings	33	19,740	16,312	
Treasury stock	18	(1,029)	-	
		30,919	28,533	
			23,969	
Non-controlling Interests	2	2,116	2,072	
			1,959	
Total Equity		33,035	30,605	
			25,928	
		P92,910	P96,626	
			P92,089	

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In Millions, Except Per Share Data)

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
SALES	26	P75,053	P75,580	P71,910
COST OF SALES	19, 26	39,405	38,030	36,827
GROSS PROFIT		35,648	37,550	35,083
SELLING AND ADMINISTRATIVE EXPENSES	20	(14,094)	(15,217)	(14,641)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	16, 23	(3,872)	(4,072)	(4,132)
INTEREST INCOME		463	724	658
REVERSALS (LOSSES) ON IMPAIRMENT OF NONCURRENT ASSETS - Net	25	-	1,367	(30)
OTHER INCOME (CHARGES) - Net	24	(294)	586	402
INCOME BEFORE INCOME TAX		17,851	20,938	17,340
INCOME TAX EXPENSE	17	5,330	5,840	5,183
NET INCOME		P12,521	P15,098	P12,157
Attributable to:				
Equity holders of the Company		P12,051	P14,360	P11,940
Non-controlling interests		470	738	217
		P12,521	P15,098	P12,157
Basic and Diluted Earnings Per Share	29	P0.78	P0.93	P0.77

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In Millions)

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
NET INCOME		P12,521	P15,098	P12,157
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS				
Equity reserve for retirement plan - net of tax	28	(674)	(379)	(212)
ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS				
Gain (loss) on exchange differences on translation of foreign operations		636	(1,021)	(145)
Net loss on available-for-sale financial assets	32	(1)	(6)	(1)
		635	(1,027)	(146)
OTHER COMPREHENSIVE LOSS - Net of Tax		(39)	(1,406)	(358)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - Net of Tax		P12,482	P13,692	P11,799
Comprehensive Income Attributable to:				
Equity holders of the Company		P12,037	P13,194	P11,614
Non-controlling interests		445	498	185
		P12,482	P13,692	P11,799

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In Millions)

Equity Attributable to Equity Holders of the Company											
			Cumulative Translation Adjustments								
	Note	Capital Stock	Additional Paid-in Capital	Translation Reserve	Fair Value Reserve	Reserve for Retirement Plan	Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2013, as previously reported		P15,410	P515	(P1,493)	(P6)	P -	P16,382	P -	P30,808	P2,160	P32,968
Adjustment due to Philippine Accounting Standard (PAS) 19		-	-	(3)	-	(2,202)	(70)	-	(2,275)	(88)	(2,363)
As of January 1, 2013, As restated		15,410	515	(1,496)	(6)	(2,202)	16,312	-	28,533	2,072	30,605
Equity Reserve for retirement plan	28	-	-	-	-	(668)	-	-	(668)	(6)	(674)
Gain (loss) on exchange differences on translation of foreign operations		-	-	656	-	-	(1)	-	655	(19)	636
Net loss on available-for-sale financial assets - net of tax	32	-	-	-	(1)	-	-	-	(1)	-	(1)
Other comprehensive income (loss)		-	-	656	(1)	(668)	(1)	-	(14)	(25)	(39)
Net income for the year		-	-	-	-	-	12,051	-	12,051	470	12,521
Total comprehensive income (loss) for the year		-	-	656	(1)	(668)	12,050	-	12,037	445	12,482
Redemption of common shares		-	-	-	-	-	-	(1,029)	(1,029)	-	(1,029)
Cash dividends	33	-	-	-	-	-	(8,622)	-	(8,622)	(401)	(9,023)
As of December 31, 2013		P15,410	P515	(P840)	(P7)	(P2,870)	P19,740	(P1,029)	P30,919	P2,116	P33,035

Forward.

Equity Attributable to Equity Holders of the Company											
	Note	Capital Stock	Additional Paid-in Capital	Cumulative Translation Adjustments		Reserve for Retirement Plan	Retained Earnings	Treasury Stock	Total	Non- controlling Interests	Total Equity
				Translation Reserve	Fair Value Reserve						
As of January 1, 2012, as previously reported		P15,410	P515	(P672)	P -	P -	P10,618	P -	P25,871	P2,003	P27,874
Adjustment due to PAS 19	3	-	-	(1)	-	(1,867)	(34)	-	(1,902)	(44)	(1,946)
As of January 1, 2012, As restated		15,410	515	(673)	-	(1,867)	10,584	-	23,969	1,959	25,928
Equity Reserve for retirement plan	28	-	-	(2)	-	(335)	(2)	-	(339)	(40)	(379)
Loss on exchange differences on translation of foreign operations		-	-	(821)	-	-	-	-	(821)	(200)	(1,021)
Net loss on available-for-sale financial assets - net of tax	32	-	-	-	(6)	-	-	-	(6)	-	(6)
Other comprehensive loss		-	-	(823)	(6)	(335)	(2)	-	(1,166)	(240)	(1,406)
Net income for the year		-	-	-	-	-	14,360	-	14,360	738	15,098
Total comprehensive income (loss) for the year		-	-	(823)	(6)	(335)	14,358	-	13,194	498	13,692
Cash dividends	33	-	-	-	-	-	(8,630)	-	(8,630)	(385)	(9,015)
As of December 31, 2012		P15,410	P515	(P1,496)	(P6)	(P2,202)	P16,312	P -	P28,533	P2,072	P30,605

Forward.

Equity Attributable to Equity Holders of the Company											
	Note	Capital Stock	Additional Paid-in Capital	Cumulative Translation Adjustments		Reserve for Retirement Plan	Retained Earnings	Treasury Stock	Total	Non- controlling Interests	Total Equity
				Translation Reserve	Fair Value Reserve						
As of January 1, 2011, as previously reported		P15,410	P515	(P543)	P1	P -	P7,286	P -	P22,669	P2,152	P24,821
Adjustment due to PAS 19	3	-	-	(1)	-	(1,671)	(12)	-	(1,684)	(25)	(1,709)
As of January 1, 2011, As restated		15,410	515	(544)	1	(1,671)	7,274	-	20,985	2,127	23,112
Equity reserve for retirement plan	28	-	-	-	-	(196)	-	-	(196)	(16)	(212)
Loss on exchange differences on translation of foreign operations		-	-	(129)	-	-	-	-	(129)	(16)	(145)
Net loss on available-for-sale financial assets - net of tax	32	-	-	-	(1)	-	-	-	(1)	-	(1)
Other comprehensive loss		-	-	(129)	(1)	(196)	-	-	(326)	(32)	(358)
Net income for the year		-	-	-	-	-	11,940	-	11,940	217	12,157
Total comprehensive income (loss) for the year		-	-	(129)	(1)	(196)	11,940	-	11,614	185	11,799
Cash dividends	33	-	-	-	-	-	(8,630)	-	(8,630)	(353)	(8,983)
As of December 31, 2011		P15,410	P515	(P673)	P -	(P1,867)	P10,584	P -	P23,969	P1,959	P25,928

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(In Millions)

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P17,851	P20,938	P17,340
Adjustments for:				
Interest expense and other financing charges	23	3,872	4,072	4,132
Depreciation, amortization and others	21	3,093	2,501	2,619
Retirement costs	28	582	527	522
Provision for impairment losses on receivables, inventories and others	7, 8	342	360	270
Losses (reversals) on impairment of noncurrent assets - net	25	-	(1,367)	30
Interest income		(463)	(724)	(658)
Loss (gain) on sale of property and equipment, investment property and intangible assets	24	(77)	4	(392)
Operating income before working capital changes		25,200	26,311	23,863
Decrease (increase) in:				
Trade and other receivables		(1,508)	(148)	(808)
Inventories		(136)	266	227
Prepaid expenses and other current assets		(53)	55	(72)
Increase (decrease) in:				
Accounts payable and accrued expenses		353	287	411
Other taxes payable		202	(18)	(12)
Cash generated from operations		24,058	26,753	23,609
Interest paid		(3,845)	(3,773)	(3,906)
Income taxes paid		(5,792)	(5,709)	(5,157)
Contributions paid		(751)	(472)	(202)
Net cash flows provided by operating activities		13,670	16,799	14,344

Forward

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	11	(P1,022)	(P790)	(P1,778)
Acquisitions of investment property	12	(8)	(25)	(29)
Proceeds from sale of property and equipment, investment property and intangible assets		140	8	1,106
Proceeds from sale of investment		3	-	-
Increase in intangible assets and other noncurrent assets		(3,424)	(3,054)	(2,257)
Interest received		472	725	656
Net cash flows used in investing activities		(3,839)	(3,136)	(2,302)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		-	-	341
Long-term borrowings		-	21,078	-
Payments of:				
Short-term borrowings		-	(1,757)	(194)
Long-term borrowings		(7,884)	(19,989)	-
Dividends paid to non-controlling shareholders		(401)	(385)	(361)
Redemption of common shares		(1,008)	-	-
Increase (decrease) in other noncurrent liabilities		(7)	(6)	2
Cash dividends paid	33	(8,618)	(8,630)	(8,630)
Net cash flows used in financing activities		(17,918)	(9,689)	(8,842)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		326	(294)	3
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(7,761)	3,680	3,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		21,959	18,279	15,076
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	P14,198	P21,959	P18,279

See Notes to the Consolidated Financial Statements.

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
(A Subsidiary of San Miguel Corporation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share and Number of Shares Data)

1. Reporting Entity

San Miguel Brewery Inc. (SMB or the “Company”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 26, 2007. The accompanying consolidated financial statements comprise the financial statements of the Company and its Subsidiaries (collectively referred to as the “Group”).

The Group is primarily engaged in manufacturing, selling and distribution of fermented and malt-based beverages. The Group is also engaged in acquiring, developing and licensing trademarks and intellectual property rights and in the management, sale, exchange, lease and holding for investment of real estate of all kinds including buildings and other structures. The registered office address of the Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

The Company is a public company under Section 17.2 of the Securities Regulation Code and its Peso-denominated fixed-rate bonds issued in 2009 and 2012 are listed on the Philippine Dealing & Exchange Corp. (PDEX).

The Company’s common shares were listed on the Philippine Stock Exchange, Inc. (PSE) on May 12, 2008. The Company filed a petition for voluntary delisting with the PSE following the PSE’s adoption of the minimum public ownership rule and denial by SEC of all requests made (including the Company’s request) for the extension of the grace period to comply with such rule. The petition was approved by the PSE on April 24, 2013 and the Company’s common shares were delisted effective May 15, 2013 (Notes 16 and 18).

San Miguel Corporation (SMC) is the parent company of the Group. Top Frontier Investment Holdings, Inc. is the ultimate parent company of the Group.

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 7, 2014.

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 at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Available-for-sale (AFS) financial assets	Fair Value
Defined benefit retirement obligation	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency. All amounts have been rounded to the nearest million (P000,000), unless otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

<i>Name of Subsidiary</i>	<i>Place of Incorporation</i>	<i>Proportion of Ownership Interest Held by the</i>		<i>Effective Equity Interest of the Company *</i>	<i>Line of Business</i>
		<i>Company</i>	<i>Subsidiaries</i>		
Iconic Beverages, Inc. (IBI) (a)	Philippines	100	-	100	Licensing trademarks
San Miguel Brewing International Ltd. (SMBIL) (b)	British Virgin Islands	100	-	100	Manufacture and sale of beer
Neptunia Corporation Limited (NCL) (b)	Hong Kong	-	100	100	Investment holding
San Miguel Company Limited (b)	Hong Kong	-	100	100	Investment holding
San Miguel Company Limited Taiwan Branch (b)	Taiwan	-	100	100	Beer distribution
San Miguel Brewery Hong Kong Limited (SMBHK) (b)	Hong Kong	-	65.8	65.8	Manufacture and sale of beer
Ravelin Limited (b)	Hong Kong	-	100	65.8	Property holding
Best Investments International, Inc. (b)	British Virgin Islands	-	100	65.8	Investment holding
Hong Kong Brewery Limited (b)	Hong Kong	-	100	65.8	Dormant
San Miguel Shunde Holdings Limited (SMSh) (b)	Hong Kong	-	92	60.5	Investment holding
San Miguel (Guangdong) Brewery Company Limited (SMGB) (b)	People's Republic of China	-	100	60.5	Manufacture and sale of beer
San Miguel (Guangdong) Limited (SMGL) (b)	Hong Kong	-	93	61.2	Investment holding
Guangzhou San Miguel Brewery Company Limited (GSMB) (b)	People's Republic of China	-	70	42.8	Beer distribution
San Miguel (China) Investment Company Limited (SMCIC) (b)	People's Republic of China	-	100	100	Investment holding
San Miguel (Baoding) Brewery Company Limited (SMBB) (b)	People's Republic of China	-	100	100	Manufacture and sale of beer
San Miguel (Baoding) Utility Company Limited (SMBU) (b)	People's Republic of China	-	100	100	Power generation
San Miguel Holdings (Thailand) Ltd (SMHTL) (b)	Thailand	-	49	49	Investment holding
San Miguel Beer (Thailand) Limited (SMBTL) (b)	Thailand	-	100	49	Manufacture and sale of beer
San Miguel Marketing (Thailand) Limited (SMMTL) (b)	Thailand	-	100	100	Trading

Forward

<i>Name of Subsidiary</i>	<i>Place of Incorporation</i>	<i>Proportion of Ownership Interest Held by the</i>		<i>Effective Equity Interest of the Company *</i>	<i>Line of Business</i>
		<i>Company</i>	<i>Subsidiaries</i>		
Dragon Island Investments Limited (DIIL) (b)	British Virgin Islands	-	100	100	Investment holding
San Miguel (Vietnam) Limited (SMVL) (b)	Bermuda	-	100	100	Investment holding
San Miguel Brewery Vietnam Limited (SMBVL) (b)	Republic of Vietnam	-	100	100	Manufacture and sale of beer
San Miguel Malaysia Pte. Ltd (b)	Malaysia	-	100	100	Holding
PT. Delta Jakarta Tbk. and Subsidiary (PTD) (b)	Republic of Indonesia	-	58.3	58.3	Manufacture and sale of beer
Brewery Properties Inc. (BPI) (c)	Philippines	40	-	40	Property holding
Brewery Landholdings, Inc. (BLI) (c)	Philippines	-	100	40	Property holding

* Represents the ultimate equity interest in the subsidiary at the level of the Company after taking into consideration the dilutive effects of the non-controlling interests at the various intervening levels of ownership.

(a) Consolidated effective April 29, 2009.

(b) Consolidated effective January 29, 2010.

(c) Consolidated effective November 10, 2010.

There are no changes to the Group's ownership structure as of December 31, 2013 and 2012.

Subsidiaries are entities 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 re-assesses 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 a 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 continues to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the 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 held by the Group 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 Group's equity attributable to equity holders of the Company.

Non-controlling interests represent the interests not held by the Group in PTD, SMHTL, SMBHK group and BPI in 2013 and 2012.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, and have been applied consistently by the Group, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards and interpretations as part of PFRS.

Adopted Effective 2013

The Group has adopted the following PFRS effective January 1, 2013 and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items of other comprehensive income in the consolidated statements of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (*Amendments to PFRS 7, Financial Instruments: Disclosures*). The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statements of financial position. The adoption of these amendments did not have a significant effect on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements*, introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*.

The adoption of these amendments did not have a significant effect on the consolidated financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

The adoption of these amendments did not have a significant effect on the consolidated financial statements.

- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. As a result, the Group included additional disclosures in this regard (Note 12).

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

As a result of the adoption of the amended PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan and the elimination of the corridor method. Actuarial gains and losses are recognized immediately in other comprehensive income. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest. The adoption of these amendments did not have an effect on the consolidated financial statements.
- *Improvements to PFRSs 2009 - 2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.
 - Comparative Information beyond Minimum Requirements (*Amendments to PAS 1*). The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The Group presented a third consolidated statement of financial position as a result of the retrospective application of the change in accounting policy relating to the adoption of the amended PAS 19.
 - Presentation of the Opening Statement of Financial Position and Related Notes (*Amendments to PAS 1*). The amendments clarify that: (a) the opening statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial position are different, because the underlying objectives are different. Consequential amendments have been made to PAS 34, *Interim Financial Reporting*.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment*). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*. The adoption of these amendments did not have an effect on the consolidated financial statements.
- Income Tax Consequences of Distributions (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*. The adoption of these amendments did not have an effect on the consolidated financial statements.
- Segment Assets and Liabilities (*Amendments to PAS 34*). This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The adoption of these amendments did not have an effect on the consolidated financial statements.

Additional disclosures required by the new or revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

The following table summarizes the impact of the above changes on the Group's consolidated financial position, consolidated financial performance and consolidated cash flows. The impact relates to the changes related to the defined benefit retirement plan.

Consolidated Statements of Financial Position						
	December 31, 2012			January 1, 2012		
	As Previously Reported	Adjustments Due to PAS 19	As Restated	As Previously Reported	Adjustments Due to PAS 19	As Restated
ASSETS						
Deferred tax assets	P366	P894	P1,260	P341	P765	P1,106
Other noncurrent assets - net	7,289	(100)	7,189	6,387	(99)	6,288
LIABILITIES						
Other noncurrent liabilities	222	3,157	3,379	216	2,612	2,828
EQUITY						
Cumulative translation adjustments	(1,499)	(3)	(1,502)	(672)	(1)	(673)
Reserve for retirement plan	-	(2,202)	(2,202)	-	(1,867)	(1,867)
Retained earnings	16,382	(70)	16,312	10,618	(34)	10,584
NON-CONTROLLING INTERESTS	2,160	(88)	2,072	2,003	(44)	1,959
Consolidated Statements of Income						
	For the year ended December 31, 2012			For the year ended December 31, 2011		
	As Previously Reported	Adjustments Due to PAS 19	As Restated	As Previously Reported	Adjustments Due to PAS 19	As Restated
RETIREMENT COST PRESENTED AS PART OF:						
Cost of sales	(P38,020)	(P10)	(P38,030)	(P36,819)	(P8)	(P36,827)
Selling and administrative expenses	(15,189)	(28)	(15,217)	(14,620)	(21)	(14,641)
Income tax expense	(5,840)	-	(5,840)	(5,187)	4	(5,183)
Net income attributable to:						
Equity holders of the Company	P14,394	(P34)	P14,360	P11,962	(P22)	P11,940
Non-controlling Interests	742	(4)	738	220	(3)	217
	P15,136	(P38)	P15,098	P12,182	(P25)	P12,157
Basic and Diluted Earnings Per Share	P0.93		P0.93	P0.78		P0.77

Consolidated Statements of Comprehensive Income

	For the year ended December 31, 2012			For the year ended December 31, 2011		
	As Previously Reported	Adjustments Due to PAS 19	As Restated	As Previously Reported	Adjustments Due to PAS 19	As Restated
NET INCOME (LOSS)	P15,136	(P38)	P15,098	P12,182	(P25)	P12,157
ITEMS THAT WILL NEVER BE RECLASSIFIED TO PROFIT OR LOSS						
Equity reserve for retirement plan	-	(379)	(379)	-	(212)	(212)
Attributable to:						
Equity holders of the Company	P13,567	(373)	13,194	P11,832	(P218)	11,614
Non-controlling Interests	542	(44)	498	204	(19)	185
	P14,109	(P417)	P13,692	P12,036	(P237)	P11,799

The impact of the adoption of PAS 19 for the current year is as follows: increase in other comprehensive loss by P674; increase in retirement expense by P56 and decrease in income tax expense by P20.

New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new or revised standards and amendments to standards are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Except as otherwise indicated, none of these are expected to have a significant effect on the consolidated financial statements. The Group does not plan to adopt these standards early.

The Group will adopt the following new or revised standards and amendments to standards on the respective effective dates:

- Recoverable Amount Disclosures for Non-Financial Assets (*Amendments to PAS 36, Impairment of Assets*). The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of the amendments is not expected to have an effect on the consolidated financial statements.

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of the amendments is not expected to have an effect on the consolidated financial statements.
- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The adoption of the amendments is required to be applied retrospectively for annual periods beginning on or after January 1, 2014.
- *PFRS 9, Financial Instruments (2009, 2010 and 2013).* PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (b) changes to address the so-called 'own credit' issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The Group conducted an evaluation of the possible financial impact of the adoption of PFRS 9 and does not plan to adopt this standard early.

Financial Assets and Financial Liabilities

Date of Recognition. 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. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2013 and 2012, the Group has no HTM investments.

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used are not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Fair value changes and realized gains or losses are recognized in profit or loss. 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 earned shall be recognized as part of “Interest income” account in the consolidated statements of income. Any dividend income from equity securities classified as at FVPL shall be recognized in profit or loss when the right to receive payment has been established.

The Group’s derivative assets are classified under this category (Note 9).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of “Interest income” account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of “Interest income” account in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

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.

The Group’s cash and cash equivalents, trade and other receivables and noncurrent receivables are included in this category (Notes 6, 7, 14 and 26).

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the “Fair value reserve” account in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of “Interest income” account in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group’s investments in equity securities included under “Investments” account are classified under this category (Note 10).

Financial Liabilities

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 recognizes fair value changes in profit or loss. 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 shall be recognized as part of “Interest expense” account in the consolidated statements of income.

The Group’s derivative liabilities are classified under this category (Note 15).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate 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 Group’s liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, current maturities of long-term debt and long-term debt are included in this category (Notes 15, 16 and 26).

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 at FVPL. 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.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is 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 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.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. 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 profit or loss.

Impairment of Financial Assets

The Group assesses at the reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. ‘Significant’ is evaluated against the original cost of investment and ‘prolonged’ is evaluated against the period in which the fair value has been below its original cost.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows from the asset discounted using the historical effective rate of return on the asset.

Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial assets 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.

Debt Issue Costs

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 rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories

Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and conditions 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; costs are determined using the moving-average method;
Materials and supplies	-	at cost, using the moving-average method.

Net realizable value of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Net realizable value of goods in process 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.

Net realizable value of materials and supplies 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.

Containers (i.e., returnable bottles and shells) are stated at deposit values less any impairment in value. The excess of the acquisition cost of the containers over their deposit value is presented under deferred containers included under “Other noncurrent assets” account in the consolidated statements of financial position and is amortized over the estimated useful lives of two to ten (2-10) years. Amortization of deferred containers is included under “Selling and administrative expenses” account in the consolidated statements of income.

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date. Business combinations under common control 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 in administrative expenses.

When the Group acquires a business, it assesses the financial assets and 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 to fair value at the acquisition date through profit or loss.

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 profit or loss and is presented under "Income from Acquisition of Assets at Fair Value" 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 profit or loss. Costs related to acquisition, other than those associated with the issue 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 profit or loss.

▪ *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 so 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.

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 Asset 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.

Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of 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 estimates. The amortization expense on intangible asset with finite life is recognized in profit or loss.

Transactions under Common Control

Transactions under common control entered into in contemplation of each other, and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly controlled entities are accounted for using book value accounting.

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 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 acquired subsidiary.

Property, Plant and Equipment

Property, plant and equipment, except 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 that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

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 any related asset retirement obligation (ARO). 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.

Construction in progress (CIP) represents structures under construction and is stated at cost. 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. CIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commences 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
Machinery and equipment	3 - 50
Buildings and improvements	5 - 50
Transportation equipment	3 - 7
Leasehold improvements	5 - 50
	or term of the lease, whichever is shorter
Office equipment, furniture and fixtures	2 - 20
Tools and small equipment	2 - 10

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 and no further depreciation and amortization are recognized in profit or loss.

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 or 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 included in profit or loss in the period of retirement or disposal.

Investment Property

Investment property consists of properties 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 commences 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	5 - 50

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting period.

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 or losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a 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 a 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 intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured 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 profit or loss 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 asset 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 treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss 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
Computer software	2 - 10
Land use rights	25 - 50 or term of the lease, whichever is shorter

The Group assessed the useful lives of trademarks, some licenses 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 asset is expected to generate cash inflows for the Group.

Trademarks, licenses 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 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 profit or loss when the asset is derecognized.

Impairment of Non-financial Assets

The carrying amounts of property, plant and equipment, investment property, deferred containers and intangible assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks, licenses 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. 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 assessment 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 profit or loss 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 profit or loss. 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.

Fair Value Measurements

The Group measures a number of 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 is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of 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 economic best 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 the reporting period.

For purposes of their fair value disclosure, 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, as explained above.

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 can be made of the amount of the obligation. 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. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. 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.

Share Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the 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 Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery, and the amount of revenue can be measured reliably.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Rent. Revenue from investment property is recognized on a straight-line basis over the term of the lease. Rent income is included as part of other income.

Others. Revenue is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Expenses are also recognized in the consolidated statements of income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the consolidated statements of income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Share-based Payment Transactions

Under SMC's Employee Stock Purchase Plan (ESPP), employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services as consideration for equity instruments of SMC. Such transactions are handled centrally by SMC.

Share-based transactions in which SMC grants option rights to its equity instruments direct to the Group's employees are accounted for as equity-settled transactions. SMC charges the Group for the costs related to such transactions with its employees. The amount is charged to operations by the Group.

The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price. The cumulative expense recognized for share-based transactions at each reporting date until the date when the relevant employees become fully entitled to the award (the “vesting date”) reflects 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 agreement, 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.

Leases

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 extension 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) above, and at the date of renewal or extension period for scenario (b).

Operating Lease

Group as Lessee. Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss 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 substantially transfer all the risks and benefits 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.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. 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.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Retirement Costs

The Company and some of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The Group's defined benefit retirement obligation is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit retirement obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of reductions in future contributions to the plan.

Remeasurements of the net defined benefit retirement obligation or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (excluding interest), if any, are recognized immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined benefit retirement obligation or asset for the period by applying the discount rate used to measure the defined benefit retirement obligation at the beginning of the annual period to the then-net defined benefit retirement obligation or asset, taking into account any changes in the net defined benefit retirement obligation or asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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 profit or loss. 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 translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, 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, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates at the reporting dates.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (“Translation reserve”) in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, then 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 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 settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely 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.

Taxes

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.

Deferred Tax. Deferred tax is recognized 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 subsidiaries, 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 and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and losses 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 subsidiaries, 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.

In determining the amount of current and deferred tax, 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 law 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.

Current tax and deferred tax are recognized in profit or loss 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.

Value Added Tax (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.

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 Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Company 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 by dividing the net income for the period attributable to equity holders of the Company by the weighted average number of issued and outstanding common shares during the period, adjusted for the effects of all dilutive common shares.

Operating Segments

The Group’s operating segments are organized and managed separately according to geographical location, 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 5 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 its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm’s length prices.

Segment revenues, expenses and performance include sales and purchases between business segments and between geographical 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 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. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's 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 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 Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Assessment of Control. Although the Company owned less than half of BPI and less than half of their voting power, the Company has determined that the Company controls BPI. The Company 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.

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements as either a lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent expense charged to profit or loss amounted to P583, P559 and P559 in 2013, 2012 and 2011, respectively (Notes 19, 20 and 27). Rental income recognized as part of other income amounted to P65, P74 and P66 in 2013, 2012 and 2011, respectively (Notes 24 and 27).

Contingencies. The Company is currently involved in pending claims for tax refund and tax cases which could be decided in favor of or against the Company. The Company's estimate of the probable costs for the resolution of these pending claims and tax cases 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 Company currently does not believe that these pending claims and tax cases will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 34).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Measurement of Fair Values. 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 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 might 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 as the lowest level input that is significant to the entire measurement.

The methods and assumptions used to estimate fair values for both financial and non-financial assets and liabilities are discussed in Notes 12 and 32.

Allowance for Impairment Losses on Trade and Other Receivables. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current assets.

The allowance for impairment losses amounted to P1,282 and P1,268 as of December 31, 2013 and 2012, respectively. The carrying amount of trade and other receivables amounted to P6,352 and P4,997 as of December 31, 2013 and 2012, respectively (Notes 7, 31 and 32).

Allowance for Inventory Losses. The Group provides a **provision** for inventory losses 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 reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The allowance for inventory losses amounted to P500 and P232 as of December 31, 2013 and 2012, respectively. The carrying amount of inventories amounted to P3,254 and P3,134 as of December 31, 2013 and 2012, respectively (Note 8).

Estimated Useful Lives of Property, Plant and Equipment, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, 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, 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, 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, investment property and deferred containers would increase recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization and impairment losses, amounted to P20,544 and P20,539 as of December 31, 2013 and 2012, respectively (Note 11). Investment property, net of accumulated depreciation and impairment losses amounted to P733 and P703 as of December 31, 2013 and 2012, respectively (Note 12). Accumulated depreciation, amortization and impairment losses of property, plant and equipment and investment property amounted to P39,302 and P36,516 as of December 31, 2013 and 2012, respectively (Notes 11 and 12).

Deferred containers, net of accumulated amortization included under “Other noncurrent assets” account in the consolidated statements of financial position amounted to P8,750 and P7,009 as of December 31, 2013 and 2012, respectively. Accumulated amortization of deferred containers amounted to P8,427 and P7,084 as of December 31, 2013 and 2012, respectively (Note 14).

Fair Value of Investment Property. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be exchanged between a willing buyer and seller in an arm’s length transaction, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Estimated fair values of investment property amounted to P1,944 and P1,867 as of December 31, 2013 and 2012, respectively (Note 12).

Estimated Useful Lives of Intangible Assets with Finite Lives. 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 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 P813 and P778 as of December 31, 2013 and 2012, respectively (Note 13).

Impairment of Trademarks, Licenses and Brand Names with Indefinite Lives. The Group determines whether trademarks, licenses and brand names are impaired at least annually. The basis used to determine the recoverable amount is the value in use of the trademarks, licenses 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 trademarks, licenses and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of trademarks, licenses and brand names with indefinite useful lives amounted to P35,196 and P35,071 as of December 31, 2013 and 2012, respectively (Note 13).

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 difference is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P1,909 and P1,260 as of December 31, 2013 and 2012, respectively (Note 17).

Impairment of Non-financial Assets. PFRS require that an impairment review be performed on property, plant and equipment, investment property, deferred containers and intangible assets with finite useful lives when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amount 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 financial performance.

Accumulated impairment losses of property, plant and equipment, investment property and intangible assets with finite useful lives amounted to P9,600 and P8,675 as of December 31, 2013 and 2012, respectively. The aggregate amount of property, plant and equipment, investment property, deferred containers and intangible assets with finite useful lives amounted to P30,840 and P29,029 as of December 31, 2013 and 2012, respectively (Notes 11, 12, 13 and 14).

Present Value of Defined Benefit 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 28 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 Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

The Group's cumulative actuarial losses recognized as part of defined benefit retirement obligation amounted to P963 and P541 as of December 31, 2013 and 2012, respectively (Note 28).

Asset Retirement Obligation. Determining ARO requires estimation of the cost of dismantling and restoring the leased properties to their original condition. The Group determined that there is no significant ARO as of December 31, 2013 and 2012.

5. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined by the Group's risks and rates of return which are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately according to geographical location, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized in two major operating segments - domestic and international operations.

The domestic operations produce and market fermented and malt-based beverages within the Philippines. It also distributes its products to some export markets.

The international operations also produce and market fermented and malt-based beverages in several foreign markets.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages and accrued liabilities. 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 transfers 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 revenue of the Group.

Financial information about the operating segments follow:

	For the Year Ended December 31, 2013			
	Domestic	International	Eliminations	Total
Sales				
External sales	P60,720	P14,333	P -	P75,053
Inter-segment sales	41	-	(41)	-
Total Sales	P60,761	P14,333	(P41)	P75,053
Results				
Segment results	P20,446	P1,108	P -	P21,554
Interest expense and other financing charges				(3,872)
Interest income				463
Other charges - net				(294)
Income tax expense				(5,330)
Net Income				P12,521
Attributable to:				
Equity holders of the Company				P12,051
Non-controlling interests				470
Net Income				P12,521
	As of and for the year ended December 31, 2013			
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P53,632	P17,956	(P14,073)	P57,515
Trademarks and brand names				33,412
Other assets				73
Deferred tax assets				1,910
Consolidated Total Assets				P92,910
Segment liabilities	P8,735	P2,558	(P53)	P11,240
Long-term debt including current maturities - net of debt issue costs				45,013
Income and other taxes payable				2,869
Dividends payable and others				736
Deferred tax liabilities				17
Consolidated Total Liabilities				P59,875
Capital expenditures	P932	P90	P -	P1,022
Depreciation	963	472	-	1,435
Noncash items other than depreciation	1,690	(32)	-	1,658

For the Year Ended December 31, 2012				
As restated (Note 3)				
	Domestic	International	Eliminations	Total
Sales				
External sales	P61,572	P14,008	P -	P75,580
Inter-segment sales	46	-	(46)	-
Total Sales	P61,618	P14,008	(P46)	P75,580
Results				
Segment results	P21,472	P795	P66	P22,333
Interest expense and other financing charges				(4,072)
Interest income				724
Reversals on impairment of noncurrent assets - net				1,367
Other income - net				586
Income tax expense				(5,840)
Net Income				P15,098
Attributable to:				
Equity holders of the Company				P14,360
Non-controlling interests				738
Net Income				P15,098

As of and for the year ended December 31, 2012				
As restated (Note 3)				
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P57,957	P18,089	(P14,067)	P61,979
Trademarks and brand names				33,305
Other assets				82
Deferred tax assets				1,260
Consolidated Total Assets				P96,626
Segment liabilities	P7,851	P2,337	(P52)	P10,136
Long-term debt including current maturities - net of debt issue costs				52,222
Income and other taxes payable				2,761
Dividends payable and others				883
Deferred tax liabilities				19
Consolidated Total Liabilities				P66,021
Capital expenditures	P659	P131	P -	P790
Depreciation	1,044	422	-	1,466
Noncash items other than depreciation	1,181	(146)	-	1,035
Reversal of impairment losses on noncurrent assets - net	-	(1,367)	-	(1,367)

For the Year Ended December 31, 2011 As restated (Note 3)				
	Domestic	International	Eliminations	Total
Sales				
External sales	P58,677	P13,233	P -	P71,910
Inter-segment sales	50	-	(50)	-
Total Sales	P58,727	P13,233	(P50)	P71,910
Results				
Segment results	P19,990	P452	P -	P20,442
Interest expense and other financing charges				(4,132)
Interest income				658
Impairment losses on noncurrent assets				(30)
Other income - net				402
Income tax expense				(5,183)
Net Income				P12,157
Attributable to:				
Equity holders of the Company				P11,940
Non-controlling interests				217
Net Income				P12,157

As of and for the year ended December 31, 2011 As restated (Note 3)				
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P53,130	P18,497	(P14,190)	P57,437
Trademarks and brand names				33,394
Other assets				152
Deferred tax assets				1,106
Consolidated Total Assets				P92,089
Segment liabilities	P4,264	P2,519	(P170)	P6,613
Loans payable				1,857
Long-term debt including current maturities - net of debt issue costs				51,539
Income and other taxes payable				2,606
Dividends payable and others				899
Deferred tax liabilities				2,647
Consolidated Total Liabilities				P66,161
Capital expenditures	P1,667	P111	P -	P1,778
Depreciation	774	462	-	1,236
Noncash items other than depreciation	1,243	140	-	1,383
Impairment losses on noncurrent assets - net	-	30	-	30

6. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	2013	2012
Cash on hand and in banks		P2,991	P2,645
Short-term investments		11,207	19,314
	31, 32	P14,198	P21,959

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

7. Trade and Other Receivables

This account consists of:

	<i>Note</i>	2013	2012
Trade			
Receivables		P6,746	P5,424
Amounts owed by related parties	26	17	18
Nontrade			
Amounts owed by related parties	26	101	135
Others		770	688
		7,634	6,265
Less allowance for impairment losses	4	1,282	1,268
	31, 32	P6,352	P4,997

“Others” include receivables from employees, advance payments to suppliers, insurance and freight claims, interest and various receivables.

Trade receivables are non-interest bearing and are generally on a 7 to 30-day credit term.

The movements in the allowance for impairment losses are as follows:

	<i>Note</i>	2013	2012
Balance at beginning of year		P1,268	P1,158
Charges for the year	20	61	177
Write-off and reversal		(43)	(53)
Currency translation adjustments		(4)	(14)
Balance at end of year		P1,282	P1,268

Allowance for impairment losses related to amounts owed by related parties as of December 31, 2013 and 2012 amounted to P13 (Note 26).

As of December 31, 2013 and 2012, the aging of trade and other receivables is as follows:

2013	Trade	Owed by Related Parties	Others	Total
Current	P5,838	P86	P545	P6,469
Past due				
Less than 30 days	425	1	16	442
30 - 60 days	165	15	25	205
61 - 90 days	11	3	98	112
Over 90 days	307	13	86	406
	P6,746	P118	P770	P7,634

2012	Trade	Owed by Related Parties	Others	Total
Current	P4,725	P92	P601	P5,418
Past due				
Less than 30 days	229	1	5	235
30 - 60 days	108	37	1	146
61 - 90 days	57	10	4	71
Over 90 days	305	13	77	395
	P5,424	P153	P688	P6,265

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgage are held by the Group for certain credit limits.

8. Inventories

This account consists of:

	2013	2012
At NRV:		
Finished goods and goods in process	P1,385	P1,304
Containers	984	948
Materials and supplies	885	882
	P3,254	P3,134

The cost of finished goods and goods in process as of December 31, 2013 and 2012 amounted to P1,399 and P1,308, respectively. The cost of containers as of December 31, 2013 and 2012 amounted to P1,453 and P1,141, respectively. The cost of materials and supplies as of December 31, 2013 and 2012 amounted to P902 and P917, respectively.

The write-down of inventories recognized as expense amounted to P403, P181 and P64 for the years ended December 31, 2013, 2012 and 2011, respectively.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	<i>Note</i>	2013	2012
Prepaid taxes and licenses		P660	P695
Prepaid insurance		90	62
Derivative assets	31, 32	1	4
Prepaid rentals		27	26
Others		160	146
		P938	P933

“Others” include prepaid supplies, prepaid promotional expenses and other miscellaneous prepaid expenses.

10. Investments and Acquisitions of Subsidiaries

Acquisitions of Subsidiaries

There are no significant developments on the Company’s investment in subsidiaries.

a. SMBIL

The Company completed its purchase of the international beer and malt-based beverages business of SMC on January 29, 2010, with the Company acquiring the shares of San Miguel Holdings Limited (SMHL), a wholly-owned subsidiary of SMC, in SMBIL, comprising 100% of the issued and outstanding capital stock of SMBIL (SMBIL Shares). The SMBIL Shares were acquired by the Company for a purchase price of US\$302 (P13,941), after adjustments in accordance with the terms of the Share Purchase Agreement entered by the Company, SMC and SMHL in December 2009 for the SMBIL Shares (SPA). As a result, SMBIL became a wholly-owned subsidiary of the Company.

The acquisition of SMBIL is in line with the Company’s goal to improve the growth and returns of its business as a whole and broaden its geographic participation by integrating both the domestic and international beer business.

Contingent Consideration

As stated in the earn-out scheme in the SPA, SMB shall pay an amount subject to the achievement of the target cumulative EBITDA and target cumulative Sales Volume for 2010, 2011 and 2012 by SMBIL and certain subsidiaries of SMBIL. The fair value of contingent consideration was determined to be zero as of December 31, 2012 and 2011, based on the statistical analysis of the historical trends of Sales Volumes and EBITDA.

b. BPI

On November 10, 2010, the Company and SMC executed a Deed of Absolute Sale of Shares (Deed) for the purchase by the Company of all the shares of SMC in BPI (BPI Shares), at the aggregate purchase price of P6,829 (Purchase Price). Of the Purchase Price, P6,629 [which correspond to the appraised value of the 128 titles of certain parcels of land used in the domestic beer operations of the Company (Land) that were transferred in the name of BPI], has been paid by the Company to SMC upon execution of the Deed. The balance shall be paid by the Company to SMC upon transfer of the remaining eight (8) Land titles in the name of BPI. The BPI Shares comprise 40% of the issued and outstanding capital stock of BPI.

The purchase of the BPI Shares will allow the Company to increase its asset base while at the same time efficiently expand its facilities, increase plant capacities and improve distribution capabilities given that BPI owns the parcels of land where a substantial portion of the Company's major operating investments are located.

c. IBI

IBI owns the beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how used by the Company in its domestic beer and malt-based beverage business. IBI became a wholly-owned subsidiary of the Company with the Company's acquisition of SMC's shares in IBI in April 2009, comprising 100% of the outstanding capital stock of IBI, for a total purchase price of P32,000.

The acquisition of IBI would enable the Company to exercise full control over its brands pursuant to its strategic initiative to secure the Company's main competitive advantage.

Investments

AFS financial assets amounting to P62 and P63 as of December 31, 2013 and 2012, respectively, pertain to investments in shares of stock and club shares carried at fair value (Notes 31 and 32).

The following table summarizes the financial information relating to each of the Group's subsidiaries that has material non-controlling interests:

	December 31, 2013					December 31, 2012				
	BPI	SMBHK	PTD	SMBTL	SMHT	BPI	SMBHK	PTD	SMBTL	SMHT
Non-controlling percentage on profit or loss	7%	-	-	-	-	7%	-	-	-	-
Non-controlling ownership interest percentage	60%	34%	42%	51%	51%	60%	34%	42%	51%	51%
Non-controlling voting interest percentage	60%	34%	42%	9%	9%	60%	34%	42%	9%	9%
Carrying amount of non-controlling interest	P255	P1,065	P1,027	(P833)	P17	P263	P927	P1,069	(P723)	P17
Current assets	P396	P1,890	P2,529	P1,362	P6	P169	P1,572	P2,462	P1,265	P6
Noncurrent assets	1,110	3,622	641	2,440	168	1,109	3,458	760	2,660	167
Current liabilities	(79)	(1,116)	(567)	(1,521)	-	(57)	(1,352)	(542)	(1,420)	-
Noncurrent liabilities	(1)	(1,283)	(138)	(3,913)	(142)	-	(968)	(115)	(3,924)	(140)
Net assets	P1,426	P3,113	P2,465	(P1,632)	P32	P1,221	P2,710	P2,565	(P1,419)	P33
Net income (loss) attributable to non-controlling interests	P16	P48	P458	(P104)	P -	P11	P421	P393	(P98)	P -
Other comprehensive income (loss) attributable to non-controlling interests	P -	P11	(P237)	P56	(P1)	P -	(P23)	(P88)	(P23)	P1
Sales	P215	P3,775	P6,924	P1,691	P -	P216	P3,734	P6,577	P1,669	P -
Net income (loss)	229	141	1,099	(204)	-	163	1,229	943	(191)	-
Other comprehensive income (loss)	-	32	(568)	110	(2)	-	(67)	(210)	(45)	1
Total comprehensive income (loss)	P229	P173	P531	(P94)	(P2)	P163	P1,162	P733	(P236)	P1
Cash flows from operating activities	P259	P119	P577	P62	P -	P145	(P74)	P483	P27	P -
Cash flows from investing activities	1	(9)	(3)	(6)	-	(22)	(17)	(55)	-	-
Cash flows from financing activities	(27)	(48)	(356)	(30)	-	(53)	(167)	(348)	(538)	-
Effects of exchange rate changes on cash and cash equivalents	-	-	(116)	(1)	-	-	1	(29)	17	-
Net increase (decrease) in cash and cash equivalents	P233	P62	P102	P25	P -	P70	(P257)	P51	(P494)	P -

11. Property, Plant and Equipment

The movements in this account are as follows:

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Small Equipment	Construction in Progress	Total
Cost									
January 1, 2012	P8,070	P36,535	P11,463	P965	P272	P713	P114	P167	P58,299
Additions for the year	-	459	78	18	24	31	3	177	790
Disposals/reclassifications	-	(219)	(24)	(43)	(2)	(214)	(36)	-	(538)
Currency translation adjustments	(34)	(1,106)	(481)	(21)	(1)	(22)	(6)	(3)	(1,674)
December 31, 2012	8,036	35,669	11,036	919	293	508	75	341	56,877
Additions for the year	-	785	115	110	29	36	9	(62)	1,022
Disposals/reclassifications	(47)	(98)	(33)	(149)	-	(22)	(5)	(2)	(356)
Currency translation adjustments	6	1,433	636	-	2	11	6	-	2,094
December 31, 2013	7,995	37,789	11,754	880	324	533	85	277	59,637
Accumulated Depreciation and Amortization									
January 1, 2012	-	22,037	3,879	553	77	590	79	-	27,215
Additions for the year	-	1,086	359	83	22	34	5	-	1,589
Disposals/reclassifications	-	(196)	(22)	(40)	(2)	(214)	(34)	-	(508)
Currency translation adjustments	-	(454)	(131)	(18)	(1)	(16)	(4)	-	(624)
December 31, 2012	-	22,473	4,085	578	96	394	46	-	27,672
Additions for the year	-	1,061	226	78	31	34	5	-	1,435
Disposals/reclassifications	-	(87)	(28)	(144)	-	(23)	(4)	-	(286)
Currency translation adjustments	-	499	170	(1)	2	8	4	-	682
December 31, 2013	-	23,946	4,453	511	129	413	51	-	29,503

Forward.

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Small Equipment	Construction in Progress	Total
Accumulated Impairment									
Losses:									
January 1, 2012	P -	P6,993	P3,802	P13	P -	P41	P21	P -	P10,870
Additions for the year	-	2	8	-	1	-	-	-	11
Reversal of impairment	-	-	(1,511)	-	-	-	-	-	(1,511)
Disposals/reclassifications	-	31	(39)	-	-	(1)	(7)	-	(16)
Currency translation adjustments	-	(448)	(235)	(1)	-	(3)	(1)	-	(688)
December 31, 2012	-	6,578	2,025	12	1	37	13	-	8,666
Additions for the year	-	-	-	-	-	-	-	-	-
Reversal of impairment	-	-	-	-	-	-	-	-	-
Disposals/reclassifications	-	-	-	-	-	-	-	-	-
Currency translation adjustments	-	684	235	1	-	3	1	-	924
December 31, 2013	-	7,262	2,260	13	1	40	14	-	9,590
Net Book Value									
December 31, 2012	P8,036	P6,618	P4,926	P329	P196	P77	P16	P341	P20,539
December 31, 2013	P7,995	P6,581	P5,041	P356	P194	P80	P20	P277	P20,544

Depreciation and amortization charged to operations amounted to P1,435, P1,466 and P1,236 in 2013, 2012 and 2011, respectively (Notes 19, 20 and 21). No interest was capitalized in 2013 and 2012. Reversal of impairment, net of the related depreciation, recognized in profit or loss amounted to P123 in 2012.

12. Investment Property

The movements in investment property, including the effects of currency translation adjustments are as follows:

	Land and Land Improvements	Buildings and Improvements	Total
Cost			
January 1, 2012	P541	P357	P898
Additions for the year	24	1	25
Currency translation adjustments	(20)	(22)	(42)
December 31, 2012	545	336	881
Additions for the year	7	1	8
Currency translation adjustments	26	27	53
December 31, 2013	578	364	942
Accumulated Depreciation and Amortization			
January 1, 2012	53	113	166
Additions for the year	8	15	23
Currency translation adjustments	(4)	(7)	(11)
December 31, 2012	57	121	178
Additions for the year	8	7	15
Currency translation adjustments	6	10	16
December 31, 2013	71	138	209
Accumulated Impairment Losses			
January 1, 2012	33	35	68
Disposals/reclassifications	(31)	(33)	(64)
Currency translation adjustments	(2)	(2)	(4)
December 31, 2012 and 2013	-	-	-
Net Book Value			
December 31, 2012	P488	P215	P703
December 31, 2013	P507	P226	P733

On June 10, 2011, SMBTL sold its Bangpho property in Bang Sue District, Bangkok Metropolis for THB815 (P1,050). The property's original cost is THB506 (P706) (Note 24).

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 annually.

The fair value of investment property amounting to P1,944 and P1,867 as of December 31, 2013 and 2012, respectively, has been categorized as Level 3 fair value measurement based on the inputs to the valuation techniques used (Note 4).

Valuation Technique and Significant Unobservable Inputs

Domestic. 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 unobservable 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.

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%.

International. The valuation is determined using the Investment Approach which considers the capitalization of net rental income receivable from existing tenancies and the reversionary value of the property after tenancies expire by reference to market sales transactions. The significant unobservable input in the fair value measurement is the discount rate, which ranged from 2.7% to 3.0%.

13. Intangible Assets

The movements in this account are as follows:

	Trademarks and Brand Names	Licenses	Land Use Rights	Computer Software and Other Intangibles	Total
Gross Carrying Amount					
December 31, 2011	P33,620	P1,875	P1,082	P171	P36,748
Additions for the year	-	14	-	2	16
Disposals/reclassifications	-	-	-	(53)	(53)
Currency translation adjustments	(103)	(57)	(66)	(10)	(236)
December 31, 2012	33,517	1,832	1,016	110	36,475
Additions for the year	-	3	-	1	4
Disposals/reclassifications	-	-	-	(1)	(1)
Currency translation adjustments	124	18	104	3	249
December 31, 2013	33,641	1,853	1,120	113	36,727
Accumulated Amortization					
December 31, 2011	37	14	277	156	484
Additions for the year	-	12	23	4	39
Disposals/reclassifications	-	-	-	(53)	(53)
Currency translation adjustments	(2)	-	(18)	(10)	(30)
December 31, 2012	35	26	282	97	440
Additions for the year	-	15	22	4	41
Disposals/reclassifications	-	-	-	(1)	(1)
Currency translation adjustments	3	-	31	3	37
December 31, 2013	38	41	335	103	517
Accumulated Impairment Losses					
December 31, 2011	189	-	8	4	201
Currency translation adjustments	(12)	-	(3)	-	(15)
December 31, 2012	177	-	5	4	186
Currency translation adjustments	14	-	1	-	15
December 31, 2013	191	-	6	4	201
Net Book Value					
December 31, 2012	P33,305	P1,806	P729	P9	P35,849
December 31, 2013	P33,412	P1,812	P779	P6	P36,009

Trademarks and brand names with indefinite useful lives amounted to P33,412 and P33,305 as of December 31, 2013 and 2012, respectively.

Licenses with indefinite useful lives amounted to P1,784 and P1,766 as of December 31, 2013 and 2012, respectively. Licenses with finite useful lives amounted to P28 and P40 as of December 31, 2013 and 2012, respectively.

Trademarks and Brand Names

a. Domestic Operations

The recoverable amount of the trademarks and brand names amounting to P43,525 and P50,490 as at December 31, 2013 and 2012, respectively, 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. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The 2% growth rate used is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 8.00% on December 31, 2013 and 2012.

b. International Operations

The recoverable amount of the trademarks and brand names, amounting to P1,472 and P1,490 as at December 31, 2013 and 2012, respectively, 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. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The 2% to 3% growth rate used is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections range from 6.6% to 21.4% and from 7.4% to 16% on December 31, 2013 and 2012, respectively.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of trademarks and brand names is based would not cause its carrying amount to exceed its recoverable amount.

The calculations of value in use (terminal value) are most sensitive to the following assumption:

Discount Rate. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Management assessed that there is no impairment loss in the value of trademarks and brand names in 2013 and 2012.

14. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	2013	2012 As restated (Note 3)
Deferred containers - net			
Bottles		P6,830	P5,587
Shells		1,920	1,422
	4	8,750	7,009
Others	26, 27, 28, 31, 32	161	180
		P8,911	P7,189

“Others” include unamortized cost of pallets, kegs and CO2 cylinders, defined benefit retirement asset, noncurrent portion of long-term receivable, and other noncurrent assets.

The movements in the deferred containers are as follows:

	<i>Note</i>	2013	2012
Gross carrying amount:			
Balance at beginning of year		P14,093	P11,621
Additions		3,407	3,019
Disposals/reclassification		(318)	(409)
Currency translation adjustments		(5)	(138)
Balance at end of year		17,177	14,093
Accumulated amortization:			
Balance at beginning of year		7,084	5,526
Amortization for the year	21	1,376	1,832
Disposals/reclassification		(53)	(186)
Currency translation adjustments		20	(88)
Balance at end of year		8,427	7,084
	4	P8,750	P7,009

15. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2013	2012
Trade			
Payables		P3,770	P3,292
Amounts owed to related parties	26	2,131	1,968
Nontrade			
Amounts owed to related parties	26	216	317
Derivative liabilities	31, 32	22	1
Accruals			
Interests		724	876
Payroll		522	604
Materials		20	34
Utilities		21	9
Others		435	539
		P7,861	P7,640

“Others” include accruals for repairs and maintenance, advertising and promotion expenses, freight, trucking and handling, contracted labor, supplies, dividends payable and other payables.

16. Long-term Debt

This account consists of:

	2013	2012
a. Unsecured peso-denominated term notes:		
Series A bonds, fixed interest rate of 8.25%	P -	P -
Series B bonds, fixed interest rate of 8.875%	22,386	22,326
Series C bonds, fixed interest rate of 10.50%	2,790	2,787
Series D bonds, fixed interest rate of 6.05%	2,979	2,973
Series E bonds, fixed interest rate of 5.93%	9,920	9,907
Series F bonds, fixed interest rate of 6.60%	6,938	6,933
	45,013	44,926
b. Unsecured term loan foreign currency-denominated, floating interest rate based on LIBOR + margin	-	6,069
c. Unsecured term loan foreign currency-denominated, floating interest rate based on LIBOR + margin	-	1,227
	45,013	52,222
Less current maturities	22,386	459
	P22,627	P51,763

- a. The amount represents unsecured long-term debt incurred by the Company:
- (a) to finance its acquisition of SMC’s interests in IBI and BPI (Note 10); and
 - (b) to support the redemption of the Series A bonds which matured on April 3, 2012 and the partial prepayment of the Company’s US\$300 unsecured loan facility agreement (US\$300 Term Facility).

The Company's unsecured long-term notes comprise of the peso-denominated fixed rate bonds: (a) worth P38,800 (P38,800 Bonds) which was issued on April 3, 2009 (P38,800 Bonds Issue Date); and (b) worth P20,000 (P20,000 Bonds) which was issued on April 2, 2012 (P20,000 Bonds Issue Date).

The P38,800 Bonds consist of the Series A bonds (with a term of three years from the P38,800 Bonds Issue Date), the Series B bonds (with a term of five years and one day from the P38,800 Bonds Issue Date), and the Series C bonds (with a term of ten years from the P38,800 Bonds Issue Date). The P38,800 Bonds were sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 17, 2009 and are listed on the PDEX for trading. The Series A bonds with an aggregate principal amount of P13,590 matured on April 3, 2012 and was accordingly redeemed by the Company on the said date. Part of the proceeds of the Company's P20,000 Bonds was used to pay such maturity. Unamortized debt issue costs related to these long-term debts amounted to P34 and P97 as of December 31, 2013 and 2012, respectively.

The P20,000 Bonds consist of the Series D bonds (with a term of five years and one day from the P20,000 Bonds Issue Date), the Series E bonds (with a term of seven years from the P20,000 Bonds Issue Date), and the Series F bonds (with a term of ten years from the P20,000 Bonds Issue Date). The P20,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 16, 2012. The Series E bonds and Series F bonds were listed on the PDEX for trading on April 2, 2012, while the Series D bonds were listed on the PDEX for trading on October 3, 2012. Unamortized debt issue costs related to these long-term debts amounted to P163 and P187 as of December 31, 2013 and 2012, respectively.

Interest on the P38,800 Bonds are paid semi-annually, every April 3 and October 3 of each year, save for the first interest payment of the Series B bonds which was made on October 4, 2009. Interest on the P20,000 Bonds are paid semi-annually every April 2 and October 2 of each year (each being an Interest Payment Date), save for the first interest payment of the Series D bonds which was made on October 3, 2012. The Company may (but shall not be obligated to) redeem all (and not a part only) of the outstanding P20,000 Bonds on the day after the 10th Interest Payment Date for the Series E bonds or the 14th Interest Payment Date for the Series F Bonds.

- b. On January 28, 2010, the Company entered into the US\$300 Term Facility. Proceeds of the loan were used to finance the Company's acquisition of the international beer and malt-based beverages business from SMC, through the Company's purchase of the SMBIL Shares, comprising 100% of the outstanding capital stock of SMBIL. Interest rate for the foreign currency-denominated loan of the Company ranges from 2.31% to 2.40% and from 2.33% to 2.41% in 2012 and 2011, respectively.

On April 13, 2012, the Company made a partial prepayment of its US\$300 term facility in the amount of US\$100. A subsequent partial prepayment was made on April 27, 2012 in the amount of US\$50. Part of the proceeds of the Company's P20,000 Bonds was used for the said prepayments. Unamortized debt issue costs related to this loan amounted to P89 as of December 31, 2012. The Company fully paid the remaining outstanding amount of the US\$300 Term Facility of US\$150 on November 27, 2013.

The agreements for the P38,800 Bonds, P20,000 Bonds and US\$300 Term Facility contain, among others, covenants relating to maintenance of certain financial ratios; redemption or reduction of capital stock; and restrictions on payments of dividends, indebtedness, loans and guarantees, encumbrances and liens on properties and disposal of all or substantially all of the Company's assets. The P38,800 Bonds and P20,000 Bonds also require the maintenance of the controlling interest of SMC in the Company.

In 2011, the Company obtained the approval of all its lenders for its US\$300 Term Facility to maintain a minimum interest coverage ratio of 4.75:1 in lieu of a minimum current ratio of 1:1. In February 2012, the Company also obtained the consent of bondholders of its P38,800 Bonds representing 76.92% of the aggregate principal amount of the P38,800 Bonds to effect the same change in the terms and conditions of the P38,800 Bonds.

As of December 31, 2013 and 2012, the Company is in compliance with the covenants of the said agreements for the P38,800 Bonds and P20,000 Bonds.

c. SMBHK Loan

On March 27, 2012, SMBHK availed of a US\$30 unsecured loan from Bank of Commerce for its working capital requirement. Unamortized debt issue costs related to this loan amounted to P4 as of December 31, 2012.

The bank loan is repayable in eight quarterly installments from June 2013 and bears interest at one year LIBOR plus 1.85% which ranged from 2.83% to 2.92% during 2012.

On September 19, 2013, SMBHK prepaid in full its US\$30 unsecured loan from Bank of Commerce.

The movements in debt issue costs are as follows:

	<i>Note</i>	2013	2012
Balance at beginning of year		P377	P413
Addition		-	210
Amortization	23	(180)	(246)
Balance at end of year		P197	P377

Repayment Schedule

As of December 31, 2013, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2014	P22,400	P14	P22,386
2017	3,000	21	2,979
2019	12,810	100	12,710
2022	7,000	62	6,938
	P45,210	P197	P45,013

Interest expense recognized in the consolidated statements of income amounted to P3,692, P3,757 and P3,908 for the years ended December 31, 2013, 2012 and 2011.

17. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2013	2012 As restated (Note 3)
Items recognized in profit or loss:		
Allowance for impairment losses on receivables	P358	P348
Net defined benefit retirement obligation	171	147
Allowance for inventory losses	144	65
Unrealized gains on derivatives	(18)	-
Unrealized foreign exchange gains - net	(2)	(228)
Others	62	15
Items recognized directly in other comprehensive income:		
Equity reserve for retirement plan	1,177	894
	P1,892	P1,241

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	2013	2012 As restated (Note 3)
Deferred tax assets	4	P1,909	P1,260
Deferred tax liabilities		(17)	(19)
		P1,892	P1,241

The components of income tax expense are shown below:

	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
Current	P5,710	P5,881	P5,510
Deferred	(380)	(41)	(327)
	P5,330	P5,840	P5,183

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rates are as follows:

	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
Statutory income tax rate	30.00%	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Income subjected to final tax	(0.78)	(1.04)	(1.14)
Others	0.64	(1.12)	1.00
Effective income tax rate	29.86%	27.84%	29.86%

18. Capital Stock

Pursuant to the registration statement rendered effective by the SEC on April 28, 2008 and permit to sell issued by the SEC dated April 28, 2008 - 15,488,309,960 common shares of the Company were registered and may be offered for sale at an offer price of P8.00 per common share.

The Company's common shares were listed on the PSE on May 12, 2008. Following the SEC's denial of all requests made (including the request of the Company) for the extension of the grace period requirement for listed companies to comply with the PSE's minimum public ownership requirement and the PSE's imposition of a trading suspension on the common shares of the Company effective January 1, 2013 as a result of such denial, the BOD of the Company approved on February 15, 2013, the voluntary delisting of the Company's common shares from the PSE. A petition for the same was thereafter filed by SMB with the PSE on February 20, 2013.

To comply with the PSE requirements on voluntary delisting, the Company undertook a tender offer to buy back all of the common shares held by the public (other than those held by its major stockholders and directors) at an offer price of P20.00 per common share. The tender offer commenced on March 4, 2013 and ended on April 3, 2013. A total of 51,425,799 common shares were tendered and accepted by the Company, equivalent to 0.3337% of its total issued and outstanding shares, and were accordingly recorded as treasury shares.

Thereafter, the PSE approved the petition for the voluntary delisting of the Company in its April 24, 2013 board meeting and has authorized the delisting of the Company's common shares from its official registry effective May 15, 2013.

As of December 31, 2013, the Company has a total of 15,359,053,161 issued and outstanding common shares (excluding the 51,425,799 common shares tendered and accepted by the Company during the tender offer and recorded as treasury shares) and 1,332 shareholders of record. As of December 31, 2013, the certificate authorizing registration (CAR) for 28,005,900 common shares out of the 51,425,799 common shares tendered and accepted during the tender offer (equivalent to 54% of the total tendered and accepted) were secured and presented to the Company. The CARs for the remaining common shares tendered and accepted during the tender offer have yet to be issued by the Bureau of Internal Revenue (BIR).

The movements in the number of outstanding shares of common stock are as follows:

	2013
Balance at beginning of year	15,410,478,960
Less redemption of common shares	51,425,799
Balance at end of year	15,359,053,161

19. Cost of Sales

This account consists of:

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
Taxes and licenses		P24,537	P21,974	P21,527
Inventories		9,766	10,507	10,253
Communications, light, fuel and water		2,136	2,426	2,270
Personnel	22	1,272	1,256	1,230
Depreciation and amortization	21	1,035	1,138	931
Repairs and maintenance		345	424	467
Rent	4, 27	20	19	24
Others		294	286	125
		P39,405	P38,030	P36,827

Taxes and licenses include excise, real property and business taxes.

20. Selling and Administrative Expenses

This account consists of:

			2012 As restated (Note 3)	2011 As restated (Note 3)
		2013		
Selling		P6,820	P7,549	P7,518
Administrative		7,274	7,668	7,123
		P14,094	P15,217	P14,641

Selling expenses consist of:

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
Freight, trucking and handling		P2,076	P2,288	P2,289
Advertising and promotion		1,786	2,235	2,218
Personnel	22	1,605	1,571	1,524
Rent	4, 27	421	426	424
Taxes and licenses		172	161	150
Travel and transportation		169	170	171
Communications, light, fuel and water		126	125	123
Depreciation and amortization	21	100	99	91
Repairs and maintenance		87	91	98
Provision for impairment losses on receivables	7	61	177	206
Others		217	206	224
		P6,820	P7,549	P7,518

Administrative expenses consist of:

			2012 As restated (Note 3)	2011 As restated (Note 3)
	<i>Note</i>	2013		
Personnel	22	P2,554	P2,548	P2,527
Depreciation and amortization	21	1,765	2,146	1,609
Advertising and promotion		692	877	665
Contracted services		373	335	301
Provision for inventory losses		368	181	59
Management fees	30	265	277	299
Repairs and maintenance		194	213	227
Professional fees		156	118	328
Rent	4, 27	142	114	111
Travel and transportation		137	143	147
Taxes and licenses		124	98	118
Communications, light, fuel and water		116	107	123
Breakages and losses		73	204	195
Research and development		53	70	66
Royalty		26	19	2
Shipping expenses		22	27	36
Others		214	191	310
		P7,274	P7,668	P7,123

21. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	2013	2012	2011
Cost of sales:				
Property, plant and equipment	11, 19	P1,035	P1,138	P931
Selling and administrative expenses:				
Deferred containers	14	1,376	1,832	1,301
Property, plant and equipment	11	400	328	305
Others	12, 13, 14	89	85	94
		1,865	2,245	1,700
		P2,900	P3,383	P2,631

“Others” include amortization of investment property, computer software and other intangible assets, pallets, kegs and CO2 cylinders.

22. Personnel Expenses

This account consists of:

	<i>Note</i>	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
Salaries and wages		P3,399	P3,180	P3,082
Other employee benefits		1,450	1,668	1,677
Retirement costs	28	582	527	522
		P5,431	P5,375	P5,281

Personnel expenses are distributed as follows:

	<i>Note</i>	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
Cost of sales	19	P1,272	P1,256	P1,230
Selling expenses	20	1,605	1,571	1,524
Administrative expenses	20	2,554	2,548	2,527
		P5,431	P5,375	P5,281

23. Interest Expense and Other Financing Charges

This account consists of:

	<i>Note</i>	2013	2012	2011
Interest expense	16	P3,692	P3,757	P3,908
Amortization of debt issue costs	16	180	246	175
Other financing costs		-	69	49
		P3,872	P4,072	P4,132

24. Other Income (Charges)

This account consists of:

	<i>Note</i>	2013	2012	2011
Foreign exchange gain (loss) gain - net	31	(P449)	P577	(P9)
Rental income	4, 27	65	74	66
Gain (loss) on sale of:				
Property and equipment		76	(4)	44
Investment property	12	1	-	344
Intangible assets		-	-	4
Loss on derivatives - net	32	(47)	(9)	(4)
Bank charges		(6)	(11)	(23)
Others		66	(41)	(20)
		(P294)	P586	P402

25. Reversals (Losses) on Impairment of Noncurrent Assets

The Group has determined that no further impairment losses nor reversals of previously recognized impairment losses are required as of December 31, 2013. The recoverable amount, which is the value in use, exceeds the carrying amount.

Reversals (losses) on impairment of noncurrent assets are reported in the consolidated statements of income as follows:

	2012		2011	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Provision for impairment losses:				
Property, plant and equipment	(\$0.3)	(P11)	(\$0.1)	(P5)
Intangible assets	-	-	(0.1)	(3)
Others	(1.6)	(70)	(0.5)	(22)
	(1.9)	(81)	(0.7)	(30)
Reversal of impairment losses - net	35.1	1,448	-	-
	\$33.2	P1,367	(\$0.7)	(P30)

The Group assessed the recoverable amounts of the cash-generating unit to which these assets belong (China cash-generating unit) and as a result, the carrying amount of the assets in the China cash-generating unit was written down by US\$0.5 (P20) in 2012.

a. Mainland China Operations

In 2012, the Group noted that fierce market competition resulted in the decline in the demand for its products in mainland China compared to previous sales forecasts. Consequently, operating losses were incurred. These factors are indications that non-current assets of the operations in mainland China, comprising mainly of the production plant located in Shunde, Guangdong Province and other tangible assets may be impaired.

The estimates of recoverable amount were based on the assets' fair values less costs to sell, determined by reference to the observable market prices for similar assets. In estimating this amount, the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, that has among its staff, members of the Hong Kong Institute of Surveyors.

The details of these losses are as follows:

	2012		2011	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Provision for impairment losses:				
Property, plant and equipment	(\$0.3)	(P11)	(\$0.1)	(P5)
Intangible assets	-	-	(0.1)	(2)
Others	(0.2)	(9)	(0.5)	(23)
	(\$0.5)	(P20)	(\$0.7)	(P30)

b. Hong Kong Manufacturing Operations (SMBHK)

In 2012, there was a change in the estimates used to determine the HK cash-generating unit's recoverable amount as the Group was able to determine fair value less cost to sell based on a reliable estimate of the amount obtainable from the sale of most of the assets belonging to the HK cash-generating unit under an arm's length transaction between knowledgeable and willing parties, due to recent comparable transaction data becoming available. The fair value less costs to sell of the HK cash-generating unit was greater than the value-in-use as at December 31, 2012. Hence, the Group determined the recoverable amount based on the fair value less costs to sell and reversed a part of previously recognized impairment losses in respect of the HK cash-generating unit to the extent that the revised carrying amount of individual assets does not exceed the smaller of: (i) the fair value less costs to sell as at December 31, 2012; and (ii) what would have been determined had no impairment loss been recognized in prior years.

The estimates of the cash-generating unit's fair value less costs to sell were determined by reference to the observable market prices for similar assets. In estimating this amount, the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, that has among its staff, members of the Hong Kong Institute of Surveyors.

Also in 2012, the Group noted an increase in the investment property's recoverable amount, mainly arising from an increase in the fair value less costs to sell, which exceeded the relevant carrying amount. Hence, the Group reversed previously recognized impairment losses on the investment property to the extent that the revised carrying amount does not exceed the smaller of: (i) the fair value less costs to sell as at December 31, 2012; and (ii) what would have been determined had no impairment loss been recognized in prior years.

The estimates of the investment property's fair value less costs to sell were determined by reference to the observable market prices for similar assets. In estimating this amount, the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, that has among its staff, members of the Hong Kong Institute of Surveyors.

A reversal of an impairment loss was made to the carrying amount that would have been determined had no impairment loss been recognized in prior years with respect to interests in leasehold land held for own use under operating leases, as there has been a favorable change in the estimates used to determine the recoverable amount.

In 2011, the Group's results in Hong Kong were fairly consistent with the forecasts made in 2010. The Group assessed the recoverable amounts of the HK cash-generating unit as of December 31, 2011 and determined that neither further impairment loss nor a reversal of previous impairment loss was necessary.

The details of these reversals are as follows:

	2012	
	US Dollar	Peso Equivalent
Reversal of impairment losses - net	\$35.1	P1,448

Key assumptions used for value in use calculation are as follows:

	2011
Sales volume growth rate	1.10 - 12.40%
Gross contribution rate	38 - 41%
Pre-tax discount rate	9.75%

Management determined the growth rate and gross contribution rate based on past experiences, future expected market trends and an intermediate holding company's import plan of beer brewed by the Group.

As the HK cash-generating unit 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.

c. PTD

In 2012, the Company performed an impairment testing of investment in shares of stock due to the current business condition in PT San Miguel Indonesia Foods and Beverages (PTSMIFB). The test resulted in an impairment loss of US\$1.4 (P61) as of December 31, 2012.

26. Related Party Transactions

The Group, in the normal course of business, purchases products and services from and sells products to related parties. Transactions with related parties are made on an arm's length basis and at normal market prices and terms. 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.

	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement plan (Note 29)	2013	P -	P -	P -	P15	On demand;	Unsecured
	2012	-	-	-	18	Non-interest	No impairment
	2011	-	-	-	22	bearing	
Parent	2013	9	999	13	565	On demand;	Unsecured
	2012	10	643	26	477	Non-interest	No impairment
	2011	17	1,379	30	393	bearing	
Shareholder	2013	-	-	4	-	On demand;	Unsecured
	2012	-	-	4	-	Non-interest	No impairment
	2011	19	18	4	-	bearing	
Associate of Parent	2013	8	4	3	1	On demand;	Unsecured
	2012	-	-	-	1,232	Non-interest	No impairment
	2011	-	-	-	-	bearing	
Under common control	2013	292	6,967	135	1,766	On demand;	Unsecured;
	2012	199	6,515	168	1,790	Non-interest	with
	2011	344	5,464	130	1,415	bearing	impairment
	2013	P309	P7,970	P155	P2,347		
	2012	P209	P7,158	P198	P3,517		
	2011	P380	P6,861	P164	P1,830		

All current outstanding balances with these related parties are expected to be settled in cash within twelve months as of the reporting date. None of the balances is secured.

- Amounts owed to related parties consist of trade payables, loans payable to SMC's associate, professional fees, insurance and management fees arising from purchases of materials, bottles, shells, cartons, reimbursement of expenses and services rendered from/by related parties.
- Amounts owed by related parties consist of trade and nontrade receivables, share in expenses and tolling services. Amounts owed by related parties included under "Other noncurrent assets" account amounted to P19 and P26 as of December 31, 2013 and 2012, respectively (Note 14). Amounts owed by related parties included under "Prepaid expenses and other current assets" account amounted to P18 and P19 as of December 31, 2013 and 2012, respectively (Note 9).
- The compensation of key management personnel of the Group, by benefit type, follows:

	2013	2012	2011
Short-term employee benefits	P137	P133	P128
Retirement costs	17	19	19
Share-based payments	3	5	5
	P157	P157	P152

27. Leasing Agreements

Operating Leases

Group as Lessor

The Group leases some of its investment property, offices and machinery and equipment under operating lease arrangements to third parties. The leases typically run for a period of one to five years. Some lease agreements provide an option to renew the lease at the end of the lease term and are subject to review to reflect current market rentals.

Lease receivables for the lease of the offices and machinery and equipment are as follows:

	2013	2012
Cancellable		
Less than one year	P8	P12
Between one and five years	11	4
	19	16
Noncancellable		
Less than one year	39	22
Between one and five years	16	2
	55	24
	P74	P40

Rental income recognized as part of "Other income" amounted to P65, P74 and P66 in 2013, 2012 and 2011, respectively (Notes 4 and 24).

Group as Lessee

The Group leases the land and buildings where some of its offices and warehouses are situated, and transportation equipment under operating lease arrangements. The leases typically run for a period of one to ten years. Some lease agreements provide an option to renew the lease at the end of the lease term and are subject to review to reflect current market rentals.

Lease payments for the lease of the land, buildings and transportation equipment are as follows:

	2013	2012	2011
Cancellable			
Less than one year	P109	P118	P126
Between one and five years	90	80	87
More than five years	38	7	2
	237	205	215
Noncancellable			
Less than one year	12	9	7
Between one and five years	26	24	1
	38	33	8
	P275	P238	P223

Rent expense charged to profit or loss amounted to P583, P559 and P559 in 2013, 2012 and 2011, respectively (Notes 4, 19 and 20).

28. Retirement Plans

The Company and some of its international subsidiaries have separate funded, noncontributory, defined benefit retirement plans covering a certain number of their permanent employees (collectively, the “Retirement Plans”). The Company’s retirement plan is a final salary plan. 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. The Group’s latest actuarial valuation date is December 31, 2013. Valuations are obtained on a periodic basis.

The Company’s Retirement Plan, San Miguel Brewery Inc. Retirement Plan (SMBRP) is registered with the BIR as tax-qualified plan under Republic Act No. 4917, as amended. The control and administration of the Group’s retirement plans are vested in the Board of Trustees (BOT) of each retirement plan. The BOT of the Group’s retirement plans exercises voting rights over the shares and approve material transactions. SMBRP’s accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

Retirement benefits recognized in profit or loss by the Company amounted to P518, P467 and P461 in 2013, 2012 and 2011, respectively, while those charged by the subsidiaries amounted to P64, P60 and P61 in 2013, 2012 and 2011, respectively. The Group’s annual contributions to the Retirement Plans consist of payments covering the current service cost.

The following table shows a reconciliation of the net defined benefit retirement obligation and its components:

	Present Value of Defined Benefit Retirement Obligation			Fair Value of Plan Assets			Net Defined Benefit Retirement Obligation		
	2012	2011		2012	2011		2012	2011	
	As restated	As restated		As restated	As restated		As restated	As restated	
	2013	(Note 3)	(Note 3)	2013	(Note 3)	(Note 3)	2013	(Note 3)	(Note 3)
Balance at beginning of year	P9,106	P7,954	P7,425	P5,737	P5,139	P5,214	P3,369	P2,815	P2,211
Recognized in profit or loss									
Current service cost	394	377	362	-	-	-	394	377	362
Interest expense	454	424	494	-	-	-	454	424	494
Interest income	-	-	-	269	278	336	(269)	(278)	(336)
Administrative expense paid out of plan assets	-	-	-	(3)	(3)	(2)	3	3	2
	848	801	856	266	275	334	582	526	522
Recognized in other comprehensive income									
Remeasurements:									
Actuarial (gains) losses arising from:									
Experience adjustments	216	329	270	-	-	-	216	329	270
Changes in financial assumptions	420	334	104	-	-	-	420	334	104
Changes in demographic assumptions	(5)	(18)	(224)	-	-	-	(5)	(18)	(224)
Return on plan asset excluding interest	-	-	-	(332)	104	(153)	332	(104)	153
	631	645	150	(332)	104	(153)	963	541	303
Others									
Benefits paid	(507)	(240)	(475)	(501)	(232)	(468)	(6)	(8)	(7)
Contributions	-	-	-	751	463	196	(751)	(463)	(196)
Transfers from other plans	14	16	-	14	16	-	-	-	-
Translation adjustment	(7)	(70)	(2)	40	(28)	16	(47)	(42)	(18)
	(500)	(294)	(477)	304	219	(256)	(804)	(513)	(221)
Balance at end of year	P10,085	P9,106	P7,954	P5,975	P5,737	P5,139	P4,110	P3,369	P2,815

In 2013, 2012 and 2011, the defined benefit retirement obligation included as part of “Other noncurrent liabilities” account amounted to P4,115, P3,372 and P2,819, respectively.

In 2013, 2012 and 2011, the defined benefit retirement asset included as part of “Other noncurrent assets” account amounted to P5, P3, P4, respectively.

The retirement benefits amounting to P582, P527 and P522 in 2013, 2012 and 2011, respectively, are recognized as part of “Personnel expenses” in the consolidated statements of income.

The carrying amounts of the Group’s retirement fund approximate fair values as of December 31, 2013 and 2012.

The Group’s retirement plans’ assets consist of the following:

	In Percentages	
	2013	2012
Marketable securities and shares of stock	72	67
Fixed income portfolio	20	15
Stock trading portfolio	5	9
Others	3	9

As of December 31, 2013 and 2012, the Group’s Retirement Plans’ assets include marketable securities, investment in bonds, time deposit and shares of stock. Such marketable securities and shares of stocks have quoted prices in active markets.

Investments in Marketable Securities

As of December 31, 2013 and 2012, SMBRP’s plan assets include 28,549,900 and 27,135,400 common shares of the Company with fair market value per share of P20 and P29.30, respectively.

As of December 31, 2013 and 2012, SMBRP’s plan assets include 2,035,000 preferred shares of Petron Corporation with fair market value per share of P109 and P108, respectively.

As of December 31, 2013 and 2012, SMBRP’s plan assets include 695,432 and 3,357,032 common shares of Ginebra San Miguel, Inc. with fair market value per share of P23 and P17.80, respectively.

As of December 31, 2013 and 2012, SMBRP’s plan assets include 556,740 common shares of SMC with a fair market value per share of P62.50 and P105.40, respectively.

SMBRP recognized a loss on the investment in marketable securities of SMC and its subsidiaries amounting to P272 and P81 in 2013 and 2012, respectively.

Dividend income of SMBRP from the investment in shares of stock of SMC and its subsidiaries amounted to P46 and P32 in 2013 and 2012, respectively.

Investment in Shares of Stock

As of December 31, 2013 and 2012, SMBRP has an investment in BPI representing 2,389,494 preferred shares, accounted for under the cost method.

Interest in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the retirement funds of SMC and its domestic subsidiaries (including SMBRP) to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

Others

Others include SMBRP's investments in BPI, interest receivable, receivables from BLI and from other retirement plans of the SMC Group.

Investment income and expenses are allocated to SMBRP based on its pro-rata share in net assets of the pooled funds. SMBRP's interests in the net assets of the pooled funds were approximately 10% of the fixed income portfolio and approximately 40% of the stock trading portfolio investments of the pooled funds. As of December 31, 2013, SMBRP's interests of approximately 5% and 6% of the fixed income and stock trading portfolio, respectively, of the total pooled funds, represent investments in the shares of stock of SMC and its subsidiaries.

The Retirement Plans expose the Group to certain risks such as interest rate risk and market (investment) risk.

The BOT 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 retirement benefit 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 BOT approved the percentage of assets to be allocated for fixed income instruments and equities. SMBRP has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT 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.

The Group is expected to contribute P927 to its defined benefit retirement plan in 2014.

The overall expected rate of return is determined based on the historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2013	2012
Discount rate	2.1 - 8.6	0.6 - 5.3
Salary increase rate	5.0 - 10.0	4.0 - 9.0

Assumptions for mortality and disability rate are based on published statistics and mortality and disability tables.

As of December 31, 2013 and 2012, the weighted average duration of defined benefit retirement obligation is 7.50 - 11.25 years and 6.60 - 10.99 years, respectively.

As of December 31, 2013, the reasonably possible changes to one of the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below.

	Defined Benefit Retirement Obligation	
	1 Percent Increase	1 Percent Decrease
Discount rate	P679	(P589)
Salary increase rate	608	(541)

BLI has amounts owed to SMBRP amounting to P15 and P18 as of December 31, 2013 and 2012, respectively, included as part of “Accounts payable and accrued expenses” account in the consolidated statements of financial position (Notes 15 and 26). Outstanding balances as of December 31, 2013 and 2012 are unsecured and settlements are made in cash.

29. Earnings Per Share

Basic EPS is computed as follows:

	2013	2012 As restated (Note 3)	2011 As restated (Note 3)
Net income attributable to equity holders of the Company (a)	P12,051	P14,360	P11,940
Weighted average number of shares outstanding (in millions) (b)	15,372	15,410	15,410
Basic/diluted EPS (a/b)	P0.78	P0.93	P0.77

As of December 31, 2013, 2012 and 2011, the Group has no dilutive debt or equity instruments.

30. Employee Stock Purchase Plan

SMC offers shares of stocks to employees of SMC and its subsidiaries under the ESPP. Under the ESPP, all permanent Philippine-based employees of SMC and its subsidiaries 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, subject to certain conditions, 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 exercise date.

The ESPP also allows subsequent withdrawal and cancellation of participants’ subscriptions under certain terms and conditions.

Expenses for share-based payments charged to operations under “Management fees” account amounted to P17, P48 and P56 in 2013, 2012 and 2011, respectively (Note 20).

31. Financial Risk 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
- Liquidity Risk
- Credit Risk

This note presents information about the Group’s exposure to each of the foregoing risks, the Group’s objectives, policies and processes for measuring and managing these risks, and the Group’s management of capital.

The Group’s principal non-trade related financial instruments include cash and cash equivalents, AFS financial assets, noncurrent receivables, long-term loans and derivative instruments. Cash and cash equivalents are used mainly for working capital management purposes. The Group’s trade-related financial assets and financial liabilities such as trade and other receivables and accounts payable and accrued expenses arise directly from and are used to facilitate its daily operations.

The BOD has the overall responsibility for the establishment and oversight of the Group’s risk management framework. The Group’s risk management policies 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 the Group’s 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 Group’s Audit 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 Group’s financial statements and financial reporting process and the Group’s systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the Group’s financial statements, the engagement of the independent auditors and the evaluation of the independent auditors’ qualifications, independence and performance; d) compliance by the Group with legal and regulatory requirements, including the Group’s disclosure control and procedures; e) evaluation of management’s process to assess and manage the Group’s enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group’s annual report.

The Group’s Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group’s Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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 Group's long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, 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. 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.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

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 P74 in 2012. The Group has no floating rate borrowings in 2013. 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.

As of December 31, 2013 and 2012, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2013	1 - 3 Years	> 3 - 5 Years	> 5 Years	Total
Fixed rate				
Philippine peso-denominated	P22,400	P3,000	P19,810	P45,210
Interest rate	8.875%	6.05%	5.93% - 10.5%	
	P22,400	P3,000	P19,810	P45,210
December 31, 2012	1 - 3 Years	> 3 - 5 Years	> 5 Years	Total
Fixed rate				
Philippine peso-denominated	P22,400	P3,000	P19,810	P45,210
Interest rate	8.875%	6.05%	5.93% - 10.5%	
Floating rate				
Foreign currency-denominated (expressed in Philippine peso)	7,389	-	-	7,389
Interest rate	LIBOR + margin	-	-	
	P29,789	P3,000	P19,810	P52,599

Foreign Currency Risk

The Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's 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 Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

The Group uses natural hedges and/or purchases foreign currencies at spot rates, where necessary, to address short-term imbalances from importations, revenue and expense transactions, and other foreign currency-denominated obligations.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	2013		2012	
	US Dollar*	Peso Equivalent	US Dollar*	Peso Equivalent
Assets				
Cash and cash equivalents	\$89.5	P3,971	\$108.8	P4,468
Trade and other receivables	52.3	2,322	54.0	2,218
Noncurrent receivables	0.2	10	0.3	11
	142.0	6,303	163.1	6,697
Liabilities				
Accounts payable and accrued expenses	51.6	2,289	50.2	2,063
Long-term debt (including current maturities)	-	-	180.0	7,389
	51.6	2,289	230.2	9,452
Net foreign currency-denominated monetary assets (liabilities)	\$90.4	P4,014	(\$67.1)	(P2,755)

* US dollar equivalent of foreign currency-denominated balances as of reporting date.

The Group reported net foreign exchange gains (losses) amounting to (P449), P577 and (P9) in 2013, 2012 and 2011, respectively, with the translation of these foreign currency-denominated assets and liabilities (Note 24). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2011	43.84
December 31, 2012	41.05
December 31, 2013	44.40

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 financial performance and financial position of foreign operations) as of December 31, 2013 and 2012:

2013	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P8)	(P87)	P8	P87
Trade and other receivables	(1)	(52)	1	52
	(9)	(139)	9	139
Accounts payable and accrued expenses	1	51	(1)	(51)
	(P8)	(P88)	P8	P88
2012	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P14)	(P105)	P14	P105
Trade and other receivables	(2)	(53)	2	53
	(16)	(158)	16	158
Accounts payable and accrued expenses	2	50	(2)	(50)
Long-term debt (including current maturities)	150	135	(150)	(135)
	152	185	(152)	(185)
	P136	P27	(P136)	(P27)

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 currency risk.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 or 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 table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2013 and 2012.

2013

	Carrying Amount	Contracted Cash Flow				
		Total	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P14,198	P14,198	P14,198	P -	P -	P -
Trade and other receivables - net	6,352	6,352	6,352	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	1	1	1	-	-	-
AFS financial assets (included under "Investments" account in the consolidated statements of financial position)	62	62	-	-	-	62
Noncurrent receivables (included under "Other noncurrent assets" account in the consolidated statements of financial position)	38	38	-	1	29	8
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	7,827	7,827	7,827	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	22	22	22	-	-	-
Long-term debt (including current maturities)	45,013	54,788	24,440	1,532	7,278	21,538

2012

	Carrying Amount	Contractual Cash Flow				
		Total	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P21,959	P21,959	P21,959	P -	P -	P -
Trade and other receivables - net	4,997	4,997	4,997	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	4	4	4	-	-	-
AFS financial assets (included under "Investments" account in the consolidated statements of financial position)	63	63	-	-	-	63
Noncurrent receivables (included under "Other noncurrent assets" account in the consolidated statements of financial position)	47	47	-	-	21	26
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	7,631	7,631	7,631	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	1	1	1	-	-	-
Long-term debt (including current maturities)	52,222	66,044	4,158	25,215	13,783	22,888

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables 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. Where appropriate, the Group obtains collateral or arranges master netting agreements.

Trade and Other Receivables

The Group's 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 dealers, wholesalers and retailers as these factors may have an influence on the credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's 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 Group's 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 Group's benchmark creditworthiness may transact with the Group only on a prepayment or cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and future sales are made on cash basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Financial information on the Group's maximum exposure to credit risk as of December 31, 2013 and 2012, without considering the effects of collaterals and other risk mitigation techniques, is presented below:

	<i>Note</i>	2013	2012
Cash and cash equivalents	6	P14,198	P21,959
Trade and other receivables - net	7	6,352	4,997
Derivative assets	9	1	4
Noncurrent receivables	14	38	47
		P20,589	P27,007

The credit risk for cash and cash equivalents and derivative assets is considered negligible, since the counterparties are 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 receivables 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 trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

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 debt, return capital to shareholders or issue new shares.

The Group defines capital as capital stock, additional paid-in capital, treasury shares and retained earnings. Other components of equity such as cumulative translation adjustments are excluded from capital for purposes of capital management.

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 Group's external environment and the risks underlying the Group's business, operation and industry.

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.

There were no changes in the Group's approach to capital management during the year.

32. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of December 31, 2013 and 2012:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P14,198	P14,198	P21,959	P21,959
Trade and other receivables - net	6,352	6,352	4,997	4,997
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	1	1	4	4
AFS financial assets (included under "Investments" account in the consolidated statements of financial position)	62	62	63	63
Noncurrent receivables (included under "Other noncurrent assets" account in the consolidated statements of financial position)	38	38	47	47
	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Accounts payable and accrued expenses (excluding cash dividends payable)	P7,827	P7,827	P7,631	P7,631
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	22	22	1	1
Long-term debt (including current maturities)	45,013	49,311	52,222	57,899

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 and Noncurrent Receivables. 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, 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. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

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 Including Current Maturities. 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 instrument as of reporting date. As of December 31, 2013 and 2012, discount rates used ranged from 0.49% to 3.75% and from 0.49% to 4.35%, respectively. The carrying amount of floating rate loans with quarterly interest rate repricing approximates 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 embedded derivative financial instruments that are not designated as hedges are discussed below.

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include 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 profit or loss. Details are as follows:

- *Embedded Currency Forwards*
The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

As of December 31, 2013 and 2012, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$21 and US\$20, 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. As of December 31, 2013 and 2012, the net positive/(negative) fair value of these embedded currency forwards amounted to (P21) and P3, respectively.

For the years ended December 31, 2013, 2012 and 2011, the Group recognized marked-to-market losses from embedded derivatives amounting to P47, P9 and P4, respectively (Note 24).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Balance at beginning of year	P3	P30
Net changes in fair value of non-accounting hedges	(47)	(9)
	(44)	21
Less fair value of settled instruments	(23)	18
Balance at end of year	(P21)	P3

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2013 and 2012.

2013	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P1	P1
AFS financial assets	10	30	40
Financial Liabilities			
Derivative liabilities	-	22	22

2012	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P4	P4
AFS financial assets	9	31	40
Financial Liabilities			
Derivative liabilities	-	1	1

As of December 31, 2013 and 2012, the Group has no financial instruments valued based on Level 3. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

33. Cash Dividends

Cash dividends declared and paid for the years ended December 31, 2013 and 2012 amounted to P0.56 per share.

On February 7, 2014, the Company's BOD declared cash dividends of P0.14 per share payable on March 17, 2014 to all stockholders of record as of March 7, 2014.

34. Other Matters

a. Commitments

The outstanding purchase commitments of the Group as of December 31, 2013 and 2012 amounted to P5,998 and P6,632, respectively.

Amount authorized but not yet disbursed for capital projects as of December 31, 2013 and 2012 is approximately P330 and P441, respectively.

b. Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso in 2013 and 2012 were closing rates of P44.40 and P41.05, respectively, and average rates of P42.43, P42.24 and P43.31 in 2013, 2012, and 2011, respectively, for income and expense accounts.

c. *Claims for Tax Refund*

Sometime in 2004, SMC was twice assessed, for alleged deficiency excise taxes for the period November 1999 to January 29, 2004, by the BIR for deficiency excise tax on “San Mig Light”, one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) by filing two cases. To these cases was consolidated SMC’s Claim for Refund of taxes paid in excess of what it believes to be the excise tax rate applied to it for the period February 2, 2004 to November 30, 2005. The CTA, through its First Division and the CTA En Banc, ruled in favor of SMC. On April 1, 2013, the Commissioner of Internal Revenue (CIR) elevated the consolidated cases to the Supreme Court where they are still pending.

SMC again filed two separate Claims for Refund against the BIR before the CTA for excess tax payments on the same grounds for the periods December 1, 2005 to July 31, 2007 and August 1, 2007 to September 30, 2007. The CTA, through its Third Division and the CTA En Banc, ruled in favor of SMC in one of these cases. The CTA elevated this case to the Supreme Court where it is still pending. The other case was consolidated with one of the Company’s Claims for Refund for excess tax payments (Case No. 7973). The Company filed the Claims for Refund because when SMC spun off its domestic beer business into the Company effective October 1, 2007, the Company continued to pay the excise taxes on “San Mig Light” at the higher rate required by the BIR. These cases with Case Nos. 8209 and 8400 are now submitted for the CTA’s decision.

As of December 31, 2013, the Company has filed five claims for refund for excess excise tax payments before the CTA under Case Nos. 7973, 8209, 8400, 8591 and 8748. Case No. 8591, filed in 2012, is pending before the CTA. For Case No. 8748, filed on December 19, 2013, the BIR has asked for additional time to file its Answer.

d. *Pending Tax Cases*

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 royalties earned from the licensing of its intellectual properties to the Company as passive income, and therefore subject to the 20% final tax. However, the BIR is of the position that said royalties are business income subject to the 30% regular corporate tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued last January 7, 2013, the BIR denied IBI’s protest and reiterated the demand to pay the deficiency income tax including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the Court of Tax Appeals contesting the 2009 Assessment. The case is still pending before the said court.

For the taxable year 2010, on November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice (“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.

e. *Event After the Reporting Date*

The BOD approved in its meeting on February 7, 2014, the issuance by the Company of Philippine peso-denominated bonds of up to P15 billion, subject to an option on the part of the Company to increase the amount by up to P5 billion in case of an oversubscription. The bond issuance will have a minimum tenor of seven years and a maximum of 15 years. The proceeds thereof will be used to refinance Series B of the P38,800 Bonds, maturing on April 4, 2014. The BOD has also delegated to Management the authority to determine, negotiate and finalize the terms and conditions of the issuance, including the interest rates, tenor and listing thereof.



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REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
San Miguel Brewery Inc.
No. 40 San Miguel Avenue
Mandaluyong City

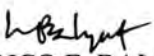
We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Brewery Inc. (the "Company") and Subsidiaries as at December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011, included in this Form 17-A, and have issued our report thereon dated February 7, 2014.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

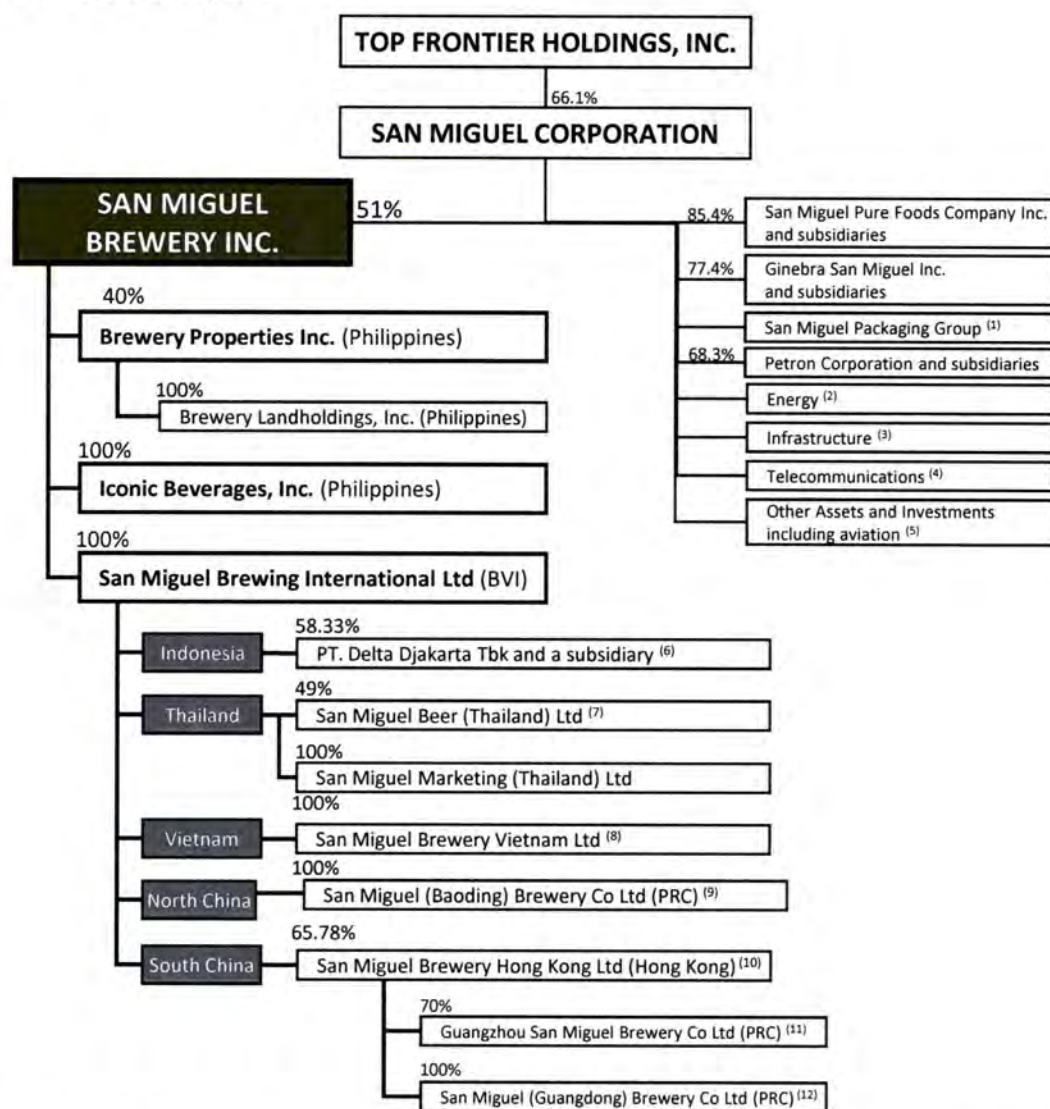

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-A, Group A, valid until January 4, 2015
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2011
Issued November 3, 2011; valid until November 2, 2014
PTR No. 4225115MC
Issued January 2, 2014 at Makati City

February 7, 2014
Makati City, Metro Manila

San Miguel Brewery Inc. ("SMB") and Subsidiaries

Map of the Conglomerate to which SMB belongs

As of December 31, 2013



- (1) Group comprised of San Miguel Yamamura Packaging Corporation (65%), San Miguel Yamamura Packaging International Limited (65%), San Miguel Yamamura Asia Corporation (60%) and Mindanao Corrugated Fibreboard, Inc. (100%)
- (2) Energy business comprised of SMC Global Power Holdings Corp. (100%) and its subsidiaries which are San Miguel Energy Corporation (100%), South Premiere Power Corp. (Ilijan) (100%), Strategic Power Devt. Corp. (San Roque) (100%), SMC Powergen Inc. (Co-generation plant) (100%), San Miguel Consolidated Power Corporation (Davao greenfield) (100%), SMC Consolidated Power Corp. (Limay greenfield) (100%), Albay Power & Energy Corp. (Albay power distribution) (100%) and San Miguel Electric Corp. (power retail) (100%).
- (3) Infrastructure business comprised of San Miguel Holdings Corp. (100%) together with its subsidiaries and associates Trans Aire Development Holdings Corp. (Boracay Airport)(98.84%), Rapid Thoroughfares Inc. (100%), Private Infra Development Corporation (45%)(TPLEX), Universal LRT Corporation (BVI) Limited (MRT7)(51%), Vertex Tollways Inc. (NAIAX)(100%), Cypress Tree Capital Investments Inc. (Star) (52.96%) and Atlantic Aurum Investments BV (Skyway & SLEX) (46.53%),
- (4) Telecommunications business comprised of Vega Telecom, Inc. (100%) and its subsidiaries and associates including Two Cassandra – CCI Conglomerates, Inc. (100%), Perchpoint Holdings Corp. (100%), Power Smart Capital Limited (100%), Liberty Telecommunications Holdings Inc. (41.48%), Bell Telecommunication Philippines, Inc. (100%), A.G.N. Philippines, Inc. (100%) and Eastern Telecommunications Philippines, Inc. (77.70%), and San Miguel Equity Securities Inc. (100%)
- (5) Other Assets and Investments comprised of San Miguel Properties, Inc. (99.99%) and its associate Bank of Commerce (39.93%), and San Miguel Equity Investments, Inc. (100%) and its associates Trustmark Holdings Corporation (49%) and Zuma Holdings and Management Corporation (49%). San Miguel Equity Investments, Inc. through its associates, indirectly owns 43.23% and 48.98% beneficial interests in Philippine Airlines, Inc. and Air Philippines Corporation, respectively.
- (6) Owned thru San Miguel Malaysia Pte Ltd
- (7) Owned thru San Miguel Holdings (Thailand) Ltd
- (8) Owned thru Dragon Island Investments Ltd and San Miguel (Vietnam) Ltd
- (9) Owned thru SMBIL and San Miguel (China) Investment Co Ltd ("SMCIC"). SMCIC's non-operating subsidiary is San Miguel Baoding Utility Co., Ltd
- (10) Owned thru Neptunia Corporation Ltd ("Neptunia"). Neptunia has a subsidiary, San Miguel Company Ltd. ("SMCL") which operates in Taiwan. San Miguel Brewery Hong Kong Ltd has non-operating subsidiaries: Ravelin Ltd., Best Investments International, Inc. and Hong Kong Brewery Limited.
- (11) Owned thru San Miguel (Guangdong) Ltd
- (12) Owned thru San Miguel Shunde Holdings Ltd

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
San Miguel Brewery Inc.
No. 40 San Miguel Avenue, Mandaluyong City
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND
INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Financial Instruments (2009, 2010 and 2013)		✓	
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Inventories	✓		
	Amendments to PAS 1: Comparative Information Beyond Minimum Requirements			✓
	Amendments to PAS 1: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
PAS 2	Statement of Cash Flows	✓		
PAS 7	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 8	Events after the Balance Sheet Date	✓		
PAS 10	Construction Contracts			✓
PAS 11	Income Taxes	✓		
PAS 12	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Property, Plant and Equipment	✓		
PAS 16	Leases	✓		
	Amendments to PAS 16: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
PAS 17	Revenue	✓		
PAS 18	Employee Benefits	✓		
PAS 19	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Employee Benefits (Amended 2011)	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions		✓	
PAS 19 (Amended)	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 20	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 21	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 28	Financial Reporting in Hyperinflationary Economies			✓
PAS 29	Investment in Associates and Joint Ventures (2011)	✓		
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
	Earnings per Share	✓		
	Amendments to PAS 32: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Segment Assets and Liabilities	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning,			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Restoration and Environmental Rehabilitation Funds			
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	presenting consolidated financial statements			
PIC Q&A 2007-01- Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24, 20.37 and PAS 39.43 – Accounting for government loans with low interest rates			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans			✓
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of Investment properties – asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-03	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES

**INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2013**

A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
	- AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- INTANGIBLE ASSETS - OTHER ASSETS	
E	- LONG-TERM DEBT	
F	- INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE
G	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
H	- CAPITAL STOCK	

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2013
(Amounts in Millions, except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at Dec. 31, 2013	Income Received and Accrued
Cash and cash equivalents	-	P 14,198	P 14,198	463
Trade and other receivables - net	-	6,352	6,352	-
Derivative assets	-	1	1	-
Available-for-sale financial assets*	2,270,406	62	62	-
Noncurrent receivables	-	38	38	-
	<u>2,270,406</u>	<u>P 20,651</u>	<u>P 20,651</u>	<u>463</u>
* Available-for-sale financial assets				
San Miguel (Guangdong) Brewery	1	2	2	-
Royal Orchid International Golf Club				
Neptunia Corporation Ltd.				
HSBC Holdings	20,400	10	10	-
San Miguel Brewery Hong Kong				
Hong Kong Arts Centre Ltd.	1	-	-	-
The Pacific Club Kowloon	1	6	6	-
The American Club Hong Kong	1	8	8	-
Hong Kong Football Club	1	6	6	-
Discovery Bay Golf Club	1	8	8	-
PT Delta Jakarta Tbk				
PT San Miguel Indonesia Foods & Beverage	2,250,000	22	22	-
	<u>2,270,406</u>	<u>62</u>	<u>62</u>	<u>-</u>

See Notes 31 and 32 of the Consolidated Financial Statements

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NONCURRENT	ENDING BALANCE
SAN MIGUEL BREWING INTERNATIONAL LTD. (SMBIL) AND SUBSIDIARIES	P 52 P	59 P	(60) P	- P	51 P	- P	51
ICONIC BEVERAGES, INC. (IBI)	-	2	(2)	-	-	-	-
BREWERY PROPERTIES INC. (BPI) AND A SUBSIDIARY	28	15	(16)	-	27	-	27
	P 80 P	76 P	(78) P	- P	78 P	- P	78

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NONCURRENT	ENDING BALANCE
ICONIC BEVERAGES, INC. (IBI)	P 151 P	1,334 P	(1,331) P	- P	154 P	- P	154
BREWERY PROPERTIES INC. (BPI) AND A SUBSIDIARY	-	219	(219)	-	-	-	-
	P 151 P	1,553 P	(1,550) P	- P	154 P	- P	154

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS
DECEMBER 31, 2013
(Amounts in Millions)

Description	Beginning Balance	Additions	Disposals/ Reclassifications	Assets Acquired Through Business Combination	Cumulative Translation Adjustments	Ending Balance
Cost						
Trademarks and brand names	P 33,517	P -	-	P -	124 P	33,641
Licenses	1,832	3	-	-	18	1,853
Land use rights	1,016	-	-	-	104	1,120
Computer software and other intangibles	110	1	(1)	-	3	113
	<u>36,475</u>	<u>4</u>	<u>(1)</u>	<u>-</u>	<u>249</u>	<u>36,727</u>
Accumulated Amortization						
Trademarks and brand names	35	-	-	-	3	38
Licenses	26	15	-	-	-	41
Land use rights	282	22	-	-	31	335
Computer software and other intangibles	97	4	(1)	-	3	103
	<u>440</u>	<u>41</u>	<u>(1)</u>	<u>-</u>	<u>37</u>	<u>517</u>
Accumulated Impairment Losses						
Trademarks and brand names	177	-	-	-	14	191
Land use rights	5	-	-	-	1	6
Computer software and other intangibles	4	-	-	-	-	4
	<u>186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>201</u>
Net Book Value	<u>P 35,849</u>	<u>(37) P</u>	<u>-</u>	<u>P -</u>	<u>197 P</u>	<u>36,009</u>

See Notes 4 and 13 of the Consolidated Financial Statements

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2013
(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 of Debt	Noncurrent Transaction Cost	Amount Shown as Long-term	Current and Long-term	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
Unsecured term notes:													
Peso denominated:													
Fixed	Philippine Depository & Trust Corp.	P 22,400	P 22,400	P (14)	P 22,386	P	P	P -	P 22,386	8.875%	Bullet	Semi-annual	4/4/2014
Fixed	Philippine Depository & Trust Corp.	2,810	-	-	-	2,810	(20)	2,790	2,790	10.50%	Bullet	Semi-annual	4/3/2019
Fixed	Philippine Depository & Trust Corp.	3,000	-	-	-	3,000	(21)	2,979	2,979	6.05%	Bullet	Semi-annual	4/3/2017
Fixed	Philippine Depository & Trust Corp.	10,000	-	-	-	10,000	(80)	9,920	9,920	5.93%	Bullet	Semi-annual	4/2/2019
Fixed	Philippine Depository & Trust Corp.	7,000	-	-	-	7,000	(62)	6,938	6,938	6.60%	Bullet	Semi-annual	4/2/2022
		P 45,210	P 22,400	P (14)	P 22,386	P 22,810	P (183)	P 22,627	P 45,013				

See Notes 16, 31 and 32 of the Consolidated Financial Statements

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2013

Description	Number of Shares Authorized	Number of Shares Issued	Number of Shares Outstanding	Number of Shares Held by Directors and Officers
COMMON STOCK	25,000,000,000	15,410,478,960	15,359,053,161	60,000

See Note 18 of the Consolidated Financial Statements

ISSUER

San Miguel Brewery Inc.

40 San Miguel Avenue
Mandaluyong City
Philippines

ISSUE MANAGER

ING Bank N.V., Manila Branch

20/F Tower One, Ayala Triangle
Ayala Avenue, Makati City, Philippines

JOINT LEAD MANAGERS

BDO Capital & Investment Corporation

BDO Corporate Center
7899 Makati Avenue, Makati City

The Hongkong and Shanghai Banking Corporation Limited

3058 Fifth Avenue West,
Bonifacio Global City, Taguig City

ING Bank N.V., Manila Branch

20/F Tower One, Ayala Triangle
Ayala Avenue, Makati City

SB Capital Investment Corporation

18th Floor, Security Bank Centre
6776 Ayala Avenue, Makati City

Standard Chartered Bank

8/F and 9/F, Standard Chartered Bank Building
6788 Ayala Avenue, Makati City

LEGAL COUNSEL TO THE COMPANY

Picazo Buyco Tan Fider & Santos

18th Floor Liberty Center
104 H. V. Dela Costa Street Salcedo Village, Makati City, Philippines

LEGAL COUNSEL TO THE ISSUE MANAGER AND THE JOINT LEAD MANAGERS

SyCip Salazar Hernandez & Gatmaitan

SyCipLaw Center
105 Paseo de Roxas, Makati City, Philippines

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

R.G. Manabat & Co.

9th Floor, The KPMG Center, 6787 Ayala Avenue
Makati City, Philippines