



# SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Corporation

May 5, 2022

## PHILIPPINE DEALING & EXCHANGE CORP.

29/F, BDO Equitable Tower  
8751 Paseo de Roxas  
Makati City

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**  
Head - Issuer Compliance and Disclosure Department

Gentlemen:

Attached is the Company's Definitive Information Statement which was filed with the SEC today.

Very truly yours,

  
**ROSABEL T. BALAN**

Vice President, General Counsel,  
Corporate Secretary and Compliance Officer

# COVER SHEET

C S 2 0 0 7 1 1 8 2 8

S. E. C. Registration Number

S A N M I G U E L

B R E W E R Y

I N C .

(Company's Full Name)

N o . 4 0 S a n M i g u e l

A v e n u e , M a n d a l u y o n g

C i t y

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

**ATTY. ROSABEL T. BALAN**

Contact Person

**8632-3000**

Company Telephone Number

Month

Day

**Definitive Information Statement**

FORM TYPE

Month

Day  
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

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To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_  
LCU

Document I. D.

\_\_\_\_\_  
Cashier

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S T A M P S  
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Remarks = pls. Use black ink for scanning purposes



# SAN MIGUEL BREWERY INC.

A Subsidiary of San Miguel Corporation

## NOTICE OF 2022 REGULAR MEETING OF STOCKHOLDERS

May 31, 2022

The 2022 Regular Meeting of the Stockholders of San Miguel Brewery Inc. ("Company") will be held on **May 31, 2022, Tuesday, at 2:00 P.M.**, and will be conducted virtually and streamed live through the link that will be posted at the Company's website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph).

The Agenda of the Meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on May 25, 2021
4. Presentation of the Annual Report
5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
6. Appointment of External Auditors and Ratification of External Auditor Fees
7. Election of the Board of Directors
8. Other Matters
9. Adjournment

The full version of the Company's Definitive Information Statement (SEC Form 20-IS) with its annexes, including the Management Discussion and Analysis of Financial Position and Financial Performance for the full year of 2021 and first quarter of 2022 and 2021 Audited Consolidated Financial Statements and 2022 first quarter interim and unaudited consolidated financial statements, may be accessed through the Company's website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph). Only stockholders as of the record date of **April 18, 2022** are entitled to this notice, attend and/or vote at the meeting.

Pursuant to the approval of the Board of Directors of the Company and to keep its stockholders safe from infection as CoVID-19 remains as a health threat in the country, the Company will not hold a physical meeting and will instead conduct the meeting virtually through livestreaming. Stockholders can therefore only attend the meeting by remote communication, by voting through the sending of ballots, or by appointing the Chairman of the meeting as proxy. Stockholders intending to attend the meeting by remote communication should notify the Company by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) no later than **May 26, 2022**.

The procedures for attending the meeting through remote communication and voting, and the brief explanation of the agenda items are in Appendix 1 of this notice. The draft minutes of the Company's 2021 annual stockholders' meeting is also posted on the Company's website. Questions and comments may be sent by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph).

Stockholders not intending to attend the meeting by remote communication should submit their duly accomplished ballots or proxies on or before **May 20, 2022** to the Office of the Corporate Secretary, San Miguel Brewery Inc., 5/F, San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, or by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph). Validation of ballots and proxies will be on **May 26, 2022** at 10:00 a.m. at the Office of the Corporate Secretary. The sample form of the ballot/proxy is provided with the Definitive Information Statement and may also be downloaded at the Company's website.

The Company's annual report (SEC Form 17-A) and 2022 first quarter interim and unaudited consolidated financial statements with the Management Discussion and Analysis of the Company's 2022 first quarter results of operations and financial condition shall be posted on the Company's website, and shall likewise be disclosed through the Philippine Dealing & Exchange Corp.'s website, together with the Definitive Information Statement. Upon the written request of the stockholder and when circumstances permit, the Company shall provide such stockholder with a copy of the said reports free of charge.

  
**ROSABEL SOCORRO T. BALAN**  
Corporate Secretary

PROCEDURE FOR ATTENDING THE MEETING THROUGH REMOTE COMMUNICATION AND VOTING

- (1) Stockholders of record as of the record date of **April 18, 2022** may attend the meeting remotely through the link posted in the Company's website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph). Such stockholders who intend to attend the meeting through remote communication must notify the Company by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) on or before **May 26, 2022**. Stockholders whose shares are lodged with brokers are requested to directly contact their respective brokers for guidance on their participation in the meeting.
- (2) For validation purposes, the email should contain the following information: (i) name; (ii) address; (iii) telephone number; and (iv) a scanned copy of any valid government-issued identification card ("ID") with photo of the stockholder (for individuals) or the authorized representative/s of the stockholder and the corporate secretary's certification setting out the authority of such authorized representative/s to attend the meeting for or on behalf of the corporation (for corporations/partnerships). A confirmation email from the Company will be received by the stockholder if he/she has been validated as a stockholder of record as of **April 18, 2022** entitled to this notice and to vote at the meeting. Only those who have been validated as stockholders of record as of the above record date shall be provided with passcodes that will enable them to access and view the meeting through the online web address provided. Stockholders who provide their personal and sensitive personal information shall be deemed to agree to the collection and processing of their personal and sensitive personal information in accordance with the Company's privacy statement for its Annual Stockholders' Meeting posted on its website.
- (3) Only the stockholders participating by remote communication (provided they have notified the Company of their intention to participate as herein provided and have been validated to be stockholders of record of the Company as of the above record date) together with the stockholders voting through ballots and by proxy (after validation) shall be considered in computing attendance at the meeting and in determining quorum. Stockholders participating by remote communication and voting through ballots or by proxy, subject to the notification and validation above, shall be deemed present for purposes of quorum.
- (4) Votes of all stockholders who do not intend to attend the meeting by remote communication can only be cast through the ballots submitted by the shareholders by **May 20, 2022** to, and verified by, the Company, or through the Chairman of the meeting as proxy in proxies submitted to the Company by **May 20, 2022**. Ballots and proxies must be received by the Corporate Secretary on or before **May 20, 2022** by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) or by mail to the Office of the Corporate Secretary, San Miguel Brewery Inc., 5/F, San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City.
- (5) Ballots and proxies must be accompanied by a validly government-issued ID with a photo (for individuals) and corporate secretary's certification setting out the representative/s' authority to vote/cast ballot/appoint proxy for, or on behalf of, the corporation/partnership (for corporations/partnerships). Proxies need not be notarized. Ballots and proxies shall be validated on **May 26, 2022**, 10:00 a.m. at the Office of the Corporate Secretary. The Company shall allow electronic signatures for the required documents, as applicable, and notarization shall be dispensed with at this time. However, the Company reserves the right to request additional information and the original signed and notarized copies of these documents at a later time.
- (6) Stockholders who have notified the Company of their intent to attend the meeting by remote communication by **May 26, 2022** and who have been validated by the Company as a stockholder of record as of **April 18, 2022** may cast their votes on the matters in the agenda up to **12:00 noon** on the date of the meeting by filling out the online ballot form that will be made available through the link to be provided in the Company's website once they log in.
- (7) After the ballot is submitted, the stockholder can no longer change his/her vote.
- (8) Questions and comments to the Board of Directors and/or Management may be sent prior to or during the meeting by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) and shall be limited to the items in the Agenda. Stockholders are requested to provide their full name, the company they are representing (if applicable), address, email address and telephone number.
- (9) The proceedings of the meeting will be recorded.

BRIEF EXPLANATION OF AGENDA ITEMS

- I. Call to Order  
The Chairman of the meeting shall call the meeting to order at approximately 2:00 p.m.
- II. Certification of Notice and Quorum  
The Corporate Secretary will certify that written notice for the meeting was duly sent to stockholders of record as of April 18, 2022 and that a quorum exists for the transaction of business.

Under the by-laws of the Company, a majority of the outstanding capital stock must be present or represented to constitute a quorum.

The following are the rules of procedures during the meeting:

Voting

- (1) Each common share is entitled to one (1) vote.

- (2) The proposed resolutions for each Agenda item will be shown during the livestreaming as they are taken up during the meeting. All Agenda items will require the affirmative vote of stockholders representing at least a majority of the outstanding capital stock present or represented at the meeting, except for the election of directors.
- (3) For all Agenda items except for the election of directors, the stockholder has the option to vote: For, Against or Abstain. The vote is considered cast for all the stockholder's shares registered in his/her name.
- (4) For the election of directors, the eleven (11) nominees with the highest number of votes shall be elected as directors. Each shareholder is entitled to cumulate all his/her votes per common share and may (i) vote for all of the nominees, (ii) not vote for any nominee, or (iii) vote for some nominees only, in such number as he/she may see fit; provided that the total number of votes cast by the stockholder shall not exceed the number of shares registered in the stockholder's name in the books of the Company as of the record date above multiplied by the number of directors to be elected.

Question and Answer

- (5) The Chairman, President and/or Management shall entertain questions on the items in the Agenda and submitted to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) during the Presentation of the Annual Report.
- (6) Priority shall be given to questions or comments emailed in advance to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph).

III. Approval of the Minutes of the Annual Stockholders Meeting Held on May 25, 2021

The minutes of the previous Annual Stockholders' Meeting are available at the Company's website, [www.sanmiguebrewery.com.ph](http://www.sanmiguebrewery.com.ph). Shareholders will be requested to approve the minutes of the previous Annual Stockholders' Meeting.

IV. Presentation of the Annual Report

The President shall deliver a report on the significant operational and financial performance and achievements of the Company and its subsidiaries in 2021. The report will also include an update on the Company and its subsidiaries' performance for the first quarter of 2022.

The Audited Consolidated Financial Statements as of December 31, 2021 (AFS) and the 2022 first quarter interim and unaudited consolidated financial statements and Management's Discussion and Analysis for the full year 2021 and first quarter of 2022 are contained in the Definitive Information Statement. These reports, as well as the Company's SEC Form 17-A (Annual Report) for the year ended December 31, 2021, may be accessed by the stockholders at the Company's website, [www.sanmiguebrewery.com.ph](http://www.sanmiguebrewery.com.ph). The Audit Committee has recommended to the Board the approval of the AFS, and the Board has approved the AFS on March 8, 2022.

The Chairman will open the floor for questions and comments on the President's report and AFS. Stockholders may ask questions or raise comments by emailing them to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph).

Duly authorized representatives of R. G. Manabat & Co., the external auditor for 2021, will be present at the meeting to respond to appropriate questions concerning the AFS.

Shareholders will be requested to approve the annual report as presented and the AFS.

V. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

The acts and resolutions of the Board of Directors and its committees were those adopted and reflected in the minutes of their meetings since the Annual Stockholders' Meeting on May 25, 2021 until May 31, 2022. They include the approval of term loans for redemption of bonds and general corporate purposes, appointment of officers, declaration of dividends, approval of budget and signing authorities and limits, appropriation of retained earnings, and other matters covered by disclosures and filings to the Securities and Exchange Commission and the Philippine Dealing & Exchange Corp. The acts of the corporate officers were those taken in furtherance of the conduct of business of the Company and to implement the resolutions of the Board of Directors.

Shareholders will be requested to ratify all acts, resolutions and proceedings of the Board of Directors and Corporate Officers from the date of the last Annual Stockholders Meeting to the date of the meeting.

VI. Appointment of External Auditors and Ratification of External Auditor Fees

The Board of Directors will endorse to the stockholders for their approval the re-appointment of R. G. Manabat & Co. as the external auditor of the Company for fiscal year 2022 and the fees paid to the external auditor in 2021. R. G. Manabat & Co.'s fees for 2021 are set out in the Definitive Information Statement which may be accessed at the Company's website, [www.sanmiguebrewery.com.ph](http://www.sanmiguebrewery.com.ph).

The stockholders will be requested to approve the reappointment of R.G. Manabat & Co. and ratify the fees of R.G. Manabat & Co. for 2021.

VII. Election of the Board of Directors

The Governance and Nomination Committee of the Company has evaluated and determined that the eleven (11) nominees, including the nominees for Independent Directors, have all the qualifications and competence, and none of the disqualifications, to be elected and serve as members of the Board of Directors pursuant to the provisions of the Company's Amended Manual on Corporate Governance and applicable laws, rules and regulations.

In addition, as favorably endorsed by the Governance and Nomination Committee, the Board has provided meritorious justification for the re-election of its independent director, Atty. Alonzo Q. Ancheta, who will be serving as independent director for more than nine (9) years upon his re-election. The Company will seek the

shareholders' approval of his re-election as independent director in accordance with the Company's Manual on Corporate Governance.

The profiles of the nominees to the Board of Directors, and the justification for the re-election of Atty. Alonzo Q. Ancheta as independent director, are in the Definitive Information Statement, which may be accessed at the Company's website, [www.sanmiquelbrewery.com.ph](http://www.sanmiquelbrewery.com.ph).

The stockholders will be asked to elect the eleven (11) nominees to the Board of Directors, including the re-election of Atty. Alonzo Q. Ancheta and retired Chief Justice Reynato S. Puno as independent directors of the Company.

VIII. Other Matters

The Chairman will inquire if there are other relevant matters or concerns to be discussed by the stockholders. If there are none, the meeting will adjourn.

**BALLOT/PROXY**

Please mark as applicable:

**Vote by ballot:** The undersigned stockholder of SAN MIGUEL BREWERY INC. ("Company") casts his/her vote on the agenda items for the regular meeting of the stockholders of the Company scheduled on **Tuesday, May 31, 2022** at 2:00 p.m. conducted virtually through livestreaming using the link provided at the Company's website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph) ("**2022 SMB ASM**"), as expressly indicated with "X" below in this ballot.

**Vote by proxy:** The undersigned stockholder of the Company hereby appoints the Chairman of the Meeting, as attorney-in-fact and proxy, to represent and vote all shares registered in his/her/its name at the 2022 SMB ASM and any of its adjournment(s), as fully as the undersigned could do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the attorney-in-fact and proxy to vote on the agenda items which have been expressly indicated with "X" below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DISCRETION OF PROXY
1. Election of Directors  Nominees are Ramon S. Ang, Roberto N. Huang, Ferdinand K. Constantino, Keisuke Nishimura, Alonzo Q. Ancheta, Carlos Antonio M. Berba, Toshiya Miyoshi, Daniel L. Henares, Tomoki Yamauchi, Kenji Uchiyama and Reynato S. Puno  By voting for Alonzo Q. Ancheta, I vote in favor of his re-election as Independent Director beyond 9 years pursuant to the Company's Manual on Corporate Governance.  <b>INSTRUCTIONS:</b> <i>To withhold authority to vote for any individual nominee(s), please mark Exception box and list the name(s) under.</i>				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2021 Annual Stockholders' Meeting				
3. Approval of the Annual Report of the Company and Audited Financial Statements for year ended December 31, 2021				
4. Ratification of all the acts, resolutions and proceedings of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting				
5. Appointment of R.G. Manabat & Co. as external auditors of the Company for fiscal year 2022 and Ratification of External Auditor Fees				

Signed this \_\_\_\_ day of \_\_\_\_\_ 2022 at \_\_\_\_\_.

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

THIS BALLOT/PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **MAY 20, 2022** BY EMAIL TO [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) OR BY MAIL TO THE OFFICE OF THE CORPORATE SECRETARY, SAN MIGUEL BREWERY INC., 5/F, SAN MIGUEL HEAD OFFICE COMPLEX, NO. 40 SAN MIGUEL AVENUE, MANDALUYONG CITY. THIS BALLOT/PROXY MUST BE ACCOMPANIED BY A VALIDLY GOVERNMENT-ISSUED ID WITH A PHOTO (FOR INDIVIDUALS) AND CORPORATE SECRETARY'S CERTIFICATION SETTING OUT THE SIGNATORY'S AUTHORITY TO SIGN THIS BALLOT/PROXY FOR, OR ON BEHALF OF, THE CORPORATION/PARTNERSHIP (FOR CORPORATIONS/PARTNERSHIPS).

THIS BALLOT/PROXY WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS BALLOT/PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT IN AN INSTRUMENT IN WRITING DULY PRESENTED TO AND RECORDED WITH THE CORPORATE SECRETARY AT LEAST FIVE (5) DAYS PRIOR TO THE MEETING. NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

STOCKHOLDERS WHO PROVIDE THEIR PERSONAL AND SENSITIVE PERSONAL INFORMATION SHALL BE DEEMED TO AGREE TO THE COLLECTION AND PROCESSING OF THEIR PERSONAL AND SENSITIVE PERSONAL INFORMATION IN ACCORDANCE WITH THE COMPANY'S PRIVACY STATEMENT FOR THE 2022 ASM POSTED ON ITS WEBSITE, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph).

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
 Preliminary Information Statement  
 Definitive Information Statement
2. Name of Registrant as specified in its charter **SAN MIGUEL BREWERY INC.**
3. Province, country or other jurisdiction of incorporation or organization **Philippines**
4. SEC Identification No. **CS200711828**
5. BIR Tax Identification No. **006-807-251-000**
6. Address of principal office Postal Code  
**No. 40 San Miguel Avenue, Mandaluyong City 1550**
7. Registrant's telephone number, including area code **(02) 8632-3000**
8. Date, Time and Place of the meeting of security holders  
**Tuesday, May 31, 2022 at 2:00 P.M.**  
**To be conducted virtually via livestreaming through the link provided in the Company's website,**  
[www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph)
9. Approximate date on which the Information Statement is first to be sent or given to security holders  
**Notice of Meeting will be published in two (2) newspapers of general circulation (print and online) for two (2) consecutive days, with the last publication to be made no later than May 10, 2022 pursuant to the Notice dated February 16, 2022 issued by the Securities and Exchange Commission (SEC) as fulfillment of the requirements on the distribution and provision of the Information Statement under the Securities Regulation Code, Revised Corporation Code of the Philippines and other applicable issuances of the SEC.**
10. Name of Person Filing the Statement: **San Miguel Brewery Inc.**  
Address: **40 San Miguel Ave., Mandaluyong City 1550**  
Telephone No.: **(02) 8632-3000**
11. Securities registered pursuant to Sections 8 and 12 of the SRC
- | <u>Title of Each Class</u>                |                                   |
|---|-----------------------------------|
| <i>(outstanding as of April 15, 2022)</i> |                                   |
| <b>Common Shares</b>                      | <b>15,359,053,161<sup>1</sup></b> |
| <b>Series H Fixed Rate Peso bonds</b>     | <b>₱ 2.54 billion</b>             |
12. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes [ ] No []
- If yes, disclose name of the Stock Exchange and class of securities listed therein: **N.A.**

<sup>1</sup> Excludes the 51,425,799 common shares tendered and accepted by the Company in its tender offer which are now booked as treasury shares. As of April 15, 2022, the Company has secured Certificates Authorizing Registration ("CARs") for 48,777,899 common shares of the 51,425,799 common shares tendered and accepted by the Company in its tender offer.

# INFORMATION STATEMENT

## GENERAL INFORMATION

### **Date and Time of Annual Meeting;**

### **Conduct via Livestream and Attendance by Remote Communication**

Pursuant to the approval of its Board of Directors, and in order to keep its shareholders safe from infection as CoVID-19 remains as a health threat in the country, the 2022 annual stockholders' meeting ("**2022 ASM**") of **San Miguel Brewery Inc.** ("**Company**") will not be held as a physical meeting and will instead be conducted virtually through livestreaming using the link provided in the Company's website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph). Stockholders can therefore only attend the meeting by remote communication. Stockholders intending to attend the meeting by remote communication should notify the Company by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) no later than **May 26, 2022**.

Votes of all stockholders not intending to attend the meeting by remote communication can only be cast (i) through the ballots submitted by the said shareholders by **May 20, 2022** to, and verified by, the Company, or (ii) through the Chairman of the meeting as proxy in proxies submitted to the Company by **May 20, 2022**. Stockholders participating by remote communication and voting through ballots or by proxy, subject to the notification and validation procedures of the Company as set out in Appendix 1 of the Notice of the 2022 ASM and this Information Statement, shall be deemed present for purposes of computing attendance and determining quorum at the 2022 ASM.

Ballots and proxies must be accompanied by a validly government-issued ID with a photo (for individuals) and corporate secretary's certification setting out the representative/s' authority to vote/cast ballot/appoint proxy for, or on behalf of, the corporation (for corporations). Proxies need not be notarized. Duly accomplished ballots or proxies shall be submitted to the Office of the Corporate Secretary, San Miguel Brewery Inc., 5/F, San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, or by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph), and must be received by the Corporate Secretary on or before **May 20, 2022**. The Company shall allow electronic signatures for the required documents, as applicable, and notarization shall be dispensed with at this time. However, the Company reserves the right to request additional information and the original signed and notarized copies of these documents at a later time. Stockholders who provide their personal and sensitive personal information shall be deemed to agree to the collection and processing of their personal and sensitive personal information in accordance with the Company's privacy statement for the 2022 ASM posted on its website.

Validation of ballots and proxies will be on **May 26, 2022** at 10:00 a.m. at the Office of the Corporate Secretary. The sample form of the ballot/proxy is provided with this Information Statement and may also be downloaded at the Company's website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph).

Stockholders who have notified the Company of their intent to attend the meeting by remote communication by **May 26, 2022** and who have been validated by the Company as a stockholder of record as of **April 18, 2022** may cast their votes on the matters in the agenda up to 12:00 noon on the date of the meeting, **May 31, 2022**, by filling out the ballot form which they can download through the link to be provided in the Company's website once they log in.

Please refer to Appendix 1 of the Notice of the 2022 ASM for the other requirements and procedures for participating at the 2022 ASM by remote communication and for voting therein.

**WE ARE NOT ASKING YOU FOR A PROXY  
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

The complete mailing address of the principal office of the Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

Pursuant to the Notice dated February 16, 2022 issued by the Securities and Exchange Commission (“SEC”) (Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement, and other documents in connection with the holding of Annual Stockholders’ Meeting for 2022), the Notice of the 2022 ASM shall be published in two (2) newspapers of general circulation, in print and online format, for two (2) consecutive days, with the last publication to be made on such date no later than twenty-one (21) days before the 2022 ASM. Such publication shall be considered fulfillment of the requirements on the distribution and provision of this Information Statement as required under the Securities Regulation Code and its Implementing Rules and Regulations, Revised Corporation Code of the Philippines (“**Revised Corporation Code**”) and other applicable issuances of the SEC.

#### **Dissenters’ Right of Appraisal**

Stockholders dissenting from and voting against certain corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action (“**Right of Appraisal**”) in accordance with Section 80, Title X of the Revised Corporation Code. The proposed corporate actions for approval at the 2022 ASM are not among the matters that will entitle dissenting stockholders to exercise their Right of Appraisal.

#### **Interest of Certain Persons in Matters to be Acted Upon**

No director, nominee for election as director, associate of the nominee, or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

## **CONTROL AND COMPENSATION INFORMATION**

#### **Voting Securities and Principal Holders Thereof**

As of April 15, 2022, the Company had 15,359,053,161<sup>2</sup> issued and outstanding common shares. All holders of common shares as of **April 18, 2022** are entitled to notice and vote at the 2022 ASM. Each common share in the name of the stockholder entitles such stockholder to one (1) vote. Votes of all stockholders not intending to attend the meeting by remote communication can only be cast through the ballots submitted by the said shareholders by **May 20, 2022** to, and verified by, the Company, or through the Chairman of the meeting as proxy in proxies submitted to the Company by **May 20, 2022**. Stockholders who have notified the Company of their intent to attend the meeting by remote communication by **May 26, 2022** and who have been validated by the Company as a stockholder of record as of **April 18, 2022** may cast their votes on the matters in the agenda up to 12:00 noon on the date of the meeting, **May 31, 2022**, by filling out the ballot form that they can download through the link to be provided in the Company’s website once they log in.

With respect to the election of directors, in accordance with Section 23 of the Revised Corporation Code, a stockholder may vote the number of shares held in his/her name in the Company’s stock books as of **April 18, 2022**, and may vote such number of shares for as many persons as there are directors to be elected or he/she may cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of his/her shares shall equal, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; *provided*, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company as of the record date above multiplied by the total number of directors to be elected. The total number of votes that may be cast by a stockholder of the Company is computed as follows: **no. of shares held on record as of record date x 11 directors**.

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<sup>2</sup> Excludes the 51,425,799 common shares tendered and accepted by the Company in its tender offer which are now booked as treasury shares. As of April 15, 2022, the Company has secured CARs for 48,777,899 common shares of the 51,425,799 common shares.

## Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of April 15, 2022 were as follows:

<i>Title of Class</i>	<i>Name, Address of Record Owner and Relationship with Issuer</i>	<i>Name of Beneficial Owner and Relationship with Record Owner</i>	<i>Citizenship</i>	<i>Number of Shares Held</i>	<i>Percent<sup>3</sup></i>
Common	San Miguel Food and Beverage, Inc. ("SMFB") <sup>4</sup> , 100 E. Rodriguez Jr. Avenue, C-5 Road, Barangay Ugong, Pasig City, 1604, Metro Manila Philippines	San Miguel Corporation, parent	Filipino	7,859,319,270 <sup>5</sup>	51.16%
Common	Kirin Holdings Company, Limited ("Kirin") 10-2, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan <sup>6</sup>	Kirin Holdings Company, Limited	Japanese	7,456,859,880 <sup>7</sup>	48.54%

The number of shares owned of record by the directors, Chief Executive Officer, key executive officers of the Company, and nominees for election as director, as of April 15, 2022 are as follows:

<u>Title of Class</u>	<u>Name of Record Owner</u>	<u>Name of Beneficial Owner and Relationship of Record Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Citizenship</u>	<u>%</u>
Common	Ramon S. Ang	SMC, nominee	5,000 (Indirect)	Filipino	0.00%
Common	Roberto N. Huang	SMC, nominee	5,000 (Indirect)	Filipino	0.00%
Common	Ferdinand K. Constantino	SMC, nominee	5,000 (Indirect)	Filipino	0.00%
Common	Keisuke Nishimura	Kirin, nominee	5,000 (Indirect)	Japanese	0.00%
Common	Alonzo Q. Ancheta	Alonzo Q. Ancheta	10,000 (Direct)	Filipino	0.00%
Common	Carlos Antonio M. Berba	SMC, nominee	5,000 (Indirect)	Filipino	0.00%
Common	Toshiya Miyoshi	Kirin, nominee	5,000 (Indirect)	Japanese	0.00%
Common	Daniel L. Henares	SMC, nominee	5,000 (Indirect)	Filipino	0.00%
Common	Tomoki Yamauchi	Kirin, nominee	5,000 (Indirect)	Japanese	0.00%
Common	Kenji Uchiyama	Kirin, nominee	5,000 (Indirect)	Japanese	0.00%
Common	Reynato S. Puno	Reynato S. Puno	5,000 (Direct)	Filipino	0.00%

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of April 15, 2022 is 60,000 shares or approximately 0.00% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors as a group as of April 15, 2022 is 77,000<sup>8</sup> shares or approximately 0.00% of the Company's outstanding capital stock.

<sup>3</sup> Percentage is based on the Company's issued and outstanding capital stock as of April 15, 2022, including shares which have been tendered but whose CARs are pending issuance by the Bureau of Internal Revenue as of April 15, 2022.

<sup>4</sup> SMFB authorizes the Chairman of the Meeting to vote the shares held by SMFB in the Company.

<sup>5</sup> Exclusive of common shares held by its nominees

<sup>6</sup> Kirin authorizes the Chairman of the Meeting to vote the shares held by Kirin in the Company in accordance with its instructions.

<sup>7</sup> Exclusive of common shares held by its nominees

<sup>8</sup> Excludes common shares tendered and accepted by the Company in its tender offer but the CARs for which are pending from the Bureau of Internal Revenue.

### **Voting Trust Holders of 5% or More**

The Company is not aware of any shareholder holding 5% or more of the Company's common shares under a voting trust agreement.

### **Changes in Control**

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

## **DIRECTORS AND EXECUTIVE OFFICERS**

### **Directors and Executive Officers**

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

#### **Board of Directors**

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Citizenship</u></b>	<b><u>Position</u></b>
Ramon S. Ang	68	Filipino	Chairman and Director
Roberto N. Huang	73	Filipino	President and Director
Ferdinand K. Constantino	70	Filipino	Director
Keisuke Nishimura	65	Japanese	Director
Alonzo Q. Ancheta	89	Filipino	Independent Director
Carlos Antonio M. Berba	57	Filipino	Director
Toshiya Miyoshi	63	Japanese	Director
Daniel L. Henares	64	Filipino	Director
Tomoki Yamauchi	54	Japanese	Director
Kenji Uchiyama	57	Japanese	Director
Reynato S. Puno	81	Filipino	Independent 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 Executive Officer of San Miguel Corporation ("SMC") and SMFB; Director, President and Chief Executive Officer of Top Frontier Investment Holdings, Inc. ("Top Frontier"), Petron Corporation ("Petron") and Northern Cement Corporation; Director and President of Ginebra San Miguel Inc. ("GSMI") and San Miguel Northern Cement, Inc.; Chairman and Chief Executive Officer and President and Chief Operating Officer of SMC Global Power Holdings Corp. ("SMC Power"); Chairman and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc., and San Miguel Aerocity, Inc.; Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp., and Chairman of San Miguel Brewery Hong Kong Limited ("SMBHK") (Hong Kong), Eagle Cement Corporation, Petron Malaysia Refining & Marketing Berhad (Malaysia) ("Petron Malaysia"), San Miguel Foods, Inc. ("SMFI"), San Miguel Yamamura Packaging Corporation ("SMYPC"), Anchor Insurance Brokerage Corporation ("AIBC"), Clariden Holdings, Inc., Philippine Diamond Hotel & Resort, Inc. and SEA Refinery Corporation. He is also the sole Director and shareholder of Master Year Limited and the Chairman of Privado Holdings, Corp. Mr. Ang has held directorships in various domestic and international subsidiaries of SMC during the last five (5) years and was previously the Company's President (2007-2009). He was also a director/officer in other publicly listed companies outside of the San Miguel Group, including President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Vice Chairman of Manila Electric Company; and Chairman of Liberty Telecom Holdings, Inc. and Cyber Bay Corporation. Mr. Ang holds a Bachelor of Science Degree in Mechanical Engineering from Far Eastern University and a Doctorate in Business Engineering, Honoris Causa, from the same university.

**Roberto N. Huang** has served as Director since October 8, 2007 and President of the Company since April 30, 2009; and is a Member of the Company's Executive Committee. He is also a Director of San Miguel Brewing International Limited ("SMBIL") and SMBHK; Director and Chief Operating Officer – Beer of SMFB; and Chairman and President of Iconic Beverages, Inc. ("IBI"), Brewery Properties Inc. ("BPI") and Brewery Landholdings, Inc. ("BLI"). He also served as General Manager of the Company (2007-2009). Mr. Huang holds a Bachelor of Science 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. He also attended the Nagoya International Training Center, Japan International Cooperation Agency Grant for Metal Works Engineering and Numerical Control Machines course.

**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 and Governance and Nomination Committee. He also holds, among others, the following positions: Group Chief Finance Officer and Treasurer of SMC; Director and Treasurer of SMFB; Director of Petron Malaysia, SMYPC, SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation), Clariden Holdings, Inc., San Miguel Holdings Corp., Northern Cement Corporation, Petron Finance (Labuan) Limited (Labuan, Malaysia), San Miguel Malaysia Pte Ltd (Labuan, Malaysia), San Miguel Foods International Limited (formerly San Miguel Pure Foods International, Ltd.) and San Miguel Aerocity, Inc.; Director and President of AIBC; Chairman of SMC Stock Transfer Services Corporation, San Miguel Foundation, Inc. and San Miguel Integrated Logistics Services, Inc.; and Director of The Philippine Stock Exchange, Inc. He is also advisor to Bank of Commerce, GSMI and San Miguel Properties, Inc. Mr. Constantino is also a former Chief Finance Officer and Treasurer of the Company (2007-2009); a former Director of SMC, GSMI, SMFI and Top Frontier; a former Vice Chairman, Director and Treasurer of SMPC Power; and a former Director and Chief Finance Officer of San Miguel Northern Cement, Inc. Mr. Constantino has held directorships in various domestic and international subsidiaries of SMC during the last five (5) years and was also a director in other publicly listed companies outside of the San Miguel Group, including Director of PAL Holdings, Inc. and Philippine Airlines, Inc. Mr. Constantino holds a Bachelor of Arts 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 the Representative Director of the Board and Senior Executive Vice President (Business Alliance and Investment Strategy, Overseas Business, Global Craft Beer) of Kirin; Director and Vice Chairman of Myanmar Brewery Limited (Myanmar); and Director of Lion Pty Ltd (Australia) and China Resources Kirin Beverages (Greater China) Company, Limited. He was previously Senior Executive Officer of Kirin Company, Limited (2017-2019); Senior Director of the Board, Representative Director (2015-2017), Managing Director of the Board (2014-2015) and Director (2012-2014) of Kirin; and Vice Chairman of Myanmar Brewery Limited (2015-2016). He also served in the Kirin group of companies in various other capacities and is a former Executive Vice President of the Company (2009-2011). Mr. Nishimura holds a Bachelor's Degree in Business Administration from Yokohama National University and a Master's Degree in Business from the University of Washington.

**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 an Independent Director of PTFC Redevelopment Corporation and SMBHK; President of Zobella & Co. (A.Q. Ancheta and Partners); Trademark & Patent Attorneys; Co-Founding Partner/Senior Adviser of Quasha Law (formerly Quasha Ancheta Peña & Nolasco Law Offices); Chairman and President of Ogilvy & Mather Philippines, Inc.; President of Growe Investments Ltd.; and Member of the Board of Trustees of St. Luke's Medical Center. He is also a member of various organizations, including the Intellectual Property Association of the Philippines (Council Adviser, 1988-present), Philippine Bar Association, Legal Management Council of the Philippines, Asian Patent Attorneys Association (Honorary President, 2021-present), International Trademark Association, LAWASIA (Vice President International, 2017-present), Licensing Executives Society International, ASEAN Law Association (Philippine National Committee member, 1986-2018 and Vice Chair, 2001-2018), ASEAN Intellectual Property Association, American Chamber of Commerce of the Philippines, Canadian Chamber of Commerce of the Philippines, Philippine American Guardian Association, Philippine-Japan Economic Committee, Philippines-Japan Society, Inc., Rotary Club of Marikina, Jaycees International (Senator) and For Love of Mother Earth, Inc. 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 the Deputy Chairman of SMBHK; a Commissioner of PT Delta Jakarta Tbk (Indonesia) ("PTD"); and Chairman/Director of other subsidiaries of SMBIL, including San Miguel Beer (Thailand) Limited, San Miguel Holdings (Thailand) Limited ("SMHTL") and San Miguel Marketing (Thailand) Limited. Mr. Berba holds a Bachelor of Science 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.

**Toshiya Miyoshi** has served as Director of the Company since March 27, 2015. He is the Director of the Board, Senior Executive Officer of Kirin. He was also the Senior Executive Officer, General Manager of Personnel Department (2014-2015) and Executive Officer, General Manager of Personnel Department (2013-2014) of Kirin Company, Limited; and Senior Executive Officer, Director of Group Personnel and General Affairs Department (2014-2015) and Executive Officer, Director of Group Personnel and General Affairs Department (2013-2014) of Kirin. Mr. Miyoshi also served the Kirin group of companies in various other capacities. Mr. Miyoshi holds a Bachelor's Degree in Commerce from Waseda University, Japan.

**Daniel L. Henares** has served as Director of the Company since May 31, 2016. He is consultant to SMC (since 2014), serving as the Assistant Team Manager for the San Miguel Beer team, and a Director of Henlich Development Corporation (since 1995). He was also a consultant for business development of corporate accounts for cargo and passenger business in Philippine Airlines, Inc. (2013-2014). Mr. Henares holds a Bachelor of Laws Degree from Ateneo de Manila University and a Bachelor of Arts Degree in Political Science from De La Salle University.

**Tomoki Yamauchi**, has served as Director and as Executive Financial Advisor of the Company since October 1, 2017. He is a member of the Executive Committee and Audit Committee of the Company. He is also a Director of SMBIL, SMBHK and SMBTL. He was previously the Senior Manager of Accounting Department of Kirin Company, Limited; Senior Manager of Planning Department of Kirin Beverage Company, Limited (2016-September 2017); Senior Manager of Management Planning Department of Kirin Company, Limited (2013-2016); and Senior Manager of Accounting Unit Group Finance of Kirin (2013-2016). Mr. Yamauchi graduated from Keio University with a Bachelor's Degree in Economics in 1992. He also completed a program for Management Development in Harvard Business School in 2004.

**Kenji Uchiyama** has served as Director and as Executive Vice President of the Company since March 29, 2018. He is a member of the Executive Committee, Executive Compensation Committee and Audit Committee of the Company. He is also a Director of SMBIL, SMBHK, IBI, BPI, BLI, SMHTL and SMBTL. Mr. Uchiyama also held the following positions in the Kirin group: Executive Officer (2017) and General Manager of Corporate Planning Department (2014-2017) of Kirin Brewery Company, Limited; Director of Diageo Kirin Company, Limited, Heineken Kirin Company, Limited, Eishogen Company, Limited, Kirin Distillery Company, Limited and The Brooklyn Brewery Corporation; President and Chief Executive Officer of The Brooklyn Brewery Japan Company, Limited; and Deputy General Manager of Sales Department, in charge of Off-Premise Sales of Kirin Beer Marketing Company, Limited (2013-2014). Mr. Uchiyama graduated from Keio University with a Bachelor's Degree in Social Psychology in 1987.

**Reynato S. Puno** has served as Independent Director of the Company since November 5, 2021 and is the Chairman of the Audit Committee and a Member of the Executive Committee, Executive Compensation Committee and Governance and Nomination Committee. Retired Chief Justice Puno is an Independent Director of SMC and SMBHK, and an Independent Commissioner of PTD. He is also the Chairman of the Environmental Heroes Foundation and GenWatt Solar Energy Solutions (Philippines); Vice Chairman of the Board of the GMA Kapuso Foundation; Director of The New Standard newspaper; a Member of the Permanent Court of Arbitration in Hague; a Member of the Board of the World Vision Development Foundation, Inc.; and a Member of the Board of Regents of the Manuel L. Quezon University. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He is also a former Independent Director of Union Bank of the Philippines (2012-2021) and Mareventure Mining and Development Corporation (2015-2017); a former Member of the Board of Regents of the University of the Philippines (2016-2018); a former Member of the Board of Trustees of the Gerry Roxas Foundation (2015-2017); and the former Chairman of the Philippine Bible Society (2012-2018) and Consultative Committee to revise the 1987 Constitution of the Philippines (January-July 2018). Retired Chief Justice Puno completed his Bachelor of Laws from the University of the Philippines in 1962, has a Master of Comparative Laws degree from the Southern Methodist University, Dallas, Texas (1967) and Master of Laws degree from the University of California, Berkeley, California, USA (1968), and finished all academic requirements of the degree of Doctor of Juridical Science, University of Illinois, Champaign, Urbana, USA (1969).

## Senior Management

<u>Name</u>	<u>Age</u>	<u>Citizenship</u>	<u>Position</u>
Roberto N. Huang	73	Filipino	President
Kenji Uchiyama	57	Japanese	Executive Vice President
Mercy Marie Jacqueline L. Amador	60	Filipino	Vice President, Chief Finance Officer and Treasurer
Tomoki Yamauchi	54	Japanese	Executive Financial Advisor
Minerva Lourdes B. Bibonia	63	Filipino	Senior Vice President and Marketing Manager
Debbie D. Namalata	56	Filipino	Vice President and National Sales Manager
Rosabel Socorro T. Balan	58	Filipino	Vice President, General Counsel, Corporate Secretary and Compliance Officer
Rene T. Ceniza	59	Filipino	Vice President and National Logistics Manager
Manuel M. Moreno	69	Filipino	Manufacturing Manager
Feliciano M. Madlansacay	69	Filipino	Finance Operations Manager and Chief Risk Officer
Enrico E. Reyes	59	Filipino	Vice President and Human Resources and Business Affairs Communications Head
Lynn B. Santos	54	Filipino	Vice President and Business Planning and Quality and Productivity Management Manager
Rodney Ralph D. Holmes	55	Filipino	Vice President and Executive Assistant to the President
Benjamin C. Go Que	56	Filipino	Assistant Vice President and Brewing Technical Group Manager
Alma Leonora C. Javenia	63	Filipino	Assistant Vice President and Information Systems Management Manager
Christian E. Santiago	63	Filipino	Assistant Vice President and Business Procurement Group Head

**Mercy Marie Jacqueline L. Amador** is Vice President and Chief Finance Officer and Treasurer of the Company since March 16, 2009. She is also Director and Treasurer of IBI, BPI and BLI; and Director of SMBIL, Neptunia Corporation Limited and San Miguel (China) Investment Company, Limited. She was previously Chief Finance Officer of SMBIL (2007-2009). She also previously worked in SMC as Vice President and Division Chief Finance Officer of the San Miguel Beer Division (2006-2007) and Vice President and Manager, Financial Planning Analysis and Investor Relations (2001-2006). Ms. Amador holds a Bachelor of Science 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, Hanover, New Hampshire, USA.

**Minerva Lourdes B. Bibonia** is Senior Vice President and Marketing Manager of the Company since October 1, 2007. She is also a Director of IBI and a 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 has 41 years of combined marketing and sales experience in fast moving consumer goods, pharmaceuticals and fast food retail service in local, regional and global environments. She is a member of the Philippine Association of National Advertisers Inc. Ms. Bibonia is a Certified Public Accountant and holds a Bachelor of Science 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 Assistant Vice President and Executive Assistant to the San Miguel Beer Division President. She was also Assistant Vice President and General Manager of San Miguel Super Coffeemix Co., Inc., San Miguel Pure Foods Company, Inc. Condiments business and Magnolia, Inc.; and Director of Sugarland Company, Star Dari Inc. and Magnolia, Inc. She is a former member of the Board of Directors of the Alumni Association of the Asian Institute of Management (2014-2016). Ms. Namalata is a Certified Public Accountant and holds a Bachelor of Science Degree in Business Administration, Major in Accounting from the University of the Philippines, a Master's Degree in Management from the Asian Institute of Management, and a Certificate in Digital Business Leadership Program from the Columbia Business School, New York, USA.

**Rosabel Socorro T. Balan** is Vice President and General Counsel since January 1, 2010 and Corporate Secretary and Compliance Officer of the Company since October 14, 2010. She is also 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, San Miguel Pure Foods Company, Inc. and San Miguel Properties, Inc.; and Compliance Officer of AIBC and SMC Stock Transfer Service Corporation. Atty. Balan has also been a director, corporate secretary and/or assistant corporate secretary of other various domestic and international subsidiaries of SMC. Atty. Balan holds a Bachelor of Arts Degree in Economics from the University of the Philippines, a Juris Doctor Degree from the Ateneo de Manila University School of Law, a Master's Degree in Business Administration from De La Salle University, and a Master of Laws in Taxation - Executive Program from New York University, USA.

**Rene T. Ceniza** is Vice President since August 2015 and National Logistics Manager since October 1, 2007. He previously worked in SMC as Assistant Vice President and Manager, National Logistics, San Miguel Beer Division; Logistics Manager, GMA Supply Center, San Miguel Beer Division; and Manager, Logistics Technical Services, San Miguel Beer Division. He is a member of the Alumni Association of the Asian Institute of Management and Philippine Institute of Industrial Engineers, and was a resource person/faculty member of The Logistics School of SMC Corporate Logistics. Mr. Ceniza holds a Bachelor of Science Degree in Industrial Management Engineering from the Cebu Institute of Technology, and participated in the Management Development Program of the Asian Institute of Management.

**Manuel M. Moreno** is the Manufacturing Manager since 2017. A Licensed Chemical Engineer, Mr. Moreno previously worked in the Company as its Vice President, Assistant Vice President and Plant Manager for its San Fernando, Mandaue and Polo Breweries, and Assistant Vice President and Brewing Operations Technology Manager. He also served as Assistant Vice President and Plant Manager of SMBTL. He is a member of the Philippine Institute of Chemical Engineers. Mr. Moreno holds a Bachelor of Science Degree in Chemical Engineering from the University of Santo Tomas.

**Feliciano M. Madlansacay** is Finance Operations Manager since 2008 and Chief Risk Officer since 2017. A Certified Public Accountant, Mr. Madlansacay previously worked in the Company as its Vice President and Assistant Vice President. He also worked in the San Miguel Beer Division of SMC as Philippine Finance Operations Manager and Finance Manager. He is a member of the Philippine Institute of Certified Public Accountants. Mr. Madlansacay holds a Bachelor of Science Degree in Business Administration from the University of the East and participated in the Management Development Program of the Asian Institute of Management.

**Enrico E. Reyes** is Vice President since November 2017 and Human Resources and Business Affairs Communications Head since October 1, 2007. He previously worked in SMC as Compensation and Benefits Manager, Corporate Human Resources Division and Human Resources and Administration Manager, Visayas, San Miguel Beer Division. Mr. Reyes holds a Bachelor of Science Degree in Business Economics from the University of the Philippines and completed academic requirements for a Master's Degree in Business Economics in the University of the Asia and Pacific.

**Lynn B. Santos** is Vice President since November 2017 and Business Planning and Quality and Productivity Management Manager since 2009. She was also the Business Planning Manager and Business Intelligence Manager of the Company. She previously worked in SMC as Business Intelligence Manager, San Miguel Beer Division and Senior Associate Business Intelligence Analyst, San Miguel Beer Division. She is a member of the UP School of Economics Alumni Association. Ms. Santos holds a Bachelor of Science Degree in Economics from the University of the Philippines and a Diploma in Development Planning Techniques with Computer Applications from the Institute of Social Studies, The Hague, Netherlands.

**Rodney Ralph D. Holmes** is Vice President and Executive Assistant to the President since November 2017. He previously served the Company as Financial Planning and Analysis Manager from 2007 to March 2022. Mr. Holmes also worked in SMC as Financial Planning and Analysis Manager, San Miguel Beer Division and Senior Financial Analyst, San Miguel Beer Division. Mr. Holmes holds a Bachelor of Science Degree in Commerce from De La Salle University. He also completed academic requirements for a Master's Degree in Business Administration from De La Salle University and participated in the Management Development Program of the Asian Institute of Management.

**Benjamin C. Go Que** is Assistant Vice President since March 2015 and Brewing Technical Group Manager since July 2020. A Licensed Chemical Engineer and Brewmaster, Mr. Go Que also worked in the Company as its Operations Technology Manager, Operations Technology Brewmaster, Brewing Manager and Research and Development Manager. He also served as Plant Manager of San Miguel (Baoding) Brewery Co., Ltd., and as Brewing Manager and ASPAC Operations Brewmaster in the San Miguel Beer Division of SMC. Mr. Go Que holds a Bachelor of Science Degree in Chemical Engineering from the University of Sto. Tomas and a Master's Degree in Business Administration from the University of Wales, United Kingdom.

**Alma Leonora C. Javenia** is Assistant Vice President since August 2011 and Information Systems Management Manager since 2008. As an Information Technology Professional, she worked previously in SMITS, Inc. as its Application Support Manager and Account Manager, and as Group Information Systems Manager for the San Miguel Food Group. Ms. Javenia holds a Bachelor of Science Degree in Biology from the University of the Philippines.

**Christian E. Santiago** is Assistant Vice President and Business Procurement Group Head since January 2021. He was previously the Deputy Head - Business Procurement Group of San Miguel Holdings Corp.; Head - Business Procurement Group of Petron Malaysia; Procurement Governance and Support Manager of Petron; Corporate Procurement Group Head and Group Procurement Manager-Procurement Systems and Services of SMC; and Procurement Manager of GSMI. Mr. Santiago holds a Bachelor of Science Degree in Agricultural Business from the University of the Philippines, and a Certification as a Certified Purchasing Manager from the Institute for Supply Management, Arizona, USA.

### Board Trainings/Seminars, Appraisals and Performance

#### *Trainings and Seminars*

The Board of Directors and senior management of the Company in 2021 attended corporate governance seminars conducted either by SGV & Co. or the Center for Global Best Practices. Their respective Certificates of Attendance were submitted by the Company to the SEC on November 5, November 8 and December 9, 2021.

#### *Board Attendance*

In 2021, the Board of Directors held seven (7) meetings. The attendance of the Directors in these meetings and in the 2021 annual stockholders' meeting ("**2021 ASM**") is as follows:

	February 5	March 5	April 30	May 25 2021 ASM	August 3	November 5	December 3
Ramon S. Ang*	√	√	√	√	√	x	√
Roberto N. Huang*	√	√	√	√	√	√	√
Ferdinand K. Constantino*	√	√	√	√	√	√	√
Keisuke Nishimura*	√	√	√	√	√	√	√
Alonzo Q. Ancheta*	√	√	√	√	√	√	√
Carmelo L. Santiago*	√	√	√	√	x	-	-
Carlos Antonio M. Berba*	√	√	√	√	√	√	√
Toshiya Miyoshi*	√	√	√	√	√	√	√
Daniel L. Henares*	√	√	√	√	√	√	√
Tomoki Yamauchi*	√	√	√	√	√	√	√
Kenji Uchiyama*	√	√	√	√	√	√	√
Reynato S. Puno <sup>(a)</sup>	-	-	-	-	-	√	√

√ Present

x Absent

- Not Applicable

\* Elected at the June 18, 2020 Annual Stockholders' Meeting (ASM) and re-elected at the May 25, 2021 ASM.

<sup>(a)</sup> Retired Chief Justice Reynato S. Puno replaced Mr. Carmelo L. Santiago as independent director in view of the untimely passing of Mr. Santiago on August 6, 2021.

### *Board Appraisal, Criteria and Procedure*

The Company implemented an internal self-rating system for the performance of the Board of Directors and the individual directors for the year 2021. A self-assessment form was distributed to the directors for the evaluation of the Board and the individual director's performance for the previous year, as well as the effectiveness of the Company's governance processes.

The self-assessment covers the following key areas and criteria:

- Effectiveness in the discharge of the role and responsibilities of the Board;
- Diversity in the Board and effectiveness of structure and composition of the Board and management of relationships;
- Efficiency of meetings and Board processes; and
- Individual Board member contribution, performance and engagement.

The directors are likewise allowed to provide comments and suggestions for further improvement of the Board's performance and processes. The Corporate Secretary/Compliance Officer facilitates the conduct of the self-assessment, sets a deadline for the completion of the same, and collates the results for reporting to the Board and Governance and Nomination Committee. For 2021, all of the directors accomplished and submitted the self-assessment form to the Corporate Secretary/Compliance Officer.

### **Term of Office**

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

### **Nominees for Election as Directors/Independent Directors**

The nominees for election to the Board of Directors on May 31, 2022 are as follows:

1. Ramon S. Ang
2. Roberto N. Huang
3. Ferdinand K. Constantino
4. Keisuke Nishimura
5. Alonzo Q. Ancheta
6. Carlos Antonio M. Berba
7. Toshiya Miyoshi
8. Daniel L. Henares
9. Tomoki Yamauchi
10. Kenji Uchiyama
11. Reynato S. Puno

### *Re-election of Independent Directors*

The following incumbent independent directors have been nominated for re-election as independent director of the Board of Directors on May 31, 2022:

<b>Nominees for Independent Director<sup>9</sup></b>
Reynato S. Puno
Alonzo Q. Ancheta

In approving the nominations for independent directors, the Governance and Nomination Committee took into consideration the guidelines and procedures on the nomination of independent directors prescribed in SRC Rule 38. The nominations for the election of all directors by the stockholders were submitted in writing to the Board of Directors through the Corporate Secretary. The nominations were forwarded to the Governance and Nomination Committee which pre-screened the qualifications of the nominees and prepared

<sup>9</sup> Nominations for election of independent directors were made by Mr. Ramon S. Ang and Kirin for Retired Chief Justice Puno and Atty. Ancheta, respectively. The nominees have no material business or other relationship or affiliation with the person or entity which nominated them.

a final list of nominees eligible for election. No other nominations were entertained after the final list of candidates was prepared.

Atty. Alonzo Q. Ancheta and Retired Chief Justice Reynato S. Puno have confirmed their independence and have submitted their respective certifications of independence as required by the SEC and are attached hereto as **Annexes “A-1”** and **“A-2.”**

*Re-election of Independent Director serving for more than nine (9) years*

Atty. Alonzo Q. Ancheta shall be serving the Company as independent director for more than nine (9) years upon his re-election at the 2022 ASM. Pursuant to the Company’s Amended Manual on Corporate Governance (**“Manual on Corporate Governance”**) which adopted the recommendation under the Code of Corporate Governance for Public Companies and Registered Issuers issued by the SEC under Memorandum Circular No. 24, series of 2019 (**“CG Code for Public Companies and Registered Issuers”**) relating to the re-election of independent directors who shall serve for more than nine (9) years, the Board will provide meritorious justification and seek shareholder’s approval for Atty. Ancheta’s re-election.

The Company’s Governance and Nomination Committee evaluated the independence of Atty. Alonzo Q. Ancheta as well as his experience, expertise and qualifications, and determined that he possesses all the qualifications and none of the disqualifications to act as an independent director of the Company, in accordance with the Company’s Manual on Corporate Governance.

In its meeting held on March 8, 2022, the Board of Directors of the Company, as favorably endorsed and recommended by the Company’s Governance and Nomination Committee, approved and endorses for the vote of the stockholders of the Company the re-election of Atty. Alonzo Q. Ancheta as independent director of the Company pursuant to the Company’s Manual on Corporate Governance.

Serving as independent director, Atty. Alonzo Q. Ancheta has brought high standards of corporate governance to the Company and objectively contributed in advising the Company by providing his insights to the committees which he either chairs or is a member of, and to the Board of Directors of the Company, based on his extensive experience and expertise, particularly in the field of law which is relevant to the Company’s business. His presence in the Board has continued to enhanced the Company’s corporate values through his sustained advisory relationship with the Company, as well as contributed to the diversity of the Board given his educational background and diversity of the experience. He has provided valuable contributions to the Company and demonstrated his ability to exercise independent judgment and provide a balanced and objective view in relation to the Company’s affairs.

Given the foregoing, the Board is of the view that the independence of Atty. Alonzo Q. Ancheta has not been diminished or impaired by his long service as a member of the Board of Directors of the Company, and that there are no circumstances which have come to its attention that are likely to affect or interfere with the exercise of his independent judgment notwithstanding such long service.

*Re-election of the Other Nominees to the Board*

The Governance and Nomination Committee has certified that all the other nominees for election to the Board of Directors satisfy the mandatory requirements specified under the Company’s By-Laws, and possess all the qualifications and none of the disqualifications under the Company’s Manual on Corporate Governance and applicable rules and regulations of the SEC.

**Significant Employees**

The Company has no 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.

## Certain Relationships and Directors' Disclosures on Related Transactions and Self-dealing

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) which are not in the Company's ordinary course of business. There were no transactions entered into by the Company with any director for 2021.

## Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, or executive officers of the Company have been involved in any legal proceeding for the past five (5) years up to the date of this Information Statement, 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 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 or regulation.

## COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

<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 <sup>(1)</sup>	2022(est)	97.8	24.1	16.2	138.1
	2021	97.4	12.3	17.5	127.2
	2020	96.7	25.6	14.0	136.3
All other officers and directors as a group unnamed . . . . .	2022 (est)	240.3	59.4	76.4	376.1
	2021	235.2	33.6	75.5	344.3
	2020	227.7	62.5	72.4	362.6
Total . . . . .	2022 (est)	338.1	83.5	92.6	514.2
	2021	332.6	45.9	93.0	471.5
	2020	324.4	88.1	86.4	498.9

<sup>(1)</sup> The President and Senior Executive Officers of the Company for 2020 to 2022 are Roberto N. Huang, Carlos Antonio M. Berba, Mercy Marie Jacqueline L. Amador, Minerva Lourdes B. Bibonia and Rosabel Socorro T. Balan.

By resolution of the Board of Directors, each director receives a reasonable per diem allowance for his attendance at each board meeting. the Company provides each director with reasonable per diem of ₱20,000 and ₱10,000 for each Board and Board Committee meeting, respectively, attended by such director.

In 2021, the Company paid a total of ₱1,780,000.00 in per diem allowances to the Board of Directors as follows:

Executive Directors	₱ 660,000.00
Non-Executive Directors (other than Independent Directors)	760,000.00
Independent Directors	<u>360,000.00</u>
	<u>₱1,780,000.00</u>

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.

There are no outstanding Company warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

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.

### **ACTION WITH RESPECT TO REPORTS**

The approval of the following will be considered and acted upon at the meeting:

1. Management Report of the Company for the year ended December 31, 2021;
2. Minutes of the May 25, 2021 Annual Stockholders' Meeting with the following items:
  - a) Approval of the Minutes of the 2020 Annual Stockholders' Meeting;
  - b) Approval of the Annual Report;
  - c) Ratification of all acts of the Board of Directors and Officers since the 2020 Annual Stockholders' Meeting;
  - d) Election of Board of Directors; and
  - e) Appointment of External Auditors and Ratification of External Auditor Fees;

The draft of the Minutes of the May 25, 2021 Annual Stockholders' Meeting is available for viewing in the Company's website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph). The minutes provide (i) a description of the voting and vote tabulation procedures used in the previous meeting in page 2 of the minutes; (ii) a description of the opportunity given to stockholders to ask questions in pages 2-3 of the minutes. No questions were received from the shareholders; (iii) the matters discussed and resolutions reached in pages 2-6 of the minutes; (iv) a record of the voting results for each agenda item in Annex "C" of the minutes; and (v) a list of the directors, officers and stockholders who attended the meeting in page 1 and Annex "A" of the minutes.

3. Ratification of all the acts and proceedings of the Board of Directors and Corporate Officers since the 2021 Annual Stockholders' Meeting. The acts and resolutions of the Board of Directors (including its Committees) are those adopted and reflected in the minutes of their meetings which include the:
  - a) Term loans for general corporate purposes and refinancing of the Company's maturing fixed rate bonds;
  - b) Declaration of cash dividends;
  - c) Appointment of officers;
  - d) Approval of budget, and signing authorities and limits;
  - e) Appropriation of Retained Earnings;
  - f) Other matters covered by disclosures and filings to the SEC and Philippine Dealing & Exchange Corp., such as the redemption of the Company's bonds in April 2021 and April 2022, and approval of audited and unaudited interim financial statements.

The acts of the corporate officers were those taken in furtherance of the conduct of business of the Company and to implement the resolutions of the Board of Directors.

### **VOTING AND VOTE TABULATION PROCEDURES**

All matters submitted for the approval of the stockholders at the 2022 ASM will require the affirmative vote of stockholders representing at least a majority of the outstanding capital stock present or represented at the meeting, except for the election directors. In the election of directors, the eleven (11) nominees with the greatest number of votes will be elected as directors.

Each share of stock entitles its registered owner to one (1) vote. In case of election of directors, cumulative voting as set out in page 3 of this Information Statement shall be adopted.

For all matters submitted for the approval of the stockholders, except for the election of directors, the stockholder has the option to vote: For, Against or Abstain. The vote is considered cast for all the stockholder's shares registered in his/her name.

For the election of directors, each shareholder is entitled to cumulate all his/her votes per common share and may (i) vote for all of the nominees, (ii) not vote for any nominee, or (iii) vote for some nominees only, in such number as he/she may see fit; provided that the total number of votes cast by the stockholder shall not exceed the number of shares registered in the stockholder's name in the books of the Company as of the record date above multiplied by the number of directors to be elected.

Votes by shareholders who do not intend to attend the 2022 ASM can only be cast through the ballots submitted by the shareholders by **May 20, 2022** to, and verified by, the Company, or through the Chairman of the meeting as proxy in proxies submitted to the Company by **May 20, 2022**. Ballots of shareholders who do not intend to attend the 2022 ASM must be received by the Corporate Secretary on or before **May 20, 2022** by email to [smb-asm@smb.sanmiguel.com.ph](mailto:smb-asm@smb.sanmiguel.com.ph) or by mail to Office of the Corporate Secretary, San Miguel Brewery Inc., 5/F, San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City.

Stockholders who have notified the Company of their intent to attend the 2022 ASM by remote communication by **May 26, 2022** and who have been validated by the Company as a stockholder of record as of **April 18, 2022** may cast their votes on the matters in the agenda up to **12:00 noon** on the date of the meeting, **May 31, 2022**, by filling out the ballot form which they can download through the link to be provided in the Company's website once they log in.

Counting of the votes/canvassing of ballots will be done by the Corporate Secretary or Assistant Corporate Secretary with the assistance of the Company's stock transfer agent.

## **FINANCIAL AND OTHER INFORMATION**

### **Brief Description of the General Nature and Business of the Company**

The Company and its subsidiaries, IBI and SMBIL and its subsidiaries ("SMBIL Group") (and together with BPI and its subsidiary, collectively, the "Group") are primarily engaged in the manufacture and sale of fermented and malt-based beverages, particularly beer of all kinds and classes, and non-alcoholic beverages such as ready-to-drink tea, ready-to-drink juice, water and carbonates. On March 16, 2021, the SEC approved the amendment of the Company's primary purpose or Article II of its Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products it is authorized to manufacture, sell or otherwise deal in. The said amendment was assented to in writing by stockholders representing more than two-thirds (2/3) of the Company's total outstanding capital stock.

The Company is a majority-owned subsidiary of SMFB, a leading food and beverage company in the Philippines and a subsidiary of SMC. The Company is the largest producer of beer in terms of both sales and volume in the Philippines with seven (7) production facilities strategically located across the Philippines and a highly developed distribution system serving approximately 500,000 on-premise, off-premise and e-premise outlets nationwide.

The Company was incorporated on July 26, 2007 as a wholly-owned subsidiary of SMC. Following the approval by the shareholders of SMC of the spin-off of the domestic beer business, all plant and equipment used in the domestic beer business were transferred to the Company in October 2007, while SMC retained ownership of the brands and land assets used in the domestic beer business.

SMC subsequently transferred certain of the brands used in the domestic beer business, including related trademarks, copyrights, patents, and other intellectual property rights and know-how, to IBI. On the other hand, certain of the said land assets, comprising the land on which all of the Company's production facilities (other than the Sta. Rosa, Laguna and Tagoloan, Misamis Oriental production facilities) and certain sales offices used by the Company for its domestic beer businesses, are located ("Land") were later transferred by SMC to BPI. BPI, the wholly-owned subsidiary of SMC, 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 BPI shares will be paid by the Company upon transfer by SMC of the remaining two (2) 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**”) and ₱15 billion (“**Series GH Bonds**”) to refinance the Series A Bonds and Series B Bonds of the Series ABC Bonds when these matured in April 2012 and 2014, respectively. The Series D Bonds of the Series DEF Bonds matured and were redeemed by the Company on April 3, 2017, while the Series C Bonds of the Series ABC Bonds and the Series E Bonds of the Series DEF Bonds were redeemed by the Company on April 3, 2019 and April 2, 2019, respectively. The Series G Bonds of the Series GH Bonds matured and were redeemed by the Company on April 5, 2021, and the Series F Bonds of the Series DEF Bonds were redeemed by the Company on April 4, 2022. The remaining outstanding bonds - Series H Bonds of the Series GH Bonds - are listed on the Philippine Dealing & Exchange Corp.

The Company’s common shares were listed on The Philippine Stock Exchange, Inc. (“**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%.

Meanwhile, 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 (1) brewery each in Hong Kong, Indonesia, Thailand, Vietnam and China. As of December 31, 2021, international operations account for 9.6% of the total revenues of the Group.

When the amended rules on minimum public ownership of PSE took effect on January 1, 2012 and the SEC denied all requests made (including the request of the Company) for the extension of the grace period for listed companies to comply with the minimum public ownership requirement, the Board of Directors of the Company approved the voluntary delisting of the Company’s common shares from the PSE on February 15, 2013. 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 to comply with the PSE requirements on voluntary delisting. A total of 51,425,799<sup>10</sup> common shares were tendered and accepted for payment and accordingly recorded as treasury shares. The common shares of the Company were delisted from the PSE effective May 15, 2013.

With the Company’s adoption of the strategy to expand into the manufacture, sale and distribution of non-alcoholic beverages, the Company sought the amendment of its primary purpose or Article II of the Company’s Amended Articles of Incorporation to include the non-alcoholic beverage business, which was assented to in writing by stockholders owning or representing at least two-thirds of the outstanding capital stock of the Company. The SEC approved the said amendment to the Company’s Amended Articles of Incorporation on March 11, 2015. The Company likewise obtained the consents of the majority of the holders of record of its Series C bonds and the Series DEF Bonds to amend the negative covenants under sections 7.2 (c) and (k) of the trust agreements covering the Series C Bonds and Series DEF Bonds (“**Series CDEF Bonds Trust Agreements**”), to align the same with the negative covenant under section 7.2 (c) of the trust agreement covering the Series GH Bonds (“**Series GH Bonds Trust Agreement**”) to allow the Company to engage, or amend its Articles of Incorporation to engage, in the business of manufacturing, selling, distributing, and/or dealing, in any and all kinds of beverage products. The supplemental agreements amending the Series CDEF Bonds Trust Agreements were executed by the Company and the respective trustees of the said bonds on February 2, 2015.

As its first venture into the non-alcoholic beverage business, the Company acquired the non-alcoholic beverage assets of GSMI in April 2015. With the acquisition of the GSMI assets, the Company commenced its manufacture, sale and distribution of the *Magnolia Purewater*, *Magnolia Healthtea* and *Magnolia Fruit Drink* products. The Company also launched its carbonated cola flavored soft drink, *San Mig Cola*,<sup>11</sup> in the Greater Manila Area and selected key cities nationwide in March 2017, and *Agua Prima* in sparkling water

<sup>10</sup> As of April 15, 2022, the Company has secured CARs for 48,777,899 common shares of the 51,425,799 common shares tendered and accepted by the Company in its tender offer.

<sup>11</sup> No production and sales since 2020.

and still water variants in returnable glass bottles in 2019, which was however discontinued in 2020. The Company launched *San Mig Free* as the first local zero-alcohol beer in the market in 2020, and *Red Horse Super*, the strongest locally-produced beer in the market, in 2021.

In November 2017, SMC announced its intention to undertake an internal restructuring and consolidation of its food and beverage businesses under SMFB (previously known as “San Miguel Pure Foods Company, Inc.”) (“**SMFB Consolidation**”) to unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel group through SMFB.

To allow the Company to remain under the effective control of SMC through SMFB in the implementation of the SMFB Consolidation (and thus ensure that the trust agreements covering the Company’s then outstanding bonds remain consistent with their original intended purpose), the Board of Directors of the Company approved the amendment in the change of control default provision under the trust agreements covering the Series C Bonds, Series E Bonds and Series F Bonds (“**Series CEF Bonds Trust Agreement**”) to align the same with the change of control default provision under the Series GH Bonds Trust Agreement (“**Change of Control Amendment**”) and the conduct of a solicitation of the consents of the majority of the of the holders of record of its Series C Bonds, Series E Bonds and Series F Bonds as of November 8, 2017 (“**Series CEF Record Bondholders**”) to the Change of Control Amendment. Under the Series GH Bonds Trust Agreement, a change in control of the Company occurs when SMC ceases to have the ability to consolidate the Company as a subsidiary in its consolidated financial statements in accordance with the accounting principles and standards applicable to SMC then in effect. The Company obtained the consents of Series CEF Record Bondholders to the Change of Control Amendment, and the supplemental agreements amending the Series CEF Bonds Trust Agreement to reflect the Change of Control Amendment were executed by the Company and the respective trustees of the said bonds on December 19, 2017.

Meanwhile, SMC completed the SMFB Consolidation in June 2018 pursuant to which SMC transferred all its shares in the Company to SMFB, thereby resulting in the Company becoming a subsidiary of SMFB.

In March 2020, the shareholders of San Miguel (Baoding) Brewery Co., Ltd. (“**SMBB**”) in North China approved the cessation of operations and the dissolution of SMBB. The decision was reached owing to SMBB’s sustained losses amidst a tough competitive environment, and proved beneficial as the SMBIL Group’s overall profitability improved since the closure. SMBB is currently undergoing liquidation.

Meanwhile, Guangzhou San Miguel Brewery Co. Ltd. (“**GSMB**”) in South China ceased operations following the approval by its shareholders of the dissolution of the company upon the expiry of its business term in November 2020 in accordance with its articles of association and the joint venture contract for GSMB. As a result, the selling and distribution of the San Miguel brands in South China were undertaken by San Miguel (Guangdong) Brewery Co., Ltd., another subsidiary of the Group in the People’s Republic of China. GSMB is currently undergoing liquidation.

The developments in the Group in 2021 are also discussed in the Group’s Management Discussion and Analysis as of December 31, 2021 attached hereto as **Annex “C”**, and in Notes 1, 2, 18, 20, 27 and 34 of the Group’s 2021 Audited Consolidated Financial Statements attached hereto as **Annex “B.”**

## **Financial Statements**

The Audited Consolidated Financial Statements of the Group as of December 31, 2021, including the Company’s Statement of Management’s Responsibility, are attached hereto as **Annex “B”** and have been made available by the Company at the Company’s website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph). The Supplementary Schedules required by SRC Rule 68, as amended, Annex 68-J (with the external auditor’s covering opinion on the Supplementary Schedules under Annex 68-J and Map of the group of companies to which the Company belongs) and the Schedule on the aging of receivables as of December 31, 2021 are attached as **Annex “D.”**

The following supplementary information required by the SEC under SRC Rule 68, as amended, are annexed to this Information Statement as follows:

- (a) Reconciliation of Retained Earnings Available for Dividend Declaration, with the external auditor’s covering opinion (**Annex “E-1”**)
- (b) Map of the group of companies within which the Company belongs (**Annex “E-2”**)

(c) Schedule of indicators of financial soundness (**Annex “E-3”**)

The Company’s interim and unaudited financial statements for the quarter ending March 31, 2022 are attached as **Annex “F”** and are likewise available at the Company’s website.

**Management’s Discussion and Analysis or Plan of Operation**

The Management’s Discussion and Analysis or Plan of Operation of the Company as of December 31, 2021 is attached hereto as **Annex “C”**, and has been made available by the Company at the Company’s website, [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph).

The Management’s Discussion and Analysis or Plan of Operation of the Company for the quarter ending March 31, 2022 is attached hereto as **Annex “F”** and is likewise available at the Company’s website.

**Independent Public Accountants**

The stockholders approve the appointment of the Company’s external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

The accounting firm of R.G. Manabat & Co. (“**R.G. Manabat**”) served as the Company’s external auditors for the last fiscal year. Representatives of R.G. Manabat are expected to be present at the 2022 ASM and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire. A different signing partner of R.G. Manabat handled the Company’s accounts beginning fiscal year 2020. The Board of Directors will again nominate R.G. Manabat for re-appointment this fiscal year 2022.

**Audit and Audit Related Fees**

Fees for the services rendered by the external auditor to the Company for the last (2) fiscal years are as follows:

*(in millions, approximate and value added tax exclusive)*

	Audit Fees	Tax Fees	All Other Fees
2021	₱ 7.70	-	-
2020	₱ 6.88	-	-

**Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

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

**Market Price of and Dividends on the Company’s Common Equity and Related Stockholder Matters**

The Company’s common equity is not traded in any exchange. On May 15, 2013, the Company’s common equity 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 April 15, 2022 is 1,039.<sup>12</sup> The top 20 stockholders<sup>a</sup> of record as of April 15, 2022 is as follows:

	Stockholder Name	Common Shares	% to O/S <sup>b</sup>
1	San Miguel Food and Beverage, Inc. ....	7,859,319,270 <sup>c</sup>	51.162
2	Kirin Holdings Company, Limited ....	7,456,859,880 <sup>d</sup>	48.542
3	San Miguel Brewery Inc. Retirement Plan ....	28,549,900	0.186
4	San Miguel Corporation Retirement Plan ....	5,085,800	0.033
5	Q-Tech Alliance Holdings, Inc. ....	2,852,900	0.019

<sup>12</sup> Includes shareholders who tendered their shares but whose CARs have not been issued by Bureau of Internal Revenue as of April 15, 2022.

	<b>Stockholder Name</b>	<b>Common Shares</b>	<b>% to O/S<sup>b</sup></b>
6	Angel D. R. Arceo .....	312,000	0.002
7	PCD Nominee Corporation (Non-Filipino) .....	259,800	0.002
8	Jeanie C. Mendoza .....	170,000	0.001
9	Joaquin Tan Dee and/or Leticia Dy Dee and/or Angela Dee Cruz .....	150,000	0.001
10	Mary Iris Ang Tan or Thomas Ang Tan ITF Samantha Louise Ang Tan .....	139,100	0.001
11	Mary Iris Ang Tan or Thomas Ang Tan ITF David Ian Ang Tan .....	139,000	0.001
12	Mary Iris Ang Tan or Thomas Ang Tan ITF Matthew Ryan Ang Tan .....	139,000	0.001
13	Corazon M. Cruz .....	125,000	0.001
14	Celso E. Abastillas and/or Evangeline D. Abastillas .....	94,000	0.001
15	Wilson Chua and/or Elizabeth and/or Wilynda Chua .....	93,100	0.001
16	Joaquin Dee and/or Leticia and/or Angela .....	80,000	0.001
17	PCD Nominee (Filipino) .....	64,200	0.0004
18	Angelica Santiago .....	62,500	0.0004
19	Dindo T. Varela .....	62,000	0.0004
20	Rule Marketing, Inc. ....	62,000	0.0004

<sup>a</sup> Excludes shareholders who have tendered their shares but whose respective CARs are pending from the Bureau of Internal Revenue

<sup>b</sup> Percentage is based on Company's issued and outstanding capital stock as of April 15, 2022, including shares which have been tendered but whose CARs are pending issuance by the Bureau of Internal Revenue as of April 15, 2022.

<sup>c</sup> Excludes the common shares each held by its nominees

<sup>d</sup> Excludes the common shares each held by its nominees

Cash dividends declared per share amounted to ₱1.00 and ₱1.00 in 2021 and 2020, respectively. The Company shall be prevented from declaring or paying dividends in cases of an event of default under the trust agreement covering its outstanding Series H Bonds which was entered into in connection with its bond offering in 2014, and the agreements covering the long-term debts of the Company, or if such declaration or payment would result in an event of default under such agreements.

Under the dividend policy of the Company, common shareholders will receive annual cash dividends equivalent to 100% of the prior year's recurring net income calculated without respect to extraordinary events that are 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, acquisitions, appropriate reserves and working capital, among others, and subject to the applicable provisions of the Revised Corporation Code.

There were no securities sold by the Company since its incorporation in 2007 which were not registered under the Securities Regulation Code or exempt securities (including issuance of securities constituting an exempt transaction), other than the (i) subscription by SMC to 250,000 common shares (then with a par value of ₱100.00 per common share) prior to the incorporation of the Company to comply with the requirements under the Revised Corporation Code as to the percentage of the capital stock of a corporation which should be subscribed before it can be registered with the SEC (SRC Section 10.1 (i)); (ii) the issuance of a total of 15,308,416,960 common shares, comprising of 75,000,000 common shares from its unissued authorized capital stock and 15,233,416,960 common shares from the increase in its authorized capital stock, in exchange for the net assets of the domestic beer business of SMC with a net book value equivalent to ₱15,308,416,960.00 (SRC Section 10.1 (e)); (iii) issuance of 5,000 common shares to each of the independent directors of the Company (SRC Section 10.1 (c)); (iv) initial public offering of its common shares in April-May 2008; and (v) issuance of the Series ABC Bonds in the aggregate principal amount of ₱38.8 billion in April 2009, the Series DEF Bonds in the aggregate principal amount of ₱20.0 billion in April 2012, and the Series GH Bonds in the aggregate principal amount of ₱15.0 billion in April 2014 pursuant to registration statements rendered effective and permits to sell issued by the SEC dated March 17, 2009, March 16, 2012 and March 17, 2014, respectively.

### **Compliance with leading practice on Corporate Governance**

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top-level management with its Manual on Corporate Governance is vested by the Board of Directors in the Compliance Officer. The Chairman of the Board of Directors has designated Atty. Rosabel Socorro T. Balan as Compliance Officer of the Company. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual on Corporate Governance and ensuring adherence to corporate principles and best practices.

The SEC issued Memorandum Circular No. 13, series of 2021 requiring the submission of an Annual Corporate Governance Report for Public Companies and Registered Issuers (“ACGR”) on or before every June 30th to facilitate the disclosure of these companies’ compliance with the CG Code for Public Companies and Registered Issuers. The first ACGR shall cover relevant information from January to December 2021. With the ACGR requirement, public companies and registered issuers such as the Company are no longer required to submit the annual certification by the Compliance Officer of the Company’s compliance with the CG Code for Public Companies and Registered Issuers pursuant to the said Memorandum Circular.

To aid the Board of Directors in complying with the principles of good corporate governance, the Board of Directors constituted the Executive, Audit, Governance and Nomination, and Executive Compensation Committees. Each of the Audit, Governance and Nomination, and Executive Compensation Committees has adopted its own charter that sets out its role, authority, duties and responsibilities, and the procedures which guide the conduct of its functions. Pursuant to the Company’s Manual on Corporate Governance, the Board also adopted the Charter of the Board of Directors of the Company on December 4, 2020. The Company’s Charter of the Board of Directors sets out the composition, structure, qualifications, duties and responsibilities, liabilities and processes of the Company’s Board and serves as a guide to the Board in the conduct of its functions.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures in order to ensure that such policies and procedures are consistent with leading practices on good corporate governance.

### **UNDERTAKING**

The Company undertakes to post the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including the Audited Consolidated Financial Statements of the Group as of December 31, 2021 and interim and unaudited financial statements of the Group for the quarter ended March 31, 2022, and Management Discussion and Analysis of the results of operations and financial condition as of December 31, 2021 and March 31, 2022 on the Investors/Disclosures/Stockholders Meeting/Definitive Information Statement section of the Company’s website [www.sanmiguelbrewery.com.ph](http://www.sanmiguelbrewery.com.ph) upon approval of this Information Statement by the SEC.

Upon the written request of the stockholder and when circumstances permit, the Company undertakes to furnish such stockholder with a copy of this Information Statement and its SEC Form 17-A free of charge. Such written request shall be directed to the Office of the Corporate Secretary, 5/F San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and behalf, I certify that the information set forth in this report is true, complete and correct in all material respects. This report is signed on April 29, 2022.

**SAN MIGUEL BREWERY INC.**

By:



**ROSABEL SOCORRO T. BALAN**  
Vice President, General Counsel,  
Corporate Secretary and Compliance Officer

## **ANNEX A-1**

**Certification of qualification: Reynato S. Puno**

CERTIFICATION OF INDEPENDENT DIRECTOR

I, REYNATO S. PUNO, Filipino, of legal age and a resident of No. 13 Julius Street, Don Jose Heights, Commonwealth Avenue, Quezon City, after having been duly sworn to in accordance with law, do hereby declare that:

- 1. I am a nominee for Independent Director of SAN MIGUEL BREWERY INC. and have been its independent director since November 5, 2021.
2. I am affiliated with the following companies or organizations:

Table with 3 columns: COMPANY/ORGANIZATION, POSITION/RELATIONS, PERIOD OF SERVICE. Row 1: Please see attached Annex A

- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SAN MIGUEL BREWERY INC., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. Other than as disclosed in item 2 above, I am not related to any director/officer/substantial shareholder of SAN MIGUEL BREWERY INC. and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am neither in government service nor affiliated with a government agency or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of SAN MIGUEL BREWERY INC. of any changes in the abovementioned information within five days from its occurrence.

Done this \_\_\_\_\_ day of \_\_\_\_\_, 2022 at \_\_\_\_\_

Handwritten signature of Reynato S. Puno
REYNATO S. PUNO

MAR 07 2022

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2022 in MANDALUYONG CITY, affiant personally appeared before me and exhibited to me his PHILIPPINE PASSPORT P71953368 issued at DFA MANILA on 14 JULY 2021.

Doc. No. 166;
Page No. 35;
Book No. I;
Series of 2022.

ROMMEL NAPOLEON M. LUMIBAO
Commission No. 0251-19
Notary Public for Mandaluyong City
Until June 30, 2022
SMB, 40 San Miguel Ave., Mandaluyong City
Roll No. 45954
MCLE No. VI-0021354 / 3-28-19
PTR No. 4536954 / 01-06-2021, Mandaluyong City
IBP Lifetime Member No. 09448, 01-04-11, Quezon City

**Annex "A"**

<b>COMPANY/ORGANIZATION</b>	<b>POSITION/RELATIONS</b>	<b>PERIOD OF SERVICE</b>
San Miguel Corporation	Independent Director	2011-present
Environmental Heroes Foundation	Chairman	2013-present
GMA Kapuso Foundation	Member Vice Chairman	2013-present 2018-present
San Miguel Brewery Hong Kong Ltd.	Independent Director	2012-present
PT Delta Djakarta, Tbk	Independent Commissioner	2013-present
The New Standard newspaper	Member of the Board of Directors	2014-present
GenWatt Solar Energy Solutions (Philippines)	Chairman	2021-present
Permanent Court of Arbitration in Hague	Member	2017-present
World Vision Development Foundation, Inc.	Member of the Board	2012-present <i>(Chairman 2018-2020)</i>
Board of Regents, Manuel L. Quezon University	Member	2017-present
<b>PREVIOUS COMPANY/ORGANIZATION</b>	<b>PREVIOUS POSITION/RELATIONSHIP</b>	<b>PERIOD OF SERVICE</b>
Union Bank of the Philippines	Independent Director	2012 – May 2021
Board of Regents, University of the Philippines	Member	2016-2018
Consultative Committee to revise the 1987 Constitution of the Philippines	Chairman	January -July 2018
Philippine Bible Society	Chairman	2012-2018
Gerry Roxas Foundation	Member, Board of Trustees	2013-2017
Marcventure Mining and Development Corporation	Independent Director	2015-2017
Supreme Court of the Philippines	Former Chief Justice of the Supreme Court	December 6, 2006, Retired, May 17, 2010
Presidential Electoral Tribunal	Former Chairman	2007-2010
First, Second and Third Division of the Supreme Court	Former Justice	1993-2007

## **ANNEX A-2**

**Certification of qualification: Alonzo Q. Ancheta**

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **ALONZO Q. ANCHETA**, Filipino, of legal age and a resident of **No. 7 Crestline Drive Blueridge A, Quezon City**, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of SAN MIGUEL BREWERY INC. and have been its independent director since April 30, 2009.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONS	PERIOD OF SERVICE
Please see attached Annex A		


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SAN MIGUEL BREWERY INC., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. Other than as disclosed in item 2 above, I am not related to any director/officer/substantial shareholder of SAN MIGUEL BREWERY INC. and its subsidiaries and affiliates.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not in government service or affiliated with a government agency or government-owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of SAN MIGUEL BREWERY INC. of any changes in the abovementioned information within five days from its occurrence.

Done this 02 MAR 2022 day of \_\_\_\_\_, 2022.

  
 \_\_\_\_\_  
**ALONZO Q. ANCHETA**

SUBSCRIBED AND SWORN to before me this 02 MAR 2022 day of \_\_\_\_\_, 2022 in MANDALUYONG CITY, affiant personally appeared before me and exhibited to me his PHIL PASSPORT P397111A issued at DFA NCR EAST on 9 AUGUST 2017.

Doc. No. 52 ;  
 Page No. 12 ;  
 Book No. 10 ;  
 Series of 2022.

  
**ATTY. ENRIQUE S. MADARANG**  
 Notary Public for MANDALUYONG CITY  
 APPT. NO. 0311-20 / EXTENDED UNTIL JUNE 30, 2022  
 ROLL NO. 27119  
 PTR NO. 4802931 / 04-JAN-2022 / MAND.CITY  
 IBP LIFETIME MEMBER NO. 00734 / QUEZON CITY  
 MCLE Compliance No. VI - 0021893/ Until 04-14-22  
 SUITES 1008-1010- PARAGON PLAZA BLDG.  
 EDSSA COR. RELIANCE ST. MAND. CITY, 1550

**PROFILE OF  
ALONZO Q. ANCHETA**

Birthday : October 30, 1932  
Birthplace : Sta. Maria, Ilocos Sur

Educational Background:

1950-1957 The University of Manila  
Bachelor of Arts (magna cum laude – 1953)  
Bachelor of Laws (cum laude - 1957) AB, LLB  
Sampaloc, Manila

Profession: Lawyer (A.B., LL.B)

Admitted to Philippine Bar – February 1958

Practice Areas: Intellectual Property law and Commercial/Corporate law/Family law/  
Estates and Succession

President: Zobella & Co. (A.Q. Ancheta & Partners): Trademark & Patent Attorneys/  
Lawyers

1009 Paragon Plaza, 162 EDSA cor. Reliance Street  
Mandaluyong City 1550

Philippines

Tel. : (63-2) 8687-7871 to 73

Fax : (63-2) 8687-2557

E-mail: [aqancheta@zobella.com.ph](mailto:aqancheta@zobella.com.ph)

Co-Founding Partner/Sr. Adviser: Quasha Law (formerly Quasha Ancheta Peña &  
Nolasco Law Offices)  
Makati City, Philippines

Organizational Memberships/Affiliations:

- Philippine Bar Association (3<sup>rd</sup> Vice-Pres., 2003-2004)
- Intellectual Property Association of the Philippines (President, 1984-1985  
Chairman, 1985-1987; Council Adviser, 1988-present)
- Legal Management Council of the Philippines (President, 2000-2001)
- Asian Patent Attorneys Association (Council Member, 1983-1997; Vice-  
President, 1991-1994 and 1997-2000; Senior Vice-Pres., 2000-2003  
and 2003-2006; President, 2006-2009; Honorary President 2021-present)
- International Trademark Association (INTA)
- Licensing Executives Society International (President, LES Philippines,  
2000 & 2001)
- LAWASIA, Vice President International, 2017 – Present

- ASEAN Law Association (Philippine National Committee, 1986-2018; Vice-Chair, 2001-2018)
- ASEAN Intellectual Property Association
- American Chamber of Commerce of the Philippines
- Canadian Chamber of Commerce of the Philippines
- Philippine American Guardian Association
- Philippine-Japan Economic Committee (Philjec)
- Philippines-Japan Society, Inc.
- Rotary Club of Marikina (President, 1979-1980)
- Jaycees International (Senator)
- For Love of Mother Earth, Inc. (Waste Management NGO)

Present Business/Corporate Links:

- St. Luke's Medical Center - Member, Board of Trustees
- Ogilvy & Mather Philippines, Inc. - Chairman & President
- Grove Investments Ltd. - President
- PTFC Redevelopment Corporation - Independent Director
- San Miguel Brewery, Inc./  
San Miguel Brewery Hong Kong Ltd. - Independent Director

Philippine Government Service:

- National Tobacco Administration - Administrator, 1987-1990

## **ANNEX B**

### **Statement of Management's Responsibility Audited Consolidated Financial Statements**



# SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Food and Beverage, Inc.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **San Miguel Brewery Inc.** (the "**Company**"), is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Ramon S. Ang**  
Chairman of the Board

**Roberto N. Huang**  
President

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

Signed this 8<sup>th</sup> day of March 2022

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

day of **MAR 08 2022** 2022, affiant

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

Passport No.  
P2247867B  
P6165517B  
P4074704A

Expiry Date/Place of Issue  
May 21, 2029/Manila  
January 24, 2031/DFA NCR East  
August 18, 2022/Manila

Doc. No. 371;  
Page No. 76;  
Book No. II;  
Series of 2022.



NOTARY PUBLIC

**KATRINA MICHELLE F. MANCAO**

Commission No. 0480-19

Notary Public for Mandaluyong City

Until June 30, 2022

SMB, 40 San Miguel Ave., Mandaluyong City

Roli No. 62126

MCLE No. VI-0018655 / 2 -18-19

PTR No. 4536959 / 01-06-2021, Mandaluyong City

IBP Member No. 151340,, 1-14-21, RSM

# **SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**

(A Subsidiary of San Miguel Food and Beverage, Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2021, 2020 and 2019**

With Independent Auditors' Report



R.G. Manabat & Co.  
The KPMG Center, 6/F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet [www.home.kpmg/ph](http://www.home.kpmg/ph)  
Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## REPORT OF INDEPENDENT AUDITORS

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

### *Opinion*

We have audited the consolidated financial statements of San Miguel Brewery Inc. and its Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Impairment of Trademarks and Brand names (P33,606 million)*

Refer to Note 15 to the consolidated financial statements.

#### *The risk*

The Group has assessed that the trademarks and brand names have indefinite useful lives in view of the fact that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group. Trademarks and brand names represent 23.21% of the consolidated total assets of the Group. As required by Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, impairment testing is required annually for intangible assets with indefinite useful lives, irrespective of whether there is an indication that the related assets may be impaired.

Accordingly, we focused on this area because of the subjectivity and complexity of determining the recoverable amounts which involve significant estimation uncertainty. As a result, we assessed that the impairment testing is a key audit matter.

#### *Our response*

Our audit work included an evaluation and assessment of the methodology applied in the impairment review in accordance with PAS 36. We have updated our understanding of the management forecasting process and the calculation of value in use of trademarks and brand names. We evaluated the appropriateness of forecast cash flows by comparing them with the latest budgets approved by the Board of Directors. We considered the historical accuracy of management's forecasts by comparing prior year forecasts to actual results. We challenged the key assumptions for long-term growth rates in the forecasts by comparing them with historical results, economic and industry forecasts; and the discount rate used in calculating the weighted average cost of capital using market comparable information. We have involved our own valuation specialists in the evaluation of these key assumptions. We have performed range of sensitivity analysis to assess the impact of reasonably possible changes in key assumptions used by management. We have also assessed the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.



*Revenue Recognition (P116,286 million)*

Refer to Note 3 to the consolidated financial statements.

*The risk*

The Group's revenue is mainly generated from selling and distribution of fermented, malt-based and non-alcoholic beverages. Significant risk of misstatement is associated with the sale and distribution operations of the Group. The said nature of the Group's operations poses a risk that revenue recognized may be inconsistent with the requirements of PFRS 15, *Revenue from Contracts with Customers*, since there is a timing difference between recording the transaction and transfer of control to the customers. Revenue may be inappropriately recognized in order to improve business results and achieve capital and revenue growths in line with the objectives of the Group. Moreover, due to the materiality of revenue in the consolidated financial statements, it is deemed as one of our key audit matters.

*Our response*

Our audit work included evaluation and assessment of the revenue recognition policies of the Group in accordance with PFRS 15. We have identified and assessed key controls over the revenue process. We have also involved our Information Technology (IT) audit specialists to assist in the audit of automated controls, including interface controls between different IT applications for the evaluation of relevant IT systems and in testing the design and operating effectiveness of controls over the recording of revenue transactions. We tested sales throughout the period by selecting sample of transactions to ascertain that it met the revenue recognition criteria. We examined and traced sales transaction to source documentation to ensure propriety of recording. We tested journal entries posted to revenue accounts to identify unusual or irregular items. We performed cut-off testing to check whether transactions were recorded in the appropriate accounting period. In addition, a combination of third party confirmations and testing of subsequent collections of receivables were conducted. We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



## *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about these matters or when, in extremely rare circumstances, we determine these matters should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Maria Arleene C. Yu.

**R.G. MANABAT & CO.**



MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 225-068-761

BIR Accreditation No. 08-001987-041-2020

Issued December 22, 2020, valid until December 21, 2023

PTR No. MKT 8854089

Issued January 3, 2022 at Makati City

March 18, 2022

Makati City, Metro Manila

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**(A Subsidiary of San Miguel Food and Beverage, Inc.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In Millions)

		December 31	
	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 7, 32, 33	P26,863	P24,185
Trade and other receivables - net	4, 8, 28, 32, 33	7,977	5,662
Inventories - net	9	3,171	2,938
Prepaid expenses and other current assets	10, 28, 32, 33	1,474	2,161
<b>Total Current Assets</b>		<b>39,485</b>	<b>34,946</b>
<b>Noncurrent Assets</b>			
Financial assets at fair value through other comprehensive income	11, 32, 33	5,137	4,837
Property, plant and equipment - net	4, 12	31,444	30,189
Right-of-use assets - net	4, 13	1,913	1,898
Investment property - net	4, 14	2,206	1,768
Intangible assets - net	4, 15	35,631	35,638
Deferred tax assets	6, 19	618	918
Other noncurrent assets - net	4, 16, 28, 30, 32, 33	28,380	28,256
<b>Total Noncurrent Assets</b>		<b>105,329</b>	<b>103,504</b>
		<b>P144,814</b>	<b>P138,450</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	17, 28, 32, 33	P17,098	P16,023
Lease liabilities - current portion	28, 29, 32, 33	186	190
Income and other taxes payable	6, 19	3,718	4,034
Current maturities of long-term debt - net of debt issue costs	6, 18, 32, 33	7,015	12,456
<b>Total Current Liabilities</b>		<b>28,017</b>	<b>32,703</b>
<b>Noncurrent Liabilities</b>			
Long-term debt - net of debt issue costs	6, 18, 32, 33	24,373	19,455
Lease liabilities - net of current portion	28, 29, 32, 33	1,101	1,073
Other noncurrent liabilities	28, 30	202	214
<b>Total Noncurrent Liabilities</b>		<b>25,676</b>	<b>20,742</b>
<b>Total Liabilities</b>		<b>53,693</b>	<b>53,445</b>

Forward

		December 31	
	Note	2021	2020
<b>Equity</b>	20		
<b>Equity Attributable to Equity Holders of the Company</b>			
Capital stock		P15,410	P15,410
Additional paid-in capital		515	515
Equity reserves		(224)	(1,292)
Retained earnings:			
Appropriated		36,311	36,970
Unappropriated		36,417	31,091
Treasury stock		(1,029)	(1,029)
		<b>87,400</b>	<b>81,665</b>
<b>Non-controlling Interests</b>	2, 5	<b>3,721</b>	<b>3,340</b>
<b>Total Equity</b>		<b>91,121</b>	<b>85,005</b>
		<b>P144,814</b>	<b>P138,450</b>

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**(A Subsidiary of San Miguel Food and Beverage, Inc.)**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
(In Millions, Except Per Share Data)

	<i>Note</i>	2021	2020	2019
<b>SALES</b>	6, 28	<b>P116,286</b>	P107,928	P142,272
<b>COST OF SALES</b>	21	<b>71,392</b>	65,875	79,591
<b>GROSS PROFIT</b>		<b>44,894</b>	42,053	62,681
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	22	<b>(17,979)</b>	(17,586)	(23,961)
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	6, 18, 25, 29	<b>(1,778)</b>	(2,098)	(1,706)
<b>IMPAIRMENT LOSS ON NONCURRENT ASSETS</b>	6, 27	-	-	(903)
<b>INTEREST INCOME</b>	6, 7	<b>251</b>	539	1,020
<b>OTHER INCOME - Net</b>	6, 11, 26	<b>765</b>	1,635	1,635
<b>INCOME BEFORE INCOME TAX</b>		<b>26,153</b>	24,543	38,766
<b>INCOME TAX EXPENSE</b>	6, 19	<b>5,704</b>	7,088	11,481
<b>NET INCOME</b>	6	<b>P20,449</b>	P17,455	P27,285
<b>Attributable to:</b>				
Equity holders of the Company	6	<b>20,029</b>	17,161	P26,720
Non-controlling interests	6	<b>420</b>	294	565
		<b>P20,449</b>	P17,455	P27,285
<b>Basic and Diluted Earnings Per Share</b>	31	<b>P1.30</b>	P1.12	P1.74

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**(A Subsidiary of San Miguel Food and Beverage, Inc.)**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019**  
(In Millions)

	<i>Note</i>	2021	2020	2019
<b>NET INCOME</b>		<b>P20,449</b>	P17,455	P27,285
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that will not be reclassified to profit or loss</b>				
Equity reserve for retirement plan and others	30	812	404	(129)
Income tax	19	(299)	(111)	49
		<b>513</b>	293	(80)
<b>Item that will be reclassified to profit or loss</b>				
Gain (loss) on exchange differences on translation of foreign operations - net of tax		<b>824</b>	(1,174)	(340)
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax</b>		<b>1,337</b>	(881)	(420)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P21,786</b>	P16,574	P26,865
<b>Attributable to:</b>				
Equity holders of the Company		<b>P21,097</b>	P16,462	P26,404
Non-controlling interests		<b>689</b>	112	461
		<b>P21,786</b>	P16,574	P26,865

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**(A Subsidiary of San Miguel Food and Beverage, Inc.)**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
(In Millions)

	Equity Attributable to Equity Holders of the Company											
	Note	Equity Reserves					Retained Earnings			Total	Non-controlling Interests	Total Equity
		Capital Stock (Note 20)	Additional Paid-in Capital	Reserve for Retirement Plan	Fair Value Reserve	Cumulative Translation Adjustments Reserve	Appropriated (Note 20)	Unappropriated (Note 20)	Treasury Stock			
<b>As of December 31, 2020</b>		P15,410	P515	(P1,460)	(P3)	P171	P36,970	P31,091	(P1,029)	P81,665	P3,340	P85,005
Net income		-	-	-	-	-	-	20,029	-	20,029	420	20,449
Other comprehensive income:												
Gain on exchange differences on translation of foreign operations - net of tax		-	-	-	1	566	-	-	-	567	257	824
Equity reserve for retirement plan - net of tax		-	-	501	-	-	-	-	-	501	12	513
Total comprehensive income		-	-	501	1	566	-	20,029	-	21,097	689	21,786
Cash dividends		-	-	-	-	-	-	(15,362)	-	(15,362)	(308)	(15,670)
Appropriation		-	-	-	-	-	16,211	(16,211)	-	-	-	-
Reversal of appropriation		-	-	-	-	-	(16,870)	16,870	-	-	-	-
<b>As of December 31, 2021</b>		P15,410	P515	(P959)	(P2)	P737	P36,311	P36,417	(P1,029)	P87,400	P3,721	P91,121

Forward

	Equity Attributable to Equity Holders of the Company											
	Note	Capital Stock (Note 20)	Additional Paid-in Capital	Equity Reserves			Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
				Reserve for Retirement Plan	Fair Value Reserve	Cumulative Translation Adjustments Reserve	Appropriated (Note 20)	Unappropriated (Note 20)				
As of December 31, 2019		P15,410	P515	(P1,744)	P -	P1,151	P25,752	P40,510	(P1,029)	P80,565	P3,667	P84,232
Net income		-	-	-	-	-	-	17,161	-	17,161	294	17,455
Other comprehensive income (loss):												
Loss on exchange differences on translation of foreign operations - net of tax		-	-	-	(3)	(980)	-	-	-	(983)	(191)	(1,174)
Equity reserve for retirement plan - net of tax	30	-	-	284	-	-	-	-	-	284	9	293
Total comprehensive income (loss)		-	-	284	(3)	(980)	-	17,161	-	16,462	112	16,574
Cash dividends	20	-	-	-	-	-	-	(15,362)	-	(15,362)	(439)	(15,801)
Appropriation	20	-	-	-	-	-	17,000	(17,000)	-	-	-	-
Reversal of appropriation	20	-	-	-	-	-	(5,782)	5,782	-	-	-	-
As of December 31, 2020		P15,410	P515	(P1,460)	(P3)	P171	P36,970	P31,091	(P1,029)	P81,665	P3,340	P85,005

Forward

Equity Attributable to Equity Holders of the Company												
	Note	Equity Reserves					Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
		Capital Stock (Note 20)	Additional Paid-in Capital	Reserve for Retirement Plan	Fair Value Reserve	Cumulative Translation Adjustments Reserve	Appropriated (Note 20)	Unappropriated (Note 20)				
As of December 31, 2018		P15,410	P515	(P1,650)	P1	P1,372	P26,610	P28,293	(P1,029)	P69,522	P3,401	P72,923
Net income		-	-	-	-	-	-	26,720	-	26,720	565	27,285
Other comprehensive income (loss):												
Loss on exchange differences on translation of foreign operations - net of tax		-	-	-	(1)	(221)	-	-	-	(222)	(118)	(340)
Equity reserve for retirement plan - net of tax	30	-	-	(94)	-	-	-	-	-	(94)	14	(80)
Total comprehensive income (loss)		-	-	(94)	(1)	(221)	-	26,720	-	26,404	461	26,865
Additions to noncontrolling interests	28	-	-	-	-	-	-	-	-	-	390	390
Cash dividends	20	-	-	-	-	-	-	(15,361)	-	(15,361)	(585)	(15,946)
Appropriation	20	-	-	-	-	-	19,962	(19,962)	-	-	-	-
Reversal of appropriation	20	-	-	-	-	-	(20,820)	20,820	-	-	-	-
As of December 31, 2019		P15,410	P515	(P1,744)	P -	P1,151	P25,752	P40,510	(P1,029)	P80,565	P3,667	P84,232

See Notes to the Consolidated Financial Statements.

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**(A Subsidiary of San Miguel Food and Beverage, Inc.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020, AND 2019**  
(In Millions)

	<i>Note</i>	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>P26,153</b>	P24,543	P38,766
Adjustments for:				
Depreciation, amortization and others	23	<b>5,083</b>	4,543	4,720
Interest expense and other financing charges	18, 25	<b>1,778</b>	2,098	1,706
Provision for impairment losses on receivables and inventories - net	8, 9, 16	<b>800</b>	860	630
Retirement costs	30	<b>540</b>	573	528
Loss (gain) on sale of property and equipment, investments and investment property - net	26	<b>(185)</b>	20	(7)
Dividend income		<b>(123)</b>	-	-
Impairment loss on noncurrent assets	27	-	-	903
Interest income	7	<b>(251)</b>	(539)	(1,020)
Operating income before working capital changes		<b>33,795</b>	32,098	46,226
Decrease (increase) in:				
Trade and other receivables		<b>(2,268)</b>	663	(1,699)
Inventories		<b>(279)</b>	(58)	659
Prepaid expenses and other current assets		<b>977</b>	2,266	(1,966)
Increase (decrease) in:				
Accounts payable and accrued expenses		<b>143</b>	(1,506)	2,299
Other taxes payable		<b>64</b>	157	112
Other noncurrent liabilities		<b>(4)</b>	-	10
Cash generated from operations		<b>32,428</b>	33,620	45,641
Income taxes paid		<b>(5,764)</b>	(7,689)	(10,665)
Interest paid	18	<b>(1,808)</b>	(1,794)	(1,747)
Contributions paid to the retirement plan	30	<b>(413)</b>	(541)	(648)
Net cash flows provided by operating activities		<b>24,443</b>	23,596	32,581

*Forward*

	Note	2021	2020	2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received		P251	P555	P1,066
Dividends received		123	-	-
Proceeds from sale of:				
Property and equipment		208	7	18
Increase in intangible assets and other noncurrent assets		(3,581)	(3,540)	(9,173)
Additions to:				
Property, plant and equipment	6, 12	(2,684)	(5,243)	(6,769)
Financial asset at fair value through other comprehensive income	11	-	(4,850)	-
Investment property	14	-	(68)	(27)
Net cash flows used in investing activities		(5,683)	(13,139)	(14,885)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from long-term debt - net of debt issue costs		11,910	-	9,925
Additions to non-controlling interest		-	-	90
Payments of:				
Cash dividends	20	(15,358)	(15,358)	(15,359)
Lease liability	29	(308)	(315)	(526)
Loan payable	18	-	-	(500)
Dividends to non-controlling shareholders		(306)	(439)	(582)
Long-term debt	18	(12,478)	-	(12,810)
Net cash flows used in financing activities		(16,540)	(16,112)	(19,762)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>458</b>	<b>(611)</b>	<b>(371)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,678</b>	<b>(6,266)</b>	<b>(2,437)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>24,185</b>	<b>30,451</b>	<b>32,888</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>7</b>	<b>P26,863</b>	<b>P24,185</b>	<b>P30,451</b>

See Notes to the Consolidated Financial Statements.

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**(A Subsidiary of San Miguel Food and Beverage, Inc.)**

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

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**1. Reporting Entity**

San Miguel Brewery Inc. (SMB or the Company) was incorporated in the Philippines 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 Company is a public company under Section 17.2 of the Securities Regulation Code and its Peso-denominated fixed rate bonds issued in 2012 and 2014 are listed on the Philippine Dealing & Exchange Corp. (PDEX).

The Group is primarily engaged in manufacturing, selling and distribution of fermented and malt-based beverages, and non-alcoholic beverages. Under its Amended Articles of Incorporation, the Company is authorized to engage in the manufacturing, selling and distribution of fermented and malt-based beverages, alcoholic beverages, non-alcoholic beverages, and such other beverages of all kinds and classes. On March 16, 2021, the SEC approved the amendment of the primary purpose in the Amended Articles of Incorporation of the Company to include alcoholic beverages and such other beverages of all kinds and classes as among the products the Company is authorized to manufacture, sell or otherwise deal in. 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.

In November 2017, San Miguel Corporation (SMC) announced its intention to undertake an internal restructuring and consolidation of its food and beverage businesses under San Miguel Food and Beverage, Inc. (SMFB), previously known as "San Miguel Pure Foods Company, Inc." (SMFB Consolidation). The SMFB Consolidation is expected to result in synergies in the food and beverage business units of the SMC group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel group through SMFB. As part of the SMFB Consolidation, SMC transferred all its shares in the Company to SMFB in consideration of new common shares in SMFB. The SMFB Consolidation was completed on June 29, 2018, thereby resulting in the Company becoming a subsidiary of SMFB. Prior to the transaction, the Company was a direct subsidiary of SMC.

SMFB is the parent company of the Group. SMC is the intermediate parent of the Group while Top Frontier Investment Holdings, Inc. (TFIH) is the ultimate parent company of the Group. SMFB, SMC and TFIH are public companies under Section 17.2 of the Securities Regulation Code and their shares are listed on the Philippine Stock Exchange, Inc. (PSE).

The Company and its subsidiaries in the Group incorporated in the Philippines have a perpetual corporate term pursuant to the Revised Corporation Code of the Philippines which took effect on February 23, 2019 because the Company and its subsidiaries in the Group incorporated in the Philippines have not elected to retain the corporate term of 50 years in their respective Articles of Incorporation.

The registered office address of the Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

## 2. Basis of Preparation

### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards 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 consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) of the Company on March 8, 2022.

### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Bases
Derivative financial instruments	Fair value
Financial assets at fair value through other comprehensive income (FVOCI);	Fair value
Net defined benefit retirement asset (liability)	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 off to the nearest million (000,000), unless otherwise indicated.

### Basis of Consolidation

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

Name of Subsidiary	Place of Business	Proportion of Ownership Interest Held by the		Effective Equity Interest of the Company*	Line of Business
		Company	Subsidiaries		
Iconic Beverages, Inc. (IBI)	Philippines	100	-	100	Licensing trademarks
San Miguel Brewing International Limited (SMBIL)	British Virgin Islands	100	-	100	Manufacture and sale of beer
Neptunia Corporation Limited (NCL)	Hong Kong	-	100	100	Investment holding
San Miguel Company Limited	Hong Kong	-	100	100	Investment holding
San Miguel Brewery Hong Kong Limited (SMBHK)	Hong Kong	-	65.8	65.8	Manufacture and sale of beer
Hongkong Brewery Limited	Hong Kong	-	100	65.8	Dormant
San Miguel Shunde Holdings Limited (SMSH)	Hong Kong	-	92	60.5	Investment holding
San Miguel (Guangdong) Brewery Co., Ltd. (SMGB)	People's Republic of China	-	100	60.5	Manufacture and sale of beer
San Miguel (Guangdong) Limited (SMGL)	Hong Kong	-	93	61.2	Investment holding
Guangzhou San Miguel Brewery Co., Ltd. (GSMB)**	People's Republic of China	-	70	42.8	Beer distribution

Forward

Name of Subsidiary	Place of Business	Proportion of Ownership Interest Held by the		Effective Equity Interest of the Company*	Line of Business
		Company	Subsidiaries		
San Miguel (China) Investment Company Limited (SMCIC)	People's Republic of China	-	100	100	Investment holding
San Miguel (Baoding) Brewery Co., Ltd. (SMBB)***	People's Republic of China	-	100	100	Manufacture and sale of beer
San Miguel Holdings (Thailand) Limited (SMHTL)	Thailand	-	49	49	Investment holding
San Miguel Beer (Thailand) Limited (SMBTL)	Thailand	-	100	49	Manufacture and sale of beer
San Miguel Marketing (Thailand) Limited (SMMTL)	Thailand	-	100	100	Trading
Dragon Island Investments Limited (DIIL)	British Virgin Islands	-	100	100	Investment holding
San Miguel (Vietnam) Limited (SMVL)	Bermuda	-	100	100	Investment holding
San Miguel Brewery Vietnam Company Limited (SMBVCL)	Republic of Vietnam	-	100	100	Manufacture and sale of beer
San Miguel Malaysia (L) Pte. Ltd.	Malaysia	-	100	100	Investment holding
PT. Delta Jakarta Tbk and Subsidiary (PTD)	Republic of Indonesia	-	58.3	58.3	Manufacture and sale of beer
Brewery Properties Inc. (BPI)	Philippines	40	-	40	Property holding
Brewery Landholdings, Inc. (BLI)	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.

\*\* Ceased operations in November 2020 and is currently undergoing liquidation

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

GSMB's business term expired on November 29, 2020 in accordance with GSMB's Articles of Association and the joint venture contract between SMGL and Guangzhou Brewery. The shareholders agreed not to renew the business term and joint venture and approved GSMB's dissolution upon the expiry of its business term. GSMB started liquidation on November 30, 2020. SMGB, another SMBHK subsidiary in PRC that is currently a major production source for the San Miguel brands sold by GSMB, had undertaken the selling and marketing of these San Miguel brands in the South China Market which commenced on the said date.

In March 2020, SMBIL and SMCIC, shareholders of SMBB passed a resolution approving the dissolution of SMBB. SMBB stopped operations and production activities from the date of the resolution and started liquidation.

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continues to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income, and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Company.

Non-controlling interests include the interests not held by the Group in PTD, SMBTL, SMHTL, SMBHK group and BPI group in 2021 and 2020.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss; and (iii) reclassifies the Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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### 3. Significant Accounting Policies

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

#### Adoption of Amended Standards

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

The Group has adopted the following PFRS effective January 1, 2021 and accordingly, changed its accounting policies in the following areas:

- Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16, *Leases*) beyond June 30, 2021. The optional practical expedient introduced in the 2020 amendments that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19 and which solely applies to reduction in lease payments originally due on or before June 30, 2021 has been extended to June 30, 2022. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021.

The adoption of the amended standards did not have a material effect on the consolidated financial statements.

#### Standards Issued but Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of an entity's ordinary activities, the amendments require an entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which an entity first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;
  - clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:
  - *Practical Expedient for Particular Changes to Contractual Cash Flows.* As a practical expedient, an entity will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then an entity first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.
  - *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require entities to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. An entity is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
  - *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on an entity's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

#### Financial Instruments

*Recognition and Initial Measurement.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or a financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

### Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

*Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables are included under this category (Notes 7, 8, 16, 28, 32 and 33).

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

*Financial Assets at FVOCI.* Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in equity are never reclassified to profit or loss.

The Group has no investment in debt securities as of December 31, 2021 and 2020.

The Group's investments in equity securities included under "Financial asset at FVOCI" account in the consolidated statements of financial position are classified under this category (Note 11).

*Financial Assets at FVPL.* All financial assets not classified and measured at amortized cost or at FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Changes in fair value and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any dividend income from investment in equity instrument is recognized in profit or loss when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets are classified under this category (Notes 10, 32 and 33).

#### Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Financial Liabilities at FVPL.* Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in 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 is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities are classified under this category (Notes 17, 32 and 33).

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

The Group's liabilities arising from its trade transactions or borrowings such as accounts payable and accrued expenses, lease liabilities, long-term debt and other non-current liabilities are included under this category (Notes 17, 18, 28, 29, 32 and 33).

#### Derecognition of Financial Assets and Financial Liabilities

*Financial Assets.* A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

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

### Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in profit or loss.

#### Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

#### Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has embedded derivatives as of December 31, 2021 and 2020 (Notes 32 and 33).

#### Inventories

Finished goods, goods in process, and materials and supplies are measured at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method; and
Materials and supplies	-	at cost, using the moving-average method.

*Finished Goods.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

*Goods in Process.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

*Materials and Supplies.* Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversal, 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.

#### Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in profit or loss as they are consumed or expired with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

### Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in 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. 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 the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in 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 allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

▪ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is measured at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the economic 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 for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in profit or loss.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less 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, if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation, 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
Transportation equipment	3 - 15
Tools and other equipment	2 - 10
Office equipment, furniture and fixtures	2 - 20
Machinery and equipment	2 - 50
Buildings and improvements	3 - 50
Leasehold improvements	3 - 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use. An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss in the period of retirement and disposal.

#### Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and
- the Group has the right to direct the use of the identified asset.

#### *Group as Lessee*

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. The impact of applying practical expedient is considered not material to the consolidated financial statements.

#### *Group as Lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

#### Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Buildings and improvements	10 - 50
Right-of-use assets	remaining lease term

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in 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 assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization of computer software and licenses is computed using the straight-line method over useful lives of two to ten years.

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 assets are 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 the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss, when the asset is derecognized.

#### Impairment of Non-financial Assets

The carrying amounts of property, plant and equipment, right-of-use assets, 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 amounts 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 the costs of disposal of the asset. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in 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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or the liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or the liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or the liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly; and
- Level 3: inputs for the asset or the liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or the liability and the level of the fair value hierarchy.

#### Deferred Containers

Returnable bottles and shells are measured at cost less accumulated amortization and impairment, if any. These are presented as "Deferred containers - net" under "Other noncurrent assets - net" account in the consolidated statements of financial position and are amortized over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Amortization of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

The remaining useful lives, residual values, and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of amortization are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are financial liabilities presented as "Containers deposit" under "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

### Capital Stock and Additional Paid-in Capital

#### *Common Shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### *Additional Paid-in Capital*

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

### Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Retained earnings may be classified as unappropriated retained earnings and appropriated retained earnings. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

### Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the 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

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

*Revenue from Sale of Goods*

Revenue from sale of goods (alcoholic and non-alcoholic contents) is recognized at the point in time when control of the goods is transferred to the buyer, which is normally upon delivery of the goods. The Group provides trade discounts and volume rebates to certain customers based on the level of their purchases. Trade discounts and volume rebates do not result to significant variable consideration and are generally determined on a per transaction basis.

*Interest Income*

Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

*Rent Income*

Revenue from operating lease is recognized on a straight-line basis over the term of the lease.

*Dividend Income*

Dividend income is recognized when the Group's right to receive the payment is established.

*Others*

Revenue is recognized when earned.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

### Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Employee Benefits

#### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *Retirement Costs*

The Company and some of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in profit or loss.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in 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 initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date. 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.

Foreign currency differences arising on translation are recognized in profit or loss, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation, which are recognized in other comprehensive income.

##### *Foreign Operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Equity reserves" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Equity reserves" 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. Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is recognized 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 a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, 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 deferred tax 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 laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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.

*Final Tax.* Final tax represents tax on interest income derived from bank deposits and short-term investments. Final tax is recognized in profit or loss in the same period when the related interest income is recognized.

*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.

#### 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 retrospective adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, 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 6 to the consolidated financial statements. The President (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments 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 the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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## **4. Use of Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, estimates and assumptions 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, estimates and assumptions are revised and in any future period affected.

### Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

*Evaluating Control over its Investee.* Determining whether the Company has control in an investee requires significant judgment. Although the Company owns less than 50% of the voting rights of BPI, management has determined that the Company controls this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

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. The Company controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

*Adequacy of Tax Liabilities.* The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

*Classification of Financial Instruments.* The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 33.

*Distinction between Investment Property and Owner-occupied Property.* The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

*Estimating the Incremental Borrowing Rate.* The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

The Group's lease liabilities amounted to P1,287 and P1,263 as at December 31, 2021 and 2020, respectively (Notes 29).

*Determining whether a Contract Contains a Lease.* The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

*Determining the Lease Term of Contracts with Renewal Options - Group as Lessee.* The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Rent expense recognized in the consolidated statements of income amounted to P520, P489 and P684 in 2021, 2020 and 2019, respectively (Notes 21, 22 and 29).

*Determining the Lease Term of Contracts with Renewal Options - Group as Lessor.* At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Group recognizes lease payments received under operating lease as income on a straight-line basis over the lease term as part of rent income.

Rent income recognized in the consolidated statements of income amounted to P179, P181 and P173 in 2021, 2020 and 2019, respectively (Notes 26 and 29).

*Assessment of Intangible Assets with Indefinite Useful Life.* The Group has assessed that the intangible assets have an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group (Note 15).

*Contingencies.* The Group is currently involved in pending claims for tax refund and tax cases which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and 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 Group did not recognize any contingent assets or provision for these tax cases in 2021, 2020 and 2019 (Notes 17 and 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.

*Assessment of ECL on Trade and Other Receivables.* The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different types of receivables. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each type of receivables to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on receivables is not material because substantial amounts of receivables are normally collected within three months. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its receivables.

Trade and other receivables written-off amounted to P10 and P14 in 2021 and 2020, respectively. The allowance for impairment losses on trade and other receivables amounted to P344 and P333 as of December 31, 2021 and 2020, respectively (Note 8).

The carrying amount of trade and other receivables amounted to P7,977 and P5,662 as of December 31, 2021 and 2020, respectively (Note 8).

*Assessment of ECL on Other Financial Assets at Amortized Cost.* The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2021 and 2020.

The carrying amounts of other financial assets at amortized cost are as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents (excluding cash on hand)	7, 32, 33	<b>P26,764</b>	P23,532
Long-term receivables (included under "Other noncurrent assets-net" account)	16, 32, 33	<b>12</b>	12

There was no allowance for impairment losses on noncurrent receivables recognized in the consolidated statements of financial position as of December 31, 2021 and 2020.

*Impairment of Trademarks, Licenses and Brand Names with Indefinite Useful Lives.* The Group determines whether trademarks, licenses and brand names are impaired at least annually. This requires the estimation of value in use of the trademarks, some 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 combined carrying amounts of trademarks, brand names and some licenses with indefinite useful lives amounted to P35,616 and P35,618 as of December 31, 2021 and 2020, respectively (Note 15).

*Present Value of Defined Benefit Retirement Obligation.* The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P10,384 and P11,481 as of December 31, 2021 and 2020, respectively (Note 30).

*Impairment of Non-financial Assets.* PFRS requires that an impairment review be performed on property, plant and equipment, right-of-use assets, 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 amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses of property, plant and equipment, right-of-use assets, deferred containers and intangible assets with finite useful lives, including cumulative translation adjustments, amounted to P14,376 and P13,391 as of December 31, 2021 and 2020, respectively (Notes 12, 13, 15 and 16).

The combined carrying amounts of property, plant and equipment, right-of-use assets, investment property, deferred containers and intangible assets with finite useful lives amounted to P61,370 and P59,175 as of December 31, 2021 and 2020, respectively (Notes 12, 13, 14, 15 and 16).

## 5. Investments in Shares of Stocks of Subsidiaries

### *Investments in Shares of Stocks of Subsidiaries/Non-controlling Interest*

The following table summarizes the financial information relating to each of the Group's subsidiaries that has material non-controlling interests:

	December 31, 2021					December 31, 2020				
	BPI	SMBHK	PTD	SMBTL	SMHTL	BPI	SMBHK	PTD	SMBTL	SMHTL
<b>Non-controlling percentage on profit or loss</b>	7%	-	-	-	-	7%	-	-	-	-
<b>Non-controlling ownership interest percentage</b>	60%	34.2%	41.7%	51.0%	51.0%	60%	34.2%	41.7%	51.0%	51.0%
<b>Non-controlling voting interest percentage</b>	60%	34.2%	41.7%	9.4%	9.4%	60%	34.2%	41.7%	9.4%	9.4%
<b>Carrying amount of non-controlling interests</b>	P873	P1,278	P1,506	P1,032	P18	P873	P1,151	P1,454	(P1,115)	P19
Current assets	P42	P1,904	P3,722	P2,588	P5	P31	P1,846	P3,346	P572	P5
Noncurrent assets	3,742	2,940	1,661	1,710	190	3,595	2,823	1,491	1,915	199
Current liabilities	(51)	(826)	(1,630)	(2,746)	-	(56)	(1,291)	(1,150)	(4,674)	(167)
Noncurrent liabilities	-	(284)	(190)	(3,574)	(160)	-	(15)	(198)	-	-
<b>Net assets (liabilities)</b>	<b>P3,733</b>	<b>P3,734</b>	<b>P3,563</b>	<b>(P2,022)</b>	<b>P35</b>	<b>P3,570</b>	<b>P3,363</b>	<b>P3,489</b>	<b>(P2,187)</b>	<b>P37</b>
<b>Dividends paid to non-controlling interests</b>	<b>P 12</b>	<b>P -</b>	<b>P296</b>	<b>P -</b>	<b>P -</b>	<b>P11</b>	<b>P -</b>	<b>P424</b>	<b>P -</b>	<b>P -</b>
<b>Net income attributable to non-controlling interests</b>	<b>P12</b>	<b>P48</b>	<b>P264</b>	<b>P33</b>	<b>P -</b>	<b>P11</b>	<b>P30</b>	<b>P191</b>	<b>P23</b>	<b>P -</b>
<b>Other comprehensive income (loss) attributable to non-controlling interests</b>	<b>P -</b>	<b>P6</b>	<b>(P15)</b>	<b>P115</b>	<b>(P2)</b>	<b>P11</b>	<b>P34</b>	<b>(P58)</b>	<b>(P3)</b>	<b>P -</b>
<b>Sales</b>	<b>P240</b>	<b>P3,788</b>	<b>P4,276</b>	<b>P1,455</b>	<b>P -</b>	<b>P245</b>	<b>P3,569</b>	<b>P3,426</b>	<b>P1,525</b>	<b>P -</b>
<b>Net income</b>	<b>P176</b>	<b>P140</b>	<b>P634</b>	<b>P64</b>	<b>P -</b>	<b>P173</b>	<b>P88</b>	<b>P457</b>	<b>P45</b>	<b>P -</b>
<b>Other comprehensive income (loss)</b>	<b>-</b>	<b>17</b>	<b>(37)</b>	<b>225</b>	<b>4</b>	<b>-</b>	<b>100</b>	<b>(139)</b>	<b>(5)</b>	<b>-</b>
<b>Total comprehensive income (loss)</b>	<b>P176</b>	<b>P157</b>	<b>P597</b>	<b>P289</b>	<b>P4</b>	<b>P173</b>	<b>P188</b>	<b>P318</b>	<b>P40</b>	<b>P -</b>
<b>Cash flows provided by (used in) operating activities</b>	<b>P167</b>	<b>P30</b>	<b>(P89)</b>	<b>P269</b>	<b>P -</b>	<b>P191</b>	<b>P133</b>	<b>P300</b>	<b>P78</b>	<b>P -</b>
<b>Cash flows provided by (used in) investing activities</b>	<b>(142)</b>	<b>(52)</b>	<b>(50)</b>	<b>(23)</b>	<b>-</b>	<b>(331)</b>	<b>(49)</b>	<b>29</b>	<b>(22)</b>	<b>-</b>
<b>Cash flows provided by (used in) financing activities</b>	<b>(12)</b>	<b>(31)</b>	<b>309</b>	<b>(247)</b>	<b>-</b>	<b>(11)</b>	<b>(27)</b>	<b>(436)</b>	<b>(73)</b>	<b>-</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>(2)</b>	<b>(13)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(18)</b>	<b>1</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>P13</b>	<b>(P55)</b>	<b>P157</b>	<b>(P22)</b>	<b>P -</b>	<b>(P151)</b>	<b>P58</b>	<b>(P125)</b>	<b>(P16)</b>	<b>P -</b>

## 6. Segment Information

### Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products 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's reportable segments are domestic and international operations.

Domestic operations produce and market fermented, malt-based and non-alcoholic beverages within the Philippines and distribute beer products to some export markets.

International operations produce and market fermented, malt-based and non-alcoholic beverages in several foreign markets.

### Segment Assets and Segment Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories and property, plant and equipment, net of allowances, accumulated depreciation and amortization and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses, wages and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

### Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

### Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about the operating segments follow:

	For the Year Ended December 31, 2021			
	Domestic	International	Eliminations	Total
<b>Sales</b>				
External sales	P105,097	P11,189	P -	P116,286
Inter-segment sales	17	-	(17)	-
<b>Total Sales</b>	<b>P105,114</b>	<b>P11,189</b>	<b>(P17)</b>	<b>P116,286</b>
<b>Result</b>				
Segment result	P25,224	P1,713	(P22)	P26,915
Interest expense and other financing charges	(1,763)	(15)	-	(1,778)
Interest income				251
Other income - net				765
Income tax expense				(5,704)
<b>Net Income</b>				<b>P20,449</b>
<b>Attributable to:</b>				
Equity holders of the Company				P20,029
Non-controlling interests				420
<b>Net Income</b>				<b>P20,449</b>

	As of and For the Year Ended December 31, 2021			
	Domestic	International	Eliminations	Consolidated
<b>Other Information</b>				
Segment assets	P99,594	P19,816	(P13,969)	P105,441
Trademarks and brand names	32,000	1,606		33,606
Other assets				5,149
Deferred tax assets				618
<b>Consolidated Total Assets</b>				<b>P144,814</b>
<b>Consolidated Total Liabilities</b>				
Segment liabilities	P15,153	P3,271	(P29)	P18,395
Long-term debt including current maturities - net of debt issue costs	31,388			31,388
Income and other taxes payable				3,718
Accrued interests and dividends payable				192
<b>Consolidated Total Liabilities</b>				<b>P53,693</b>
Capital expenditures	P2,504	P180	P -	P2,684
Depreciation and amortization of property, plant and equipment	1,559	221		1,780
Noncash items other than depreciation and amortization of property, plant and equipment	3,227	74	2	3,303
For the Year Ended December 31, 2020				
	Domestic	International	Eliminations	Total
<b>Sales</b>				
External sales	P97,810	P10,118	P -	P107,928
Inter-segment sales	18	-	(18)	-
<b>Total Sales</b>	<b>P97,828</b>	<b>P10,118</b>	<b>(P18)</b>	<b>P107,928</b>
<b>Result</b>				
Segment result	P23,259	P1,207	P1	P24,467
Interest expense and other financing charges	(2,074)	(24)	-	(2,098)
Interest income				539
Other income - net				1,635
Income tax expense				(7,088)
<b>Net Income</b>				<b>P17,455</b>
<b>Attributable to:</b>				
Equity holders of the Company				P17,161
Non-controlling interests				294
<b>Net Income</b>				<b>P17,455</b>

	As of and For the Year Ended December 31, 2020			
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P95,987	P17,129	(P13,946)	P99,170
Trademarks and brand names	32,000	1,513	-	33,513
Other assets				4,849
Deferred tax assets				918
Consolidated Total Assets				P138,450
Segment liabilities	P14,219	P2,942	(P27)	P17,134
Long-term debt including current maturities - net of debt issue costs	31,911	-	-	31,911
Income and other taxes payable				4,034
Accrued interests and dividends payable				366
Consolidated Total Liabilities				P53,445
Capital expenditures	P5,084	P159	P -	P5,243
Depreciation and amortization of property, plant and equipment	1,354	224	-	1,578
Noncash items other than depreciation and amortization of property, plant and equipment	2,902	64	(1)	2,965
	For the Year Ended December 31, 2019			
	Domestic	International	Eliminations	Total
Sales				
External sales	P128,512	P13,760	P -	P142,272
Inter-segment sales	33	-	(33)	-
Total Sales	P128,545	P13,760	(P33)	P142,272
Result				
Segment result	P36,886	P1,813	P21	P38,720
Interest expense and other financing charges	(1,706)	-	-	(1,706)
Interest income				1,020
Impairment loss on noncurrent assets				(903)
Other income - net				1,635
Income tax expense				(11,481)
Net Income				P27,285
Attributable to:				
Equity holders of the Company				P26,720
Non-controlling interests				565
Net Income				P27,285

	As of and For the Year Ended December 31, 2019			
	Domestic	International	Eliminations	Consolidated
Other Information				
Segment assets	P96,491	P22,852	(P13,952)	P105,391
Trademarks and brand names	32,000	1,595	-	33,595
Other assets				66
Deferred tax assets				989
<b>Consolidated Total Assets</b>				<b>P140,041</b>
Segment liabilities	P15,715	P3,349	(P32)	P19,032
Long-term debt including current maturities - net of debt issue costs	31,866	-	-	31,866
Income and other taxes payable				4,549
Accrued interests and dividends payable				362
<b>Consolidated Total Liabilities</b>				<b>P55,809</b>
Capital expenditures	P6,614	P155	P -	P6,769
Depreciation and amortization of property, plant and equipment	1,150	309	-	1,459
Noncash items other than depreciation and amortization of property, plant and equipment	3,027	1,134	3	4,164

## 7. Cash and Cash Equivalents

This account consists of:

	Note	2021	2020
Cash in banks and on hand		<b>P7,119</b>	P5,647
Short-term investments		<b>19,744</b>	18,538
	4, 32, 33	<b>P26,863</b>	P24,185

Cash in banks earn 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 short-term investment rates ranging from 0.01% to 3.50%. Interest income from cash in banks and short-term investments amounted to P251, P539 and P1,020 for the years December 31, 2021, 2020 and 2019, respectively.

## 8. Trade and Other Receivables

This account consists of:

	Note	2021	2020
Trade:			
Amounts owed by third parties		<b>P7,355</b>	P5,178
Amounts owed by related parties	28	5	7
Non-trade:			
Amounts owed by third parties		<b>799</b>	628
Amounts owed by related parties	28	<b>162</b>	182
		<b>8,321</b>	5,995
Less allowance for impairment losses	4	<b>344</b>	333
	32, 33	<b>P7,977</b>	P5,662

Trade receivables are non-interest bearing and are generally on a 7 to 90-day credit term.

Non-trade receivables include receivables from employees, insurance and freight claims, interest and other receivables.

The movements in the allowance for impairment losses are as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Balance at beginning of year		<b>P333</b>	P189
Write-off during the year	4	<b>(10)</b>	(14)
Provision during the year	22	<b>105</b>	164
Reversal during the year	22	<b>(89)</b>	-
Currency translation adjustments		<b>5</b>	(6)
Balance at end of year		<b>P344</b>	P333

## 9. Inventories

This account consists of:

	<b>2021</b>	<b>2020</b>
At net realizable value:		
Finished goods and goods in process	<b>P1,766</b>	P1,561
Materials and supplies	<b>1,405</b>	1,377
	<b>P3,171</b>	P2,938

The cost of inventories are as follows:

	<b>2021</b>	<b>2020</b>
Finished goods and goods in process	<b>P1,798</b>	P1,581
Materials and supplies	<b>1,440</b>	1,394
	<b>P3,238</b>	P2,975

The write-down of inventories recognized as expense as part of "Selling and Administrative Expenses" in the consolidated statements of income amounted to P47, P14 and P12 for the years ended December 31, 2021, 2020 and 2019, respectively (Note 22). Write-off of inventories amounted to P16, P14 and P5 in 2021, 2020 and 2019, respectively. No reversal of write-down had been recognized in 2021, 2020 and 2019.

Inventory charged to cost of sales amounted to P10,634, P10,159 and P14,895 for the years ended December 31, 2021, 2020 and 2019, respectively (Note 21).

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**10. Prepaid Expenses and Other Current Assets**

This account consists of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Prepaid taxes and licenses	34	<b>P969</b>	P1,515
Prepaid supplies/materials		<b>316</b>	234
Prepaid insurance		<b>126</b>	337
Prepaid rent	28	<b>15</b>	16
Derivative assets	32, 33	<b>9</b>	25
Others		<b>39</b>	34
		<b>P1,474</b>	P2,161

Others include promotional, maintenance, and various immaterial accounts.

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**11. Financial Assets at Fair Value Through Other Comprehensive Income**

This account consists of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Redeemable perpetual securities	28	<b>P5,100</b>	P4,803
Club shares		<b>37</b>	34
		<b>P5,137</b>	P4,837

On August 4, 2020, the Group, through SMBIL, signed a subscription agreement with SMC for the subscription of the latter's redeemable perpetual securities (RPS) with aggregate face value amount of \$100 or P4,850. The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. SMBIL will have the right to receive distribution at 2.5% per annum, payable quarterly in arrears every November 5, February 5, May 5 and August 5 of each year commencing on November 5, 2020. SMC has a right to defer this distribution under certain conditions. As at December 31, 2021 and 2020, SMBIL received dividend income amounting to P123 and P30, respectively and are presented as part of "Other income - net" in the consolidated statements of income.

The methods and assumptions used to estimate the fair value of financial assets at FVOCI are discussed in Note 33.

## 12. Property, Plant and Equipment

The movements in property, plant and equipment are as follows:

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Other Equipment	CPIP	Total
<b>Cost</b>									
January 1, 2020	P9,106	P48,158	P14,260	P1,082	P142	P658	P346	P2,625	P76,377
Additions (Note 6)	47	4,659	1,552	59	164	58	22	(1,318)	5,243
Disposals/reclassifications	-	(508)	(14)	(25)	1	(4)	(15)	5	(560)
Currency translation adjustments	(58)	(265)	(140)	(5)	1	(12)	(10)	(1)	(490)
December 31, 2020	9,095	52,044	15,658	1,111	308	700	343	1,311	80,570
Additions (Note 6)	-	1,308	631	75	123	38	3	506	2,684
Disposals/reclassifications	(428)	(407)	(678)	(22)	399	(10)	(87)	782	(451)
Currency translation adjustments	(50)	1,254	504	7	3	16	7	5	1,746
<b>December 31, 2021</b>	<b>8,617</b>	<b>54,199</b>	<b>16,115</b>	<b>1,171</b>	<b>833</b>	<b>744</b>	<b>266</b>	<b>2,604</b>	<b>84,549</b>
<b>Accumulated Depreciation and Amortization</b>									
January 1, 2020	-	29,433	6,028	723	123	507	243	-	37,057
Additions (Notes 21, 22, 23)	-	1,148	274	79	5	47	25	-	1,578
Disposals/reclassifications	-	(473)	(5)	(21)	-	(12)	(10)	-	(521)
Currency translation adjustments	-	(201)	(86)	(4)	1	(9)	(9)	-	(308)
December 31, 2020	-	29,907	6,211	777	129	533	249	-	37,806
Additions (Notes 21, 22, 23)	-	1,321	295	76	12	51	25	-	1,780
Disposals/reclassifications	-	(398)	(262)	(15)	20	(15)	(66)	-	(736)
Currency translation adjustments	-	503	173	5	3	12	5	-	701
<b>December 31, 2021</b>	<b>-</b>	<b>31,333</b>	<b>6,417</b>	<b>843</b>	<b>164</b>	<b>581</b>	<b>213</b>	<b>-</b>	<b>39,551</b>

Forward

	Land	Machinery and Equipment	Buildings and Improvements	Transportation Equipment	Leasehold Improvements	Office Equipment, Furniture and Fixtures	Tools and Other Equipment	CPIP	Total
<b>Accumulated Impairment Losses</b>									
January 1, 2020	P -	P9,412	P3,099	P10	P1	P51	P28	P -	P12,601
Disposals/reclassifications	-	(11)	-	(2)	-	(1)	(4)	-	(18)
Currency translation adjustments	-	(33)	27	-	-	(1)	(1)	-	(8)
December 31, 2020	-	9,368	3,126	8	1	49	23	-	12,575
Disposals/reclassifications	-	(11)	-	(2)	(1)	4	(14)	-	(24)
Currency translation adjustments	-	733	264	1	-	4	1	-	1,003
<b>December 31, 2021</b>	<b>-</b>	<b>10,090</b>	<b>3,390</b>	<b>7</b>	<b>-</b>	<b>57</b>	<b>10</b>	<b>-</b>	<b>13,554</b>
<b>Carrying Amount</b>									
December 31, 2020	P9,095	P12,769	P6,321	P326	P178	P118	P71	P1,311	P30,189
<b>December 31, 2021</b>	<b>P8,617</b>	<b>P12,776</b>	<b>P6,308</b>	<b>P321</b>	<b>P669</b>	<b>P106</b>	<b>P43</b>	<b>P2,604</b>	<b>P31,444</b>

Depreciation charged to operations amounted to P1,780, P1,578, and P1,459 in 2021, 2020 and 2019, respectively (Notes 21, 22 and 23). No interest was capitalized in 2021 and 2020.

Following the impairment testing of the Group, impairment losses recognized on property, plant and equipment related to its foreign operations amounted to nil, nil and P841 in 2021, 2020 and 2019, respectively (Note 27).

Certain fully depreciated property, plant and equipment with aggregate costs of P18,437 and P16,875 as at December 31, 2021 and 2020, respectively, are still being used in the Group's operations.

### 13. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Total
<b>Cost</b>					
January 1, 2020	P1,969	P581	P4	P222	P2,776
Additions	204	26	2	8	240
Disposals/ reclassifications	3	(3)	-	(1)	(1)
Currency translation adjustments	(12)	-	(1)	-	(13)
December 31, 2020	2,164	604	5	229	3,002
Additions	-	463	26	23	512
Disposals/ reclassifications	-	(440)	-	-	(440)
Currency translation adjustments	88	3	2	-	93
<b>December 31, 2021</b>	<b>2,252</b>	<b>630</b>	<b>33</b>	<b>252</b>	<b>3,167</b>
<b>Accumulated Amortization</b>					
January 1, 2020	542	118	3	78	741
Additions (Notes 21, 22, 23)	71	123	2	89	285
Disposals/ reclassifications	1	(3)	-	7	5
Currency translation adjustments	(3)	-	(1)	-	(4)
December 31, 2020	611	238	4	174	1,027
Additions (Notes 21, 22, 23)	82	133	3	53	271
Disposals/ reclassifications	-	(164)	(3)	(1)	(168)
Currency translation adjustments	40	2	-	1	43
<b>December 31, 2021</b>	<b>733</b>	<b>209</b>	<b>4</b>	<b>227</b>	<b>1,173</b>
<b>Accumulated Impairment Losses</b>					
January 1, 2020	80	-	-	-	80
Currency translation adjustments	(3)	-	-	-	(3)
December 31, 2020	77	-	-	-	77
Currency translation adjustments	4	-	-	-	4
<b>December 31, 2021</b>	<b>81</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81</b>
<b>Carrying Amount</b>					
December 31, 2020	P1,476	P366	P1	P55	P1,898
<b>December 31, 2021</b>	<b>P1,438</b>	<b>P421</b>	<b>P29</b>	<b>P25</b>	<b>P1,913</b>

The Group recognized right-of-use assets for leases of office space, warehouse, delivery trucks and parcels of land. The leases typically run for a period of two (2) to fifty (50) years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

## 14. Investment Property

The movements in this account, including the effects of currency translation adjustments, are as follows:

	Right-of-Use Assets	Land	Buildings and Improvements	Total
<b>Cost</b>				
January 1, 2020	P 661	P976	P727	P2,364
Additions	-	68	-	68
Currency translation adjustments	(31)	-	(34)	(65)
December 31, 2020	630	1,044	693	2,367
Additions	-	-	-	-
Reclassifications	-	428	-	428
Currency translation adjustments	35	-	39	74
<b>December 31, 2021</b>	<b>665</b>	<b>1,472</b>	<b>732</b>	<b>2,869</b>
<b>Accumulated Depreciation and Amortization</b>				
January 1, 2020	233	-	364	597
Additions	15	-	15	30
Currency translation adjustments	(11)	-	(17)	(28)
December 31, 2020	237	-	362	599
Additions	15	-	15	30
Currency translation adjustments	14	-	20	34
<b>December 31, 2021</b>	<b>266</b>	<b>-</b>	<b>397</b>	<b>663</b>
<b>Carrying Amount</b>				
December 31, 2020	P393	P1,044	P331	P1,768
<b>December 31, 2021</b>	<b>P399</b>	<b>P1,472</b>	<b>P335</b>	<b>P2,206</b>

No impairment loss was recognized in 2021, 2020 and 2019.

The fair value of investment property amounting to P7,057 and P5,904 as of December 31, 2021 and 2020, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

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 and based on the available external market values for the other parcels of land not covered by the appraisal. The independent appraisers provide the fair value of the Group's investment property.

Rent income on the Group's investment property recognized as part of other income amounted to P172, P174, and P169 in 2021, 2020 and 2019, respectively (Note 26). Direct cost attributable to investment property amounted to P11, P10, and P8, in 2021, 2020 and 2019, respectively.

### Valuation Technique and Significant Unobservable Inputs

*Domestic.* The market value was determined using the Market (Comparison) Approach. The market approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance, and marketability.

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 Income Approach which considers the capitalization of net rent 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 1.9% to 3.9% and 2.0% to 4.0% in 2021 and 2020, respectively.

## 15. Intangible Assets

The movements in this account are as follows:

	Trademarks and Brand Names	Licenses	Computer Software and Licenses	Total
<b>Cost</b>				
January 1, 2020	P33,826	P2,210	P268	P36,304
Additions	-	-	8	8
Disposals/reclassifications	-	-	(3)	(3)
Currency translation adjustments	(92)	(105)	(6)	(203)
December 31, 2020	33,734	2,105	267	36,106
Additions	-	-	6	6
Disposals/reclassifications	-	-	(5)	(5)
Currency translation adjustments	106	(95)	6	17
<b>December 31, 2021</b>	<b>33,840</b>	<b>2,010</b>	<b>274</b>	<b>36,124</b>
<b>Accumulated Amortization</b>				
January 1, 2020	-	-	238	238
Additions	-	-	13	13
Disposals/reclassifications	-	-	(3)	(3)
Currency translation adjustments	-	-	(6)	(6)
December 31, 2020	-	-	242	242
Additions	-	-	11	11
Disposals/reclassifications	-	-	(4)	(4)
Currency translation adjustments	-	-	5	5
<b>December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>254</b>	<b>254</b>
<b>Accumulated Impairment Losses</b>				
January 1, 2020	231	-	5	236
Currency translation adjustments	(10)	-	-	(10)
December 31, 2020	221	-	5	226
Disposals/reclassifications	-	-	(1)	(1)
Currency translation adjustments	13	-	1	14
<b>December 31, 2021</b>	<b>234</b>	<b>-</b>	<b>5</b>	<b>239</b>
<b>Carrying Amount</b>				
December 31, 2020	P33,513	P2,105	P20	P35,638
<b>December 31, 2021</b>	<b>P33,606</b>	<b>P2,010</b>	<b>P15</b>	<b>P35,631</b>

Trademarks and brand names with indefinite useful lives amounted to P33,606 and P33,513 as of December 31, 2021 and 2020, respectively. Licenses with indefinite useful lives amounted to P2,010 and P2,105 as of December 31, 2021 and 2020, respectively (Note 4).

The following are the main reasons or factors that played a significant role in determining that such assets have indefinite useful lives:

- Expected continuous cash flows from the asset;
- Stability of industry in which the assets operate; and
- Full control over the assets.

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management considers the impact of COVID-19 in its financial projections (see Note 34).

#### *Trademarks and Brand Names*

##### a. Domestic Operations

The recoverable amount of the trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. 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 8.8% and 9.0% in 2021 and 2020, respectively.

No impairment loss recognized in the value of trademarks and brand names in 2021 and 2020.

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.

##### b. International Operations

The recoverable amount of the trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. 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 rates used are consistent with the long-term average growth rates for the industry. The discount rates applied to after tax cash flow projections range from 5.9% to 12% in 2021 and 6.0% to 15.1% in 2020.

Management assessed that there was no impairment loss in the value of trademarks and brand names in 2021 and 2020.

## Licenses

### a. International Operations

The recoverable amount of the licenses 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 3% growth rate used is consistent with the long-term average growth rates for the industry. The discount rates applied to after tax cash flow projections range from 7.9% in 2021 and 9.0% in 2020.

Management assessed that there was no impairment loss in the value of licenses in 2021 and 2020.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

*Discount Rate.* The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

*Growth Rate.* Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

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## 16. Other Noncurrent Assets

This account consists of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Deferred containers - net:			
Bottles		<b>P16,492</b>	P15,744
Shells		<b>9,300</b>	9,556
		<b>25,792</b>	25,300
Others	4, 28, 30, 32, 33	<b>2,588</b>	2,956
		<b>P28,380</b>	P28,256

Others include cost of pallets, kegs and CO2 cylinders net of amortization, defined benefit retirement asset, long-term receivable, prepaid rentals, advances to suppliers and deposits on land for future development.

The movements in the deferred containers are as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Gross Carrying Amount</b>			
Balance at beginning of year		<b>P41,136</b>	P39,941
Additions		<b>4,545</b>	3,455
Disposals/reclassifications		<b>(1,923)</b>	(2,147)
Currency translation adjustments		<b>89</b>	(113)
<b>Balance at end of year</b>		<b>43,847</b>	41,136
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>15,102</b>	13,060
Amortization	23	<b>2,973</b>	2,661
Disposals/reclassifications		<b>(787)</b>	(592)
Currency translation adjustments		<b>31</b>	(27)
<b>Balance at end of year</b>		<b>17,319</b>	15,102
<b>Accumulated Impairment</b>			
Balance at beginning of year		<b>734</b>	681
Impairment	22	<b>738</b>	682
Disposals/reclassifications		<b>(736)</b>	(626)
Currency translation adjustments		<b>-</b>	(3)
<b>Balance at end of year</b>		<b>736</b>	734
		<b>P25,792</b>	P25,300

## 17. Accounts Payable and Accrued Expenses

This account consists of:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Trade:			
Amounts owed to third parties	33	<b>P4,019</b>	P4,752
Amounts owed to related parties	28, 33	<b>2,995</b>	2,060
Containers deposit		<b>7,019</b>	6,230
Non-trade:			
Derivative liabilities	32, 33	<b>38</b>	3
Amounts owed to related parties	28, 33	<b>7</b>	4
Accruals:			
Payroll		<b>815</b>	761
Advertising and promotions		<b>657</b>	616
Capital projects		<b>535</b>	599
Materials and supplies		<b>247</b>	59
Interests	18	<b>157</b>	336
Contracted services		<b>72</b>	39
Utilities		<b>29</b>	27
Others		<b>508</b>	537
		<b>P17,098</b>	P16,023

Accounts payable and accrued expenses are unsecured and non-interest bearing.

Others include accruals for repairs and maintenance, freight, trucking and handling, dividends payable and other payables.

## 18. Long-term Debt

### Long-term Debt

This account consists of:

	<i>Note</i>	<b>2021</b>	<b>2020</b>
Unsecured peso-denominated bonds and term notes:			
Series F bonds, fixed interest rate of 6.60%		<b>P6,998</b>	P6,988
Series G bonds, fixed interest rate of 5.50%		-	12,456
Series H bonds, fixed interest rate of 6.00%		<b>2,531</b>	2,528
Term Loans, fixed interest rates of 3.80% to 4.63%		<b>21,859</b>	9,939
	32, 33	<b>31,388</b>	31,911
Less: Current maturities		<b>7,015</b>	12,456
		<b>P24,373</b>	P19,455

### *Bonds*

The amount represents unsecured long-term debt incurred by the Company: (a) to support the redemption of the Series A bonds which matured on April 3, 2012; (b) to support the partial prepayment of the US\$300 unsecured loan facility agreement (which was paid in full in 2013); and (c) to support the redemption of the Series B bonds which matured on April 4, 2014.

The Company's unsecured long-term notes comprise the Philippine peso-denominated fixed rate bonds in the aggregate principal amount of: (a) P7,000 pertaining to the aggregate principal amount of the Series F bonds which remain outstanding of the P20,000 bonds (P20,000 Bonds) that were issued on April 2, 2012 (P20,000 Bonds Issue Date); and (b) P15,000 (P15,000 Bonds) which were issued on April 2, 2014 (P15,000 Bonds Issue Date).

The P20,000 Bonds which originally consisted 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) were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, 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. The Series D bonds with an aggregate principal amount of P3,000 matured on April 3, 2017 and were accordingly redeemed by the Company on the said date. The Series E bonds with an aggregate principal amount of P10,000 matured on April 2, 2019 and were accordingly redeemed by the Company on the said date. Only the Series F bonds remain outstanding of the P20,000 Bonds. The Company used its available cash to finance the maturity of the Series D bonds and Series E bonds. Unamortized debt issue costs related to the Series F bonds amounted to P2 and P12 as of December 31, 2021 and 2020, respectively.

The P15,000 Bonds consist of the Series G bonds (with a term of seven years from the P15,000 Bonds Issue Date) and Series H bonds (with a term of ten years from the P15,000 Bonds Issue Date). The P15,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2014 and were listed on the PDEX for trading on April 2, 2014. The Series G bonds with an aggregate principal amount of P12,462 matured on April 5, 2021 (April 2 being a non-business day) and were accordingly redeemed by the Company on the said date. Unamortized debt issue costs related to the P15,000 Bonds amounted to P7 and P16 as of December 31, 2021 and 2020, respectively.

Interest on the P20,000 Bonds are paid semi-annually every April 2 and October 2 of each year (each, a P20,000 Bonds 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 10<sup>th</sup> P20,000 Bonds Interest Payment Date for the Series E bonds, and the 14<sup>th</sup> P20,000 Bonds Interest Payment Date for the Series F bonds. Interest on the P15,000 Bonds are paid every April 2 and October 2 of each year (each, a P15,000 Bonds Interest Payment Date). The Company may also (but shall likewise not be obligated to) redeem all (and not a part only) of the outstanding P15,000 Bonds on the 11<sup>th</sup> P15,000 Bonds Interest Payment Date for the Series G bonds, and on the 14<sup>th</sup>, 16<sup>th</sup> or 18<sup>th</sup> P15,000 Bonds Interest Payment Dates for the Series H bonds.

The Group is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 and maximum debt to equity ratio of 3.5. As of December 31, 2021 and 2020, the Group was in compliance with its debt covenants.

#### *Term Loans*

On March 30, 2021, the Company entered into unsecured, long-term, interest-bearing loans from several local banks amounting to P12,000 to be used to refinance the maturity of the Series G bonds which matured on April 5, 2021 and/or general corporate purposes. The loans are carried at amortized cost and bears annual interest rates at Philippine peso fixed-rate ranging from 3.80% to 4.15%. The loans are payable between one to seven years in accordance with the terms of the Agreement.

On December 19, 2019, the Company entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P10,000 to be used for general corporate requirements. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 4.63%. The loan is payable in five years and will mature in December 2024.

As of December 31, 2021 and 2020, the outstanding balance of the term loan amounted to P21,984 and P10,000, respectively. As of December 31, 2021 and 2020, the unamortized debt issue costs amounted to P125 and P61, respectively.

The Group is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 and 2.0 for loans secured in 2019 and 2021, respectively and maximum debt to equity ratio of 3.5. As of December 31, 2021 and 2020, the Group was in compliance with its debt covenants.

The movements in debt issue costs are as follows:

	<b>Note</b>	<b>2021</b>	<b>2020</b>
Balance at beginning of year		<b>P89</b>	P134
Additions		<b>90</b>	-
Amortization	25	<b>(45)</b>	(45)
Balance at end of year		<b>P134</b>	P89

#### Repayment Schedule

As of December 31, 2021, the annual maturities of long-term debt are as follows:

<b>Year</b>	<b>Gross Amount</b>	<b>Debt Issue Costs</b>	<b>Net</b>
2022	P7,021	P6	P7,015
2023	21	4	17
2024	12,559	58	12,501
2025	21	4	17
2026	10,020	51	9,969
2027	160	2	158
2028	1,720	9	1,711
	<b>P31,522</b>	<b>P134</b>	<b>P31,388</b>

As of December 31, 2020 the annual maturities of long-term debt are as follows:

<b>Year</b>	<b>Gross Amount</b>	<b>Debt Issue Costs</b>	<b>Net</b>
2021	P12,462	P6	P12,456
2022	7,000	12	6,988
2024	12,538	71	12,467
	<b>P32,000</b>	<b>P89</b>	<b>P31,911</b>

Interest expense recognized in the consolidated statements of income amounted to P1,628, P1,794, and P1,535 in 2021, 2020 and 2019, respectively (Note 25).

#### Valuation Technique

The market value was determined using the market comparison technique. The fair values are based on PDEX. The bonds are traded in an active market and the quotes reflect the actual transactions in similar instruments.

The fair value of bonds amounting to P9,808 and P22,858 as of December 31, 2021 and 2020, respectively, has been categorized as Level 1 in the fair value hierarchy based on the inputs used in the valuation techniques. Fair value of term loan amounting to P22,373 and P10,901 as of December 31, 2021 and 2020, respectively, has been categorized as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 33).

Reconciliation of the opening and closing balance of term loan and bonds are as follows:

<b>2021</b>	<b>Bonds</b>	<b>Term Loan</b>	<b>Accrued Interests</b>	<b>Total</b>
Opening balance	P21,972	P9,939	P336	P32,247
Interest expense and other financing charges	19	26	1,628	1,673
Availments	-	11,910	-	11,910
Payments	(12,462)	(16)	(1,808)	(14,286)
Closing balance	P9,529	P21,859	P156	P31,544

2020	Bonds	Term Loan	Accrued Interests	Total
Opening balance	P21,941	P9,925	P336	P32,202
Interest expense and other financing charges	31	14	1,794	1,839
Payments	-	-	(1,794)	(1,794)
Closing balance	P21,972	P9,939	P336	P32,247

## 19. Income Taxes

Deferred tax assets and deferred tax liabilities arise from the following:

	2021	2020
<b>Items recognized in profit or loss</b>		
Allowance for inventory losses	P246	P246
Net defined benefit retirement asset	(205)	(182)
Allowance for impairment losses on trade and other receivables	64	95
Unrealized losses on derivatives - net	38	25
Unrealized foreign exchange losses (gains) - net	7	6
Leases	82	76
Others	69	43
<b>Item recognized directly in other comprehensive income</b>		
Equity reserve for retirement plan	317	609
	<b>P618</b>	<b>P918</b>

The movements in deferred tax assets and deferred tax liabilities are as follows:

	Balance at Beginning of the Year - net	Recognized in Profit or Loss	Recognized in Other Comprehensive Income		December 31, 2021		
			Equity Reserve for retirement Plan	Currency Translation Adjustments	Balance at End of the Year - net	Deferred Tax Assets	Deferred Tax Liabilities
Equity reserve for retirement plan	P609	P -	(P299)	P7	P317	P314	P3
Allowance for inventory losses	246	(2)	-	2	246	246	-
Net defined benefit retirement asset	(182)	(15)	-	(8)	(205)	41	(246)
Allowance for impairment losses on receivables	95	(30)	-	(1)	64	64	-
Unrealized losses (gains) on derivatives - net	25	12	-	1	38	38	-
Unrealized foreign exchange gains - net	6	1	-	-	7	7	-
Leases	76	6	-	-	82	82	-
Others	43	17	-	9	69	69	-
<b>Net assets</b>	<b>P918</b>	<b>(P11)</b>	<b>(P299)</b>	<b>P10</b>	<b>P618</b>	<b>P861</b>	<b>(P243)</b>

	Balance at Beginning of the Year - net	Recognized in Profit or Loss	Recognized in Other Comprehensive Income		December 31, 2020		
			Equity Reserve for Retirement Plan	Currency Translation Adjustments	Balance at End of the Year - net	Deferred Tax Assets	Deferred Tax Liabilities
Equity reserve for retirement plan	P708	P -	(P111)	P12	P609	P611	P2
Allowance for inventory losses	222	26	-	(2)	246	246	-
Net defined benefit retirement liability	(86)	(81)	-	(15)	(182)	(187)	(5)
Allowance for impairment losses on receivables	53	43	-	(1)	95	95	-
Unrealized losses (gains) on derivatives - net	14	11	-	-	25	25	-
Unrealized foreign exchange gains - net	(3)	9	-	-	6	6	-
Leases	53	23	-	-	76	76	-
Others	28	19	-	(4)	43	46	3
<b>Net assets</b>	<b>P989</b>	<b>P50</b>	<b>(P111)</b>	<b>(P10)</b>	<b>P918</b>	<b>P918</b>	<b>P -</b>

The components of income tax expense are shown below:

	2021	2020	2019
Current	<b>P5,559</b>	P6,912	P10,987
Final	<b>9</b>	226	358
Deferred	<b>136</b>	(50)	136
	<b>P5,704</b>	P7,088	P11,481

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rates is as follows:

	2021	2020	2019
Statutory income tax rate	<b>25.00%</b>	30.00%	30.00%
Decrease in income tax rate resulting from:			
Income subjected to final tax	<b>(0.24)</b>	(0.66)	(0.79)
Effect of change in tax rate	<b>(2.04)</b>	-	-
Others	<b>(0.86)</b>	(0.39)	(0.37)
Effective income tax rate	<b>21.86%</b>	28.95%	28.84%

*Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Company are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e., 25% RCIT, 1% MCIT) for financial reporting purposes.

The impact on the Group's consolidated financial statements based on balances as at and for the year ended December 31, 2020, are as follows:

<b>ASSET</b>	
Deferred tax assets	(P126)
<b>LIABILITIES AND EQUITY</b>	
Income and other taxes payable	P557
Equity reserves	101
Retained earnings	(532)
	P126
<b>INCOME TAX EXPENSE</b>	
Current	(P557)
Deferred	25
	(532)
<b>NET INCOME</b>	P532

## 20. Equity

### Capital Stock

Pursuant to the registration statement rendered effective, and permit to sell issued, by the SEC on April 28, 2008, 15,488,309,960 common shares of the Company were registered and were 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 then total issued and outstanding shares, and accordingly, were 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.

The Company has 25,000,000,000 authorized common shares with P1 par value. As of December 31, 2021 and 2020, 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 1,039 shareholders of record both years. As of December 31, 2021 and 2020, the Certificate Authorizing Registration (CAR) for 48,777,899 common shares out of the 51,425,799 common shares tendered and accepted during the tender offer (equivalent to 94.85% 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) as of report date.

#### Retained Earnings

The Group's unappropriated retained earnings include the accumulated earnings in subsidiaries not available for declaration as dividends until declared by the respective subsidiaries.

The Company's BOD declared cash dividends as follows:

#### **December 31, 2021**

Date of Declaration	Stockholders of Record	Date Paid	Dividend Per Share	Amount
February 5, 2021	February 22, 2021	March 2, 2021	P0.25	P3,840
April 30, 2021	May 17, 2021	May 31, 2021	0.25	3,840
August 3, 2021	August 17, 2021	September 2, 2021	0.25	3,841
November 5, 2021	November 22, 2021	December 9, 2021	0.25	3,841
				<b>P15,362</b>

#### December 31, 2020

Date of Declaration	Stockholders of Record	Date Paid	Dividend Per Share	Amount
February 7, 2020	February 21, 2020	February 28, 2020	P0.25	P3,840
May 25, 2020	June 11, 2020	June 25, 2020	0.25	3,840
August 3, 2020	August 18, 2020	September 3, 2020	0.25	3,841
October 30, 2020	November 17, 2020	December 3, 2020	0.25	3,841
				<b>P15,362</b>

On February 8, 2022, the BOD of the Company declared cash dividends at P0.25 per share to all stockholders of record as of February 22, 2022 which was paid on March 2, 2022.

The movements in appropriated retained earnings are as follows:

	Note	2021	2020
Balance at beginning of year		<b>P36,970</b>	P25,752
Additional appropriations	20a, 20b	<b>16,211</b>	17,000
Reversal of appropriations	20b, 20c, 20d	<b>(16,870)</b>	(5,782)
Balance at end of year		<b>P36,311</b>	P36,970

- a. On December 3, 2021, the Company appropriated an additional P16,211 of its retained earnings for the repayment of the Company's term loans with various banks entered in 2021 and construction of malt terminal.

- b. On December 4, 2020, the Company appropriated an additional P17,000 of its retained earnings for the repayment of the Company's term loan entered in 2019 and redemption of the Series F bonds in April 2022.
- c. On December 4, 2019, the Company appropriated an additional P19,962 of its retained earnings for the redemption of the Series G bonds in April 2021 and capacity expansion of the Company's brewery in Bacolod City, Negros Occidental to support volume growth of the Group. P3,720 and P1,280 were disbursed for the foregoing projects in 2021 and 2020, respectively and were accordingly reversed. The P12,462 appropriation for the redemption of the Company's Series G bonds was reversed upon the redemption of the Series G bonds in April 2021. The remaining P2,500 appropriation will be used for the capacity expansion of Bacolod Brewery.
- d. Of the P11,600 appropriations in 2018 for the construction of a new brewery in Tagoloan, Misamis Oriental and for the construction of brewhouse and cellars in the Company's Sta. Rosa, Laguna production facility, P688, P4,502 and P5,810 were disbursed for the foregoing projects in 2021, 2020 and 2019, respectively and were accordingly reversed. The remaining P600 appropriation will be used to settle the outstanding payables related to the aforementioned construction projects.

The Company makes regular declaration of cash dividends out of its unrestricted retained earnings in accordance with its dividend policy and as part of its capital management.

## 21. Cost of Sales

This account consists of:

	<i>Note</i>	2021	2020	2019
Taxes and licenses		<b>P54,337</b>	P49,975	P57,595
Inventories	9	<b>10,634</b>	10,159	14,895
Communications, light, fuel and water		<b>2,544</b>	2,060	2,891
Personnel	24	<b>1,635</b>	1,594	1,890
Depreciation and amortization	23	<b>1,380</b>	1,131	1,161
Repairs and maintenance		<b>411</b>	533	673
Rent	4, 29	<b>25</b>	24	22
Others		<b>426</b>	399	464
		<b>P71,392</b>	P65,875	P79,591

Taxes and licenses include excise, real property and business taxes.

Others include insurance, contracted services, research and development and various items of manufacturing overhead which are individually immaterial.

## 22. Selling and Administrative Expenses

This account consists of:

	2021	2020	2019
Selling	<b>P7,818</b>	P7,605	P12,731
Administrative	<b>10,161</b>	9,981	11,230
	<b>P17,979</b>	P17,586	P23,961

Selling expenses consist of:

	Note	2021	2020	2019
Advertising and promotion		<b>P2,672</b>	P2,213	P5,334
Freight, trucking and handling		<b>1,936</b>	1,954	3,617
Personnel	24	<b>1,828</b>	1,826	2,055
Rent	4, 29	<b>439</b>	418	595
Taxes and licenses		<b>255</b>	340	313
Depreciation and amortization	23	<b>226</b>	268	248
Travel and transportation		<b>93</b>	104	169
Repairs and maintenance		<b>84</b>	81	110
Communications, light, fuel and water		<b>83</b>	67	98
Provision for (reversal of) impairment losses on receivables	8	<b>16</b>	164	(2)
Others		<b>186</b>	170	194
		<b>P7,818</b>	P7,605	P12,731

Others include insurance, contracted services, office supplies and various items which are individually immaterial.

Administrative expenses consist of:

	Note	2021	2020	2019
Personnel	24	<b>P2,847</b>	P3,082	P3,410
Depreciation and amortization	23	<b>3,519</b>	3,229	3,335
Contracted services		<b>894</b>	815	954
Provision for inventory losses and deferred containers	9, 16	<b>785</b>	696	632
Communications, light, fuel and water		<b>398</b>	251	411
Management fees	28	<b>364</b>	367	400
Breakages		<b>278</b>	298	344
Repairs and maintenance		<b>257</b>	225	328
Professional fees		<b>167</b>	236	272
Taxes and licenses		<b>107</b>	99	167
Donations		<b>78</b>	435	158
Rent	4, 29	<b>56</b>	47	67
Travel and transportation		<b>52</b>	60	150
Research and development		<b>40</b>	18	98
Shipping expenses		<b>31</b>	90	34
Others		<b>288</b>	33	470
		<b>P10,161</b>	P9,981	P11,230

Others include insurance, office supplies and various items which are individually immaterial.

### 23. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<i>Note</i>	<b>2021</b>	2020	2019
Cost of sales:				
Property, plant and equipment	12	<b>P1,364</b>	P1,118	P1,146
Right-of-use of assets	13	<b>16</b>	13	15
	21	<b>1,380</b>	1,131	1,161
Selling and administrative expenses:				
Deferred containers	16	<b>P2,973</b>	2,661	2,900
Property, plant and equipment	12	<b>416</b>	460	313
Right-of-use of assets	13	<b>255</b>	272	259
Others	14, 15	<b>101</b>	104	111
	22	<b>3,745</b>	3,497	3,583
		<b>P5,125</b>	P4,628	P4,744

Others include amortization of investment property, computer software and licenses, land use rights, pallets, kegs and CO2 cylinders.

### 24. Personnel Expense

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Salaries and wages		<b>P4,066</b>	P4,137	P4,506
Other employee benefits		<b>1,704</b>	1,792	2,321
Retirement costs	30	<b>540</b>	573	528
		<b>P6,310</b>	P6,502	P7,355

Personnel expense is distributed as follows:

	<i>Note</i>	<b>2021</b>	2020	2019
Cost of sales	21	<b>P1,635</b>	P1,594	P1,890
Selling expenses	22	<b>1,828</b>	1,826	2,055
Administrative expenses	22	<b>2,847</b>	3,082	3,410
		<b>P6,310</b>	P6,502	P7,355

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## 25. Interest Expense and Other Financing Charges

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Interest expense - Long-term debt	18	<b>P1,628</b>	P1,794	P1,535
Interest expense - Lease		<b>90</b>	101	115
Interest expense - Actuarial	30	<b>14</b>	45	20
Interest expense - External		<b>1</b>	113	-
Amortization of debt issue costs	18	<b>45</b>	45	36
		<b>P1,778</b>	P2,098	P1,706

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## 26. Other Income - net

This account consists of:

	<i>Note</i>	<b>2021</b>	2020	2019
Gain on received tax credit certificates		<b>P170</b>	P1,569	P1,430
Gain (loss) on sale of Property and equipment		<b>185</b>	(20)	7
Rent income	4, 14, 29	<b>179</b>	181	173
Foreign exchange gains (losses) - net	32	<b>36</b>	(11)	23
Royalty income		<b>21</b>	20	28
Marked-to-market gain (loss)	33	<b>(54)</b>	36	130
Others		<b>228</b>	(140)	(156)
		<b>P765</b>	P1,635	P1,635

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Gain on received tax credit certificates (TCC) pertains to TCCs issued by the Bureau of Internal Revenue (BIR) to the Company for the tax refund cases of San Mig Light for the year 2019 and 2020 in 2021, tax refund cases for the years 2007, 2008 and 2011 in 2020 and tax refund cases for the years 2009 and 2010 in 2019 (Note 34).

Others include dividend income, bank charges, restructuring costs, insurance claims and other various items which are individually immaterial.

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## 27. Impairment Loss on Noncurrent Assets

### North China Operations

In 2019, the Group incurred losses in its North China operations due to fierce market competitions resulting in the decline in product demand compared to forecasted sales. These factors, among others, are indications that noncurrent assets of the Group's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired.

As discussed in Note 2, in March 2020, SMBIL and SMCIC, shareholders of SMBB, passed a resolution approving the dissolution of SMBB. SMBB stopped operations and production activities from the date of the resolution and started liquidation.

Accordingly, the Group assessed the recoverable amounts of SMBB's assets and determined that the carrying amounts of the assets are higher than their recoverable amounts. Impairment losses were recognized to reduce carrying amounts to recoverable amounts of property, plant and equipment and deferred expenses amounting to P903 in 2019. As SMBB's assets have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculation of recoverable amounts would result in further impairment losses.

## 28. Related Party Disclosures

The Group, in the normal course of business and at such normal market prices and terms, purchases products and services from and sells products to related parties. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of December 31:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Financial Assets at FVOCI	Terms	Conditions
Intermediate Parent	2021	P139	P792	P20	P248	P5,100	On demand; non-interest bearing	Unsecured; no impairment
	2020	21	1,114	15	171	4,803		
Shareholder	2021	-	-	2	-	-	On demand; non-interest bearing	Unsecured; no impairment
	2020	-	-	2	-	-		
Under Common Control	2021	373	8,858	152	3,609	-	On demand; non-interest bearing	Unsecured; no impairment
	2020	314	7,294	175	2,738	-		
	2021	P512	P9,650	P174	P3,857	P5,100		
	2020	P335	P8,408	P192	P2,909	P4,803		

- Amounts owed by related parties consist of trade and non-trade receivables and share in expenses (Note 8). Amounts owed by related parties included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position amounted to P1 and P1 as of December 31, 2021 and 2020, respectively (Note 10). Amounts owed by related parties included under "Other noncurrent assets - net" account amounted to P6 and P3 as of December 31, 2021 and 2020 respectively (Note 16).
- As discussed in Note 11, on August 4, 2020, the Group through SMBIL signed a subscription agreement with SMC for the subscription of the latter's redeemable perpetual securities.
- Amounts owed to related parties consist of trade payables arising from purchases of materials, bottles, shells, cartons, fuel and power and non-trade payables arising from the purchase of SMC's shares in BPI, professional fees, insurance, lease of outdoor advertising spaces, lease of land and building, management fees (Note 22), reimbursement of expenses, and other services rendered by related parties (Note 17). Amounts owed to related parties included under "Lease liabilities" account in the consolidated statements of financial position amounted to P855 and P843 for December 31, 2021 and 2020, respectively. Amounts owed to related parties included under "Other noncurrent liabilities" account in the consolidated statements of financial position both amounted to nil and P2 for December 31, 2021 and 2020, respectively.

The compensation of key management personnel of the Group, by benefit type, follows:

	<b>2021</b>	2020	2019
Short-term employee benefits	<b>P170</b>	P182	P224
Retirement costs	<b>30</b>	35	29
	<b>P200</b>	P217	P253

## 29. Leasing Agreements

### *Group as Lessor*

The Group leases some of its investment property under operating lease arrangements to third parties. The leases typically run for a period of one to 17 years. Some lease agreements provide an option to renew the lease at the end of the lease term and are being subjected to reviews, to reflect current market rentals.

The maturity analysis of lease receivables are as follows:

	<b>2021</b>	2020
Less than one year	<b>P144</b>	P148
Between one and five years	<b>72</b>	135
More than five years	<b>2</b>	2
	<b>P218</b>	P285

Rent income recognized in the consolidated statements of income amounted to P179, P181 and P173 in 2021, 2020 and 2019, respectively (Notes 4 and 26).

### *Group as Lessee*

The Group leases the land and buildings where some of its offices and warehouses are located under operating lease arrangements. The leases typically run for a period of two to 50 years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

Information about leases for which the Group is a lessee are presented below.

Movements in lease liabilities are as follows:

	<b>2021</b>	2020
Balance at January 1	<b>P1,263</b>	P1,237
Additions	<b>512</b>	240
Interest expense	<b>90</b>	101
Payments	<b>(308)</b>	(315)
Currency translation adjustments	<b>2</b>	-
Reclassification	<b>(272)</b>	-
Balance at December 31	<b>P1,287</b>	P1,263

Amounts recognized in profit or loss:

<b>Leases under PFRS 16</b>	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	90	P101
Income from sub-leasing right-of-use assets	(159)	(159)
Expenses relating to short-term leases and low-value assets	520	489
Amortization of ROU	271	285

The Group had total cash outflows for the above leases amounting to P828 and P804 in 2021 and 2020, respectively.

The Group accounted some of its agreements for the lease of office spaces and vehicles, and other operating leases as short-term leases and/or low value assets. Expenses related to this are included as part of rent expense under "Cost of Sales" and "Selling and Administrative Expenses" in the consolidated statements of income.

Rent expense recognized in the consolidated statements of income amounted to P520, P489 and P684 in 2021, 2020 and 2019, respectively (Notes 4, 21 and 22).

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### 30. Retirement Plans

The Company and some of its international subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering certain number of their permanent employees. The Retirement Plans pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2021. 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 a tax qualified plan under Republic Act No. 4917, as amended. The control and administration of the Company's Retirement Plan is vested in the Board of Trustees (BOT) of the Retirement Plan. The BOT of the Company's Retirement Plan exercises voting rights over the shares it has invested in and approves material transactions. SMBRP's accounting and administrative functions are undertaken by the Retirement Funds Office of SMC.

Retirement costs recognized in profit or loss by the Company amounted to P482, P518, and P470 in 2021, 2020 and 2019, respectively, while those charged by the subsidiaries amounted to P58, P55, and P58 in 2021, 2020 and 2019, respectively (Note 24). The Group's annual contributions to the Retirement Plans consist of payments covering the current service cost plus amortization of unfunded past service liability.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Present Value of Defined Benefit Retirement Obligation		Fair Value of Plan Assets		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability (Asset)	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Balance at beginning of year</b>	<b>P11,481</b>	<b>P12,642</b>	<b>P11,448</b>	<b>P12,241</b>	<b>(P6)</b>	<b>P -</b>	<b>P39</b>	<b>P401</b>
<b>Recognized in Profit or Loss</b>								
Current service cost	539	573	-	-	-	-	539	573
Interest expense	416	619	-	-	-	-	416	619
Interest income	-	-	402	585	-	-	(402)	(585)
Administrative expense paid out of plan assets	-	-	(1)	-	-	-	1	-
	<b>955</b>	<b>1,192</b>	<b>401</b>	<b>585</b>	<b>-</b>	<b>-</b>	<b>554</b>	<b>607</b>
<b>Recognized in Other Comprehensive Income</b>								
Remeasurements:								
Actuarial (gains) losses arising from:								
Experience adjustments	(562)	(1,582)	-	-	-	-	(562)	(1,582)
Changes in financial assumptions	(842)	234	-	-	-	-	(842)	234
Changes in demographic assumptions	132	44	-	-	-	-	132	44
Return on plan assets excluding interest	-	-	(402)	(894)	(58)	-	460	894
Changes in the effect of asset ceiling	-	-	-	-	-	(6)	-	6
	<b>(1,272)</b>	<b>(1,304)</b>	<b>(402)</b>	<b>(894)</b>	<b>(58)</b>	<b>(6)</b>	<b>(812)</b>	<b>(404)</b>
<b>Others</b>								
Contributions	-	-	413	541	-	-	(413)	(541)
Benefits paid	(859)	(1,003)	(846)	(993)	-	-	(13)	(10)
Translation and other adjustments	79	(46)	56	(32)	-	-	23	(14)
	<b>(780)</b>	<b>(1,049)</b>	<b>(377)</b>	<b>(484)</b>	<b>-</b>	<b>-</b>	<b>(403)</b>	<b>(565)</b>
<b>Balance at end of year</b>	<b>P10,384</b>	<b>P11,481</b>	<b>P11,070</b>	<b>P11,448</b>	<b>(P64)</b>	<b>(P6)</b>	<b>(P622)</b>	<b>P39</b>

As of December 31, 2021 and 2020, the net defined benefit retirement liability included as part of "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to P187 and P195, respectively.

As of December 31, 2021 and 2020, the net defined benefit retirement asset included as part of "Other noncurrent assets-net" account in the consolidated statements of financial position amounted to P809 and P157, respectively.

The retirement costs amounting to P540, P573 and P528 in 2021, 2020 and 2019, respectively, are recognized as part of "Personnel expense" account in the consolidated statements of income (Note 24).

The carrying amounts of the Group's retirement fund approximate fair values as of December 31, 2021 and 2020.

The plan assets of the Group's Retirement Plans consist of the following:

	In Percentages	
	2021	2020
Investments in marketable securities and shares of stock	69	73
Investment in pooled funds:		
Stock trading portfolio	4	4
Fixed income portfolio	10	10
Others	17	13

*Investments in Marketable Securities*

As of December 31, 2021, the plan assets of the Group's Retirement Plans include the following plan assets of SMBRP:

	Type	Number of Shares	Fair Value
SMB	Common	28,549,900	P20.00 per share
	Bond		102
SMC	Common	19,291,890	114.90 per share
	Preferred:		
	Subseries F	8,000,000	79.25 per share
	Subseries I	6,153,600	79.65 per share
	Subseries J	2,630,000	76.50 per share
	Subseries K	200,000	75.85 per share
	Bonds		771
TFIH	Common	1,864,314	127.70 per share
Ginebra San Miguel Inc. (GSMI)	Common	2,320,152	113.80 per share
Petron Corporation (Petron)	Preferred	200,000	1,119 per share
	Common	1,764,000	3.17 per share
	Bond		105
SMFB	Common	241,360	71.40 per share
	Bond		154
South Luzon Tollway Corporation (SLTC)	Bond		103
SMC Global Power Holdings Corp. (SMC Global)	Bond		288

As of December 31, 2020, the plan assets of the Group's Retirement Plans include the following plan assets of SMBRP:

	Type	Number of Shares	Fair Value
SMB	Common	28,549,900	P20.00 per share
	Bond		307
SMC	Common	19,991,080	128.10 per share
	Preferred:		
	Subseries E	1,333,400	75.40 per share
	Subseries F	8,000,000	77.30 per share
	Subseries I	6,153,600	76.80 per share
	Subseries J	2,630,000	75.50 per share
	Subseries K	200,000	75.50 per share
	Bonds		685
TFIH	Common	1,864,314	140.00 per share
GSMI	Common	2,990,432	49.40 per share
	Preferred	200,000	1,114.00 per share
Petron	Common	1,214,000	3.99 per share
SMFB	Common	1,723,540	67.00 per share
	Bond		146
SLTC	Bond	-	102
SMC Global	Bond	-	391

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as of reporting date.

SMBRP recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to (P87), (P771) and P439 in 2021, 2020 and 2019, respectively.

Dividend income of SMBRP from the investment in shares of stock of SMC and its subsidiaries amounted to P166, P167 and P179 in 2021, 2020 and 2019, respectively.

#### *Investments in Shares of Stock*

As of December 31, 2021 and 2020, SMBRP has an investment in BPI representing 8,608,494 preferred shares (inclusive of nominee shares) amounting to P859, accounted for under cost method, which approximates fair value.

#### *Interest in Pooled Funds*

Investments in pooled funds were established mainly to put together a portion of the funds of the retirement plans 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.

The BOT of SMBRP approved the percentage of assets to be allocated to 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 of SMBRP may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 52.70% and 42.43% of SMBRP's investment in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2021 and 2020, respectively.

Approximately 16.76% and 15.10% of SMBRP's investment in pooled funds in fixed income portfolio include investment in shares of stock of SMC and its subsidiaries as of December 31, 2021 and 2020, respectively.

*Others*

Others include cash and cash equivalents, interest receivable and other retirement plans of SMC and its subsidiaries.

The BOT of each Retirement Plan reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the defined benefit retirement obligation. The Group is expected to contribute P38 to the Retirement Plans in 2022.

The Retirement Plans expose the Group to certain risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Rate Risks.* The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

*Longevity and Salary Risks.* The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on the historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	<b>In Percentages</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	<b>0.4 - 6.75</b>	0.4 - 6.3
Salary increase rate	<b>2.0 - 8.0</b>	2.0 - 8.0

Assumptions for mortality and disability rate are based on published statistics and mortality and disability tables.

As of December 31, 2021 and 2020, the weighted average duration of defined benefit retirement obligation is 4.3 - 8.76 and 5.0 - 8.8 years, respectively.

As of December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below.

	2021		2020	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P630)	P752	(P743)	P868
Salary increase rate	760	(656)	867	(762)

Transactions with the Retirement Plans are made at normal market prices.

### 31. Earnings Per Share

Basic and diluted EPS is computed as follows:

	2021	2020	2019
Net income attributable to equity holders of the Company (a)	P20,029	P17,161	P26,720
Weighted average number of shares outstanding (in millions) (b)	15,359	15,359	15,359
Basic/diluted EPS (a/b)	P1.30	P1.12	P1.74

As of December 31, 2021, 2020 and 2019, the Group has no dilutive debt or equity instruments.

### 32. Financial Risk and Capital Management, Objectives and Policies

#### Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVOCI, noncurrent receivables, lease liabilities, long-term debt and derivative instruments. Cash and cash equivalents are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables and accounts payable and accrued expenses arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and interest rate risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD of the Company has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD of the Company constituted the 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 consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the Group's enterprise risk issues; f) evaluation and monitoring of related party transactions; and g) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also review the financial reports required to be included in the Group's annual report.

The Audit Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The 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.

#### Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. 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 earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The Group does not account for any fixed rate financial assets or financial liabilities at FVPL and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Group has no floating rate borrowings in 2021 and 2020.

The terms and maturity profile of fixed rate interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

	1 - 3 Years	> 3 - 5 Years	> 5 Years	Total
<b>December 31, 2021</b>				
Bonds				
Philippine peso-denominated	P9,538	P -	P -	P9,538
Interest rate	6%	-	-	-
Term Loan				
Philippine peso-denominated	10,063	10,041	1,880	21,984
Interest rate	3.875% - 4.63%	3.8% - 4.15%	4.15%	-
<b>December 31, 2020</b>				
Bonds				
Philippine peso-denominated	P19,462	-	-	19,462
Interest rate	5.5%-6.6%	-	-	-
Term Loan				
Philippine peso-denominated	-	12,538	-	12,538
Interest rate	-	4.6% - 6.0%	-	-

#### Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

The Group 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 monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2021		2020	
	US Dollar*	Peso Equivalent	US Dollar*	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	\$204.2	P10,412	\$169.8	P8,157
Trade and other receivables	19.4	991	23.2	1,113
Noncurrent receivables	0.2	10	0.2	10
	223.8	11,413	193.2	9,280
<b>Liabilities</b>				
Accounts payable and accrued expenses	73.9	3,769	112.4	5,396
Lease liabilities	0.7	38	0.3	16
Noncurrent liabilities	0.3	15	-	-
	74.9	3,822	112.7	5,412
<b>Net foreign currency-denominated monetary assets</b>	<b>\$148.9</b>	<b>P7,591</b>	<b>\$80.5</b>	<b>P3,868</b>

\* US dollar equivalent of foreign currency-denominated balances as of reporting date

The Group reported net foreign exchange gains (losses) amounting to P36, (P11) and P23 in 2021, 2020, and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
<b>December 31, 2021</b>	<b>51.00</b>
December 31, 2020	48.02
December 31, 2019	50.64

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 monetary liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
<b>December 31, 2021</b>				
Cash and cash equivalents	(P17)	(200)	P17	P200
Trade and other receivables	-	(19)	-	19
	(17)	(219)	17	219
Accounts payable and accrued expenses	15	70	(15)	(70)
Lease liabilities	-	1	-	(1)
	P15	P71	(P15)	(P71)
	(P2)	(P148)	P2	P148
<b>December 31, 2020</b>				
Cash and cash equivalents	(P26)	(P162)	P26	P162
Trade and other receivables	-	(23)	-	23
	(26)	(185)	26	185
Accounts payable and accrued expenses	56	95	(56)	(95)
Lease liabilities	-	1	-	(1)
	P56	P96	(P56)	(P96)
	P30	(P89)	(P30)	P89

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

#### Liquidity Risk

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

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

#### December 31, 2021

	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P26,863	P26,863	P26,863	P -	P -	P -
Trade and other receivables - net	7,977	7,977	7,977	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	9	9	9	-	-	-
Financial assets at FVOCI	5,137	5,137	-	-	-	5,137
Noncurrent receivables (included under "Other noncurrent assets-net" account)	12	12	-	4	8	-
<b>Financial Liabilities</b>						
Accounts payable and accrued expenses (excluding cash dividends payable)	17,024	17,024	17,024	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	38	38	38	-	-	-
Long-term debt (including current maturities)	31,388	35,554	8,235	1,118	24,227	1,974
Lease liabilities (including current portion)	1,287	2,166	241	194	450	1,281
Noncurrent liabilities	14	14	-	-	-	14

#### December 31, 2020

	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P24,185	P24,185	P24,185	P -	P -	P -
Trade and other receivables - net	5,662	5,662	5,662	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	25	25	25	-	-	-
Financial assets at FVOCI	4,837	4,837	-	-	-	4,837
Noncurrent receivables (included under "Other noncurrent assets-net" account)	12	12	-	4	7	1
<b>Financial Liabilities</b>						
Accounts payable and accrued expenses (excluding cash dividends payable)	15,990	15,990	15,990	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	3	3	3	-	-	-
Long-term debt (including current maturities)	31,911	35,119	13,719	7,738	13,662	-
Lease liabilities (including current portion)	1,263	2,290	266	189	433	1,402
Noncurrent liabilities	17	17	-	1	7	9

### 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 trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

### *Trade and Other Receivables*

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of dealers, wholesalers and retailers as these factors may have an influence on the credit risk.

The Group obtains collateral so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment or cash basis.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	<i>Note</i>	2021	2020
Cash and cash equivalents (excluding cash on hand)	4, 7	<b>P26,764</b>	P23,532
Trade and other receivables - net	8	<b>7,977</b>	5,662
Derivative assets	10	9	25
Noncurrent receivables	16	12	12
		<b>P34,762</b>	P29,231

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2021					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
12-Month ECL	Lifetime ECL not credit Impaired	Lifetime ECL - credit Impaired				
Cash and cash equivalents (excluding cash on hand)	<b>P26,764</b>	P -	P -	P -	P -	<b>P26,764</b>
Trade and other receivables	<b>7,977</b>	-	344	-	-	<b>8,321</b>
Derivative assets	-	-	-	9	-	9
Noncurrent receivables	-	12	-	-	-	12

2020						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL not credit Impaired	Lifetime ECL - credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P23,532	P -	P -	P -	P -	P23,532
Trade and other receivables	5,662	-	333	-	-	5,995
Derivative assets	-	-	-	25	-	25
Noncurrent receivables	-	12	-	-	-	12

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience over the past two years. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Group applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix. The maturity of the Group's trade and other receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The following tables provides information about the exposure to credit risk and ECL of trade and other receivables:

## 2021

Aging	Gross Carrying Amount		ECL Rate		ECL Amount
	Trade Receivables	Other Receivables	Trade Receivables	Other Receivables	
Current	6,558	834	1.23%	12.27%	P183
Past due					
Less than 30 days	665	21	1.39%	13.13%	12
30 - 60 days	20	8	9.01%	25.97%	4
61 - 90 days	10	37	13.29%	11.11%	5
Over 90 days	107	61	95.82%	61.77%	140
	P7,360	P961	2.65%	15.48%	P344

## 2020

Aging	Gross Carrying Amount		ECL Rate		ECL Amount
	Trade Receivables	Other Receivables	Trade Receivables	Other Receivables	
Current	P4,592	P521	0.89%	8.97%	P88
Past due					
Less than 30 days	403	23	1.07%	11.28%	7
30 - 60 days	38	16	13.60%	33.03%	10
61 - 90 days	16	32	6.55%	25.12%	9
Over 90 days	136	218	86.76%	46.36%	219
	P5,185	P810	3.28%	20.20%	P333

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits. The Group has no right to sell or pledge the collaterals in the absence of default by the customers.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The credit risk for cash and cash equivalents and derivative asset 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 a counterparty. Generally, the maximum credit risk exposure of trade and other receivables is the carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

#### Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, reserve for retirement plan, fair value reserves and 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 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.

### 33. 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:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P26,863	P26,863	P24,185	P24,185
Trade and other receivables - net	7,977	7,977	5,662	5,662
Derivative assets (included under "Prepaid expenses and other current assets" account)	9	9	25	25
Financial assets at FVOCI	5,137	5,137	4,837	4,837
Noncurrent receivables (included under "Other noncurrent assets-net" account)	12	12	12	12
<b>Financial Liabilities</b>				
Accounts payable and accrued expenses (excluding cash dividends payable)	17,024	17,024	15,990	15,990
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	38	38	3	3
Long-term debt (including current maturities)	31,388	32,181	31,911	33,759
Other noncurrent liabilities	14	14	-	-

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.

*Financial Assets at FVOCI.* 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, which approximates fair value.

*Accounts Payable and Accrued Expenses.* The carrying amount of accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

*Term Loans and Bonds.* 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, 2021 and 2020, discount rates used ranged from 0.97% to 4.49% and 1.11% to 2.31%, respectively.

*Other Noncurrent Liabilities.* The fair value is based on the present value of expected cash flows using the applicable discount rates based on current market rates of similar instruments.

### 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.

#### *Embedded Currency Forwards*

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$42 and US\$21 as of December 31, 2021 and 2020, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to (P29) and P22 in 2021 and 2020, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P54), P36 and P130 in 2021, 2020 and 2019, respectively (Note 26).

### Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2021	2020
Balance at beginning of year	P22	P52
Net change in fair value of non-accounting hedges	(54)	36
	(32)	88
Less fair value of settled instruments	(3)	66
Balance at end of year	(P29)	P22

### Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value, by valuation method.

	December 31, 2021			December 31, 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial Assets</b>						
Derivative assets	P -	P9	P9	P -	P25	P25
Financial assets at FVOCI	5,137	-	5,137	4,837	-	4,837
<b>Financial Liabilities</b>						
Derivative liabilities	-	38	38	-	3	3

As of December 31, 2021 and 2020, 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.

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### 34. Other Matters

#### a. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2021 amounted to P10,373.

Amount authorized but not yet disbursed for capital projects as of December 31, 2021 is approximately P14,495.

#### b. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso in 2021 and 2020 were closing rates of P51.00 and P48.02, respectively, for consolidated statements of financial position accounts, and average rates of P49.28, P49.62 and P51.79 in 2021, 2020 and 2019, respectively, for income and expense accounts.

#### c. *Claims for Tax Refund*

##### Filed by SMC

On April 12, 2004 and May 26, 2004, SMC was assessed 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) First Division under two cases: CTA Case Nos. 7052 and 7053. 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 applicable to it for its "San Mig Light" product for the period of February 2, 2004 to November 30, 2005 (docketed as CTA Case No. 7405). The CTA, through its First Division, and the CTA En Banc (on appeal), both ruled in favor of SMC. On April 1, 2013, the BIR elevated the consolidated cases to the Supreme Court (docketed as G.R. No. 205723).

SMC filed with the CTA by way of petition for review (Third Division and docketed as CTA Case No. 7708), a second claim for refund for overpayments of excise taxes for the period of December 1, 2005 to July 31, 2007 on November 27, 2007, as SMC was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. The CTA Third Division granted SMC's petition for review and ordered the BIR to refund or issue a TCC in favor of SMC. The BIR elevated the decision of the Third Division to the CTA En Banc but its appeal was denied. Subsequently, the BIR filed a petition for review with the Supreme Court (docketed as G.R. No. 205045).

On January 25, 2017, the Supreme Court decided in the consolidated cases of GR Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period December 1, 2005 to July 31, 2007, and P782 for the period February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Case Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 representing refund of excess taxes erroneously collected by the BIR for the period of February 2, 2004 to November 30, 2005; and another separate motion for execution in CTA Case No. 7708 on the final judgment of P926 for the period of December 1, 2005 to July 31, 2007. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

The BIR issued ITS TCC Trans No. 121-20-00012 and 121-20-00013 amounting to P782 for CTA Case No. 7405 and P926 for CTA Case No. 7708, respectively in favor of SMC on September 8, 2020.

SMC filed its third claim for refund with the CTA (Third Division docketed as CTA Case No. 7953) on July 24, 2009 for overpayments of excise taxes for the period of August 1, 2007 to September 30, 2007. This case was consolidated with CTA Case No. 7973 below.

The BIR issued ITS TCC Trans No. 121-20-00010 amounting to P105 in favor of SMC on August 10, 2020.

#### Filed by SMB

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

- (a) first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);
- (b) second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);
- (c) third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);
- (d) fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);

- (e) fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);
- (f) sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);
- (g) seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);
- (h) eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);
- (i) ninth claim for refund of overpayments for the period of January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);
- (j) tenth claim for refund of overpayments for the period of January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);
- (k) eleventh claim for refund of overpayments for the period of January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019); and
- (l) twelfth claim for refund of overpayments for the period of January 1, 2019 to December 31, 2019 - Third Division docketed as CTA Case No. 10421 (December 16, 2020); and
- (m) thirteenth claim for refund of overpayments for the period of January 23, 2020 to February 9, 2020 - docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022)

CTA Case No. 7973 was consolidated with CTA Case No. 7953 (filed by SMC). For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of P829 and the amount of P105 to SMC. The BIR appealed to the CTA En Banc which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of P829. SMB filed an application for the issuance of a TCC with the BIR.

The ITS TCC Trans No. 121-20-00009 was issued by the BIR in favor of SMB on August 10, 2020 in the amount of P829. P809 out of P829 was partially applied to SMB's 2020 tax obligations. The remaining P20 was applied in 2021.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731. The case was not elevated within the prescribed period, thus, the decision became final and executory. The BIR filed a Petition for Relief from Judgment which was denied by the CTA. Separately, the First Division granted SMB's Motion for Execution for the refund of P731, while the BIR filed a Petition for Certiorari before the Supreme Court (docketed as GR No. 221790). The Petition for Certiorari was dismissed by the Supreme Court with finality but the BIR still filed an Urgent Motion for Clarification. Subsequently, SMB received a clarificatory Resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's Petition for Certiorari and expunged from the records all pleadings of the BIR filed after its denial of BIR's Petition for Certiorari had become final and executory. SMB filed an application for the issuance of a TCC in the amount of P731. On November 6, 2019, the BIR issued ITS TCC Trans No. 121-19-00010 in favor of SMB which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA En Banc. The BIR was ordered to refund to SMB the amount of P699. The BIR elevated the case to the Supreme Court but the Supreme Court denied the BIR's petition through its March 20, 2017 Resolution. The BIR moved for reconsideration but the same was similarly denied by the Supreme Court through its July 24, 2017 Resolution. With the decision in favor of SMB, SMB, moved for the execution of the decision on January 23, 2019 as the records of the case were already returned to the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 in favor of SMB. SMB filed an application for TCC issuance. The BIR issued ITS TCC Trans No. 121-19-00009 in favor of SMB on November 13, 2019 which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8591 was decided in favor of SMB by the CTA Second Division and CTA En Banc. The BIR was ordered to refund to SMB the amount of P740. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as GR No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. SMB filed a motion for the execution of the decision with the CTA Second Division. The CTA Second Division issued a Writ of Execution in the amount of P740 on November 13, 2019. SMB filed an application for TCC with the BIR in January 2020 which was issued on August 10, 2020. The said ITS TCC Trans No. 121-20-00008 with an amount of P740 has been fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA En Banc by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA En Banc denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019. The Supreme Court issued a Resolution dated January 27, 2021 denying the BIR's Petition for Review for failure to show any reversible error warranting the exercise by the Supreme Court of its discretionary appellate jurisdiction. SMB is awaiting the issuance of the corresponding Entry of Judgment.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA En Banc by way of a Petition for Review. On September 19, 2018, the CTA En Banc reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA En Banc in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records have been remanded and the case is now pending with the CTA Third Division.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 21, 2022, the CTA En Banc rendered a Decision denying the separate Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258812.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 4, 2021, the CTA En Banc affirmed the decision of the CTA Second Division. Both parties filed motions for partial reconsideration of the CTA En Banc's Decision. In its October 22, 2021 Resolution, the CTA En Banc denied the parties' motions for reconsideration. On December 16, 2021, SMB filed a Petition for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA En Banc. On February 10, 2022, the CTA En Banc rendered a Decision denying the Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258813.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division.

CTA Case No. 10421, SMB's claim for refund for P162, was filed on December 16, 2020. SMB filed a Motion to Withdraw the Petition for Review as the BIR issued a TCC in the amount of P162. In its November 29, 2021 Resolution, the CTA granted SMB's Motion to Withdraw the Petition and deemed the Petition as withdrawn and the case closed and terminated. P80 was applied to SMB's tax obligations in 2021.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022. The case is yet to be raffled to a Division of the CTA. The case is a consolidation of two claims, to wit:

- i. P8 under RA No. 10351 - the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on RMC No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the NIRC, as amended by RA No. 10351 beginning January 1, 2020.
- ii. P1,061 under RA No. 11467 - the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

#### Administrative Case

An administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 was filed with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8. As at December 31, 2021, the TCC was not yet applied to any of SMB's tax obligations.

#### *d. Pending Tax Cases*

##### *i. IBI*

- (a) The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the CTA First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA En Banc and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA En Banc. As a result, IBI paid the amount of P270 on August 26, 2016. On January 30, 2018, the CTA En Banc rendered a decision affirming the decision of the CTA First Division. IBI filed a Motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA En Banc in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for Review on September 7, 2018 docketed as G.R.Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR's Petition was docketed as G.R. nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019. IBI's Petition was denied with finality on June 26, 2019.

On March 11, 2019, the Supreme Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of P285 as full satisfaction of the latter's supposed tax liability for taxable year 2009. The BIR further acknowledged that IBI no longer has any tax liability based upon, arising from, or in connection with CTA Case No. 8607.

On July 6, 2021, the Supreme Court approved the Compromise Agreement and considered G.R. Nos. 240651 and 240665 closed and terminated.

- (b) On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA En Banc (docketed as CTA Case EB No. 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110, where IBI requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA En Banc did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus, IBI was ordered to pay a modified amount of P501 in light of the TRAIN Law amendments on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA En Banc has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR.

Noting the BIR's failure to file its Comment/Opposition, the Court issued a Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the BIR's Motion for Partial Reconsideration of the CTA En Banc Decision promulgated on September 18, 2018 and partially granting the Motion for Reconsideration filed by IBI of the said CTA En Banc Decision.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911-12 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

On December 27, 2019 IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between IBI and the BIR.

On September 2, 2020, the Supreme Court issued a Resolution requiring IBI and the BIR to manifest whether they consider the case closed and terminated. In compliance, IBI filed its manifestation on September 14, 2020. On December 3, 2020, IBI received a Manifestation filed by the BIR manifesting that in view of its receipt of certified true copy of Certificate of Availment (Compromise Settlement), the BIR considers the cases as closed.

On March 3, 2021, the Supreme Court considered GR Nos. 246911-12 and 246865, closed and terminated.

(c) On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three (3) Divisions of the Court.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, documentary stamp tax and compromise penalty were cancelled and set aside. However, the assessment for deficiency expanded withholding tax was affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review.

The CTA *En Banc* promulgated a Resolution on February 4, 2021 noting IBI's Comment to the Petition for Review, and referring the case for mediation in the Philippine Mediation Center - Court of Tax Appeals.

*e. Amendment of Amended Articles of Incorporation*

On December 4, 2020, the BOD of the Company approved the amendment of the Company's primary purpose or Article II of its Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products it is authorized to manufacture, sell or otherwise deal in (Primary Purpose Amendment) and to submit the same for the approval of the Company's stockholders by written assent. The Company received the written assent of stockholders representing more than two-thirds (2/3) of the Company's total outstanding capital stock to the proposed amendment as of February 24, 2021.

On March 16, 2021, the SEC approved the Primary Purpose Amendment in the Company's Amended Articles of Incorporation.

*f. Effect of COVID-19*

Generally, 2021 is an improvement over 2020, with the Group posting significant recoveries in sales and operating income despite continued impact of COVID-19 in both the domestic and international markets. Accelerated vaccination roll-out in 2021 raised optimism, but the spread of more aggressive and highly transmissible COVID variants prompted re-implementation of COVID-19 restrictions in NCR and selected key cities in the Philippines as well as some markets in the international operations such as Thailand, Vietnam, Hong Kong and, China. Meanwhile, the market has adjusted to lingering COVID concerns and limitations in on-premise as purchases shifted to off-premise channels such as supermarkets, convenience and neighborhood provision stores. Other emerging consumer behaviors noted during the pandemic were increased online shopping as well as growing preference for multipacks and canned variants.

*g. Effect of Ukraine-Russia War*

While the Group has very minimal or no direct business in Russia and Ukraine, the Russia-Ukraine conflict could affect global supply and prices of production inputs, including malt and fuel costs, as well as shipping/freight costs.

The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 8, 2022.

# **ANNEX C**

## **Management's Discussion and Analysis**



# SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Food and Beverage, Inc.

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Brewery Inc. (SMB or the Company) and its subsidiaries (collectively referred to as the Group) for the three-year period ended December 31, 2021. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2021. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2021 and the financial performance and cash flows for the year ended December 31, 2021, and for all the other periods presented, have been made.

### **I. BASIS OF PREPARATION**

#### Statement of Compliance

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) of the Company on March 8, 2022.

#### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

<u>Items</u>	<u>Measurement Bases</u>
Derivative financial instruments	Fair value
Financial assets at fair value through other comprehensive income (FVOCI);	Fair value
Net defined benefit retirement asset (liability)	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 off to the nearest million (000,000), unless otherwise indicated.

## II. SIGNIFICANT ACCOUNTING POLICIES

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

### Adoption of Amended Standards

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

The Group has adopted the following PFRS effective January 1, 2021 and accordingly, changed its accounting policies in the following areas:

- Coronavirus Disease 2019 (COVID-19) - Related Rent Concessions (Amendments to PFRS 16, *Leases*) beyond June 30, 2021. The optional practical expedient introduced in the 2020 amendments that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19 and which solely applies to reduction in lease payments originally due on or before June 30, 2021 has been extended to June 30, 2022. The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond June 30, 2021.

The adoption of the amended standards did not have a material effect on the consolidated financial statements.

### Standards Issued but Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing the consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the consolidated financial statements

- The Group will adopt the following new and amended standards on the respective effective dates: Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance. For the sale of items that are not part of an entity's ordinary activities, the amendments require an entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which an entity first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous

includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:
  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
  - added a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.
- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16). To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments

and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

- *Practical Expedient for Particular Changes to Contractual Cash Flows.* As a practical expedient, an entity will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then an entity first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.
- *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require entities to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. An entity is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.
- *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on an entity's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

The amendments apply retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

The amendments are still subject to the approval by the FRSC.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

### III. SIGNIFICANT TRANSACTIONS

- On March 16, 2021, the Securities and Exchange Commission approved the amendment of the Company's primary purpose or Article II of its Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products it is authorized to manufacture, sell or otherwise deal in.
- On April 5, 2021, the Company redeemed the Series G fixed rate bonds of ₱12,462 million, which matured on the same day. The Series G fixed rate bonds form part of the ₱15,000 million fixed rate bonds that were issued by the Company in 2014. The Company used its borrowings from several local banks and available cash to finance the maturity of the Series G fixed rate bonds.
- On July 21, 2021 and December 17, 2021, Tax Credit Certificates (TCC) amounting to ₱162 million and ₱8 million, respectively, pertaining to the excise tax refund case of beer products for the year 2019 and for the administrative claim filed with the BIR for the refund of overpayments of excise taxes for beer products for the period of January 1-22, 2020, respectively, were issued by the Bureau of Internal Revenue (BIR) to the Company.

### IV. FINANCIAL PERFORMANCE

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

<b>(in Millions)</b>	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Sales	<b>₱ 116,286</b>	₱ 107,928	₱ 142,272
Gross Profit	<b>44,894</b>	42,053	62,681
Selling and Administrative Expenses	<b>(17,979)</b>	(17,586)	(23,961)
Operating Income	<b>26,915</b>	24,467	38,720
Net Income	<b>20,449</b>	17,455	27,285
Net Income Attributable to Equity Holders of the Company	<b>20,029</b>	17,161	26,720

#### **2021 vs. 2020**

The Group posted a 7.7% growth in revenue for 2021 compared to 2020 reaching ₱116,286 million due to the 2.1% increase in sales volume for beer and non-alcoholic (NAB) products and the price increase implemented in 2020 and 2021. Domestic operations contributed ₱105,114 million while international operations contributed US\$226.6 million or ₱11,189 million.

Cost of sales increased by 8.4% to ₱71,392 million with the higher sales volume of both domestic and international operations and the increase in excise tax rate in the Philippines effective January 2021. Domestic operations accounted for ₱65,234 million while international operations accounted for US\$125.1 million or ₱6,175 million.

Accordingly, income from operations rose by 10.0% to ₱26,915 million. Domestic operations contributed ₱25,224 million while international operations contributed US\$34.6 million or ₱1,713 million.

Interest income decreased from ₱539 million to ₱251 million or 53.4% mainly due to lower interest rates on money market placements of both domestic and international operations.

Likewise, interest expense and other financing charges also decreased by 15.3% with the lower interest rates of outstanding loans.

Other income-net was lower by 53.2% or ₱870 million as a substantial amount of SML TCC for tax refund claims ruled in favor of the Company was received by the Company in 2020.

Income tax expense decreased by 19.5% or ₱1,384 million as a result of the implementation of the Republic Act No. 11534, also known as Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act this year which reduced income tax rates from 30% to 25%.

Consolidated net income grew by 17.2% from ₱17,455 million to ₱20,449 million. Domestic operations contributed ₱18,650 million while international operations contributed US\$37.0 million or ₱1,822 million.

Net income attributable to equity holders of the Company was higher by 16.7% or ₱2,868 million while net income attributable to non-controlling interest also increased by 42.9% or ₱126 million mainly due to improved revenues and lower income tax rate with the implementation of CREATE Act this year.

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

#### ***Domestic Beer Operations***

Domestic sales revenue reached ₱105,114 million, a 7.4% improvement from 2020 primarily due to the price increases of 2020 and 2021. Despite soft consumer incomes from slower-than-expected and uneven pace of economic recovery, heightened restrictions and alcoholic beverage ban reimpositions due to COVID-19 resurgence with the Delta variant as well as weather disturbances, beer volume moderately increased from last year. NAB posted significant improvement attributed to increased availability and penetration in viable areas.

Cost of sales increased by ₱4,946 million with the higher sales volume and the increase in excise tax rate imposed on beer products effective January 1, 2021.

Income from operations increased to ₱25,224 million with the implementation of consumption-generating programs and cost management efforts to drive recovery supported by economic expansion.

As a result, net income for the year 2021 of ₱18,650 million was 13.5% higher than last year.

#### ***International Beer Operations***

San Miguel Brewing International Limited (SMBIL) registered US\$ 226.6 million in consolidated revenue for the year 2021, 10.8% higher than last year as a result of the 8.3% increase in volumes.

In 2020, SMBIL made a strategic decision to rationalize and consolidate its China operations to improve profitability and efficiency. The operations of the loss-generating unit, San Miguel Baoding Brewery Co. Ltd. (SMBB) in North China, ceased and SMBB is currently undergoing the liquidation process. Upon expiry of the business license of Guangzhou San Miguel Brewery Co. Ltd. (GSMB), one of SMBIL’s two subsidiaries in Guangdong Province, GSMB’s shareholders did not renew the joint venture contract for GSMB and consolidated its sales,

marketing and brewing functions into San Miguel Guangdong Brewery Co. Ltd. (SMGB) to improve the cost structure and efficiency of operations in South China.

SMBIL's local and global San Miguel brands' volumes increased by 7.9% and 10.5%, respectively. Indonesia operations bounced back as it posted a significant improvement in sales volumes driven by programs focused on wholesalers and distributors, as well as the market recovery in the latter part of the year. SMBIL's Exports business sustained its volume growth momentum from last year despite the pandemic restrictions and issues affecting global shipping operations. SMBIL also benefitted from the additional volumes generated by its newly launched wheat ale, San Miguel Cerveza Blanca as well as the growth driven by its programs in the modern trade off-premise channel in several markets. Meanwhile, operations in South China, Hongkong, Vietnam and Thailand recorded declines due to the continued impact of the varying levels of COVID-19 restrictions which negatively affected the sales of beer, especially in the on-premise outlets in these markets.

SMBIL's consolidated operating income for the year 2021 was 40.5% higher than last year at US\$ 34.6 million, mainly due to improved volumes and managed spending.

### **2020 vs. 2019**

Consolidated revenue reached ₱107,928 million as of year-end 2020, 24.1% lower than 2019 due to the impact of the COVID-19 global pandemic. Domestic operations contributed ₱97,828 million while international operations contributed US\$204.6 million or ₱10,118 million.

Cost of sales decreased by 17.2% to ₱65,875 million as of December 2020 with the lower sales volume of both domestic and international operations, despite the increase in domestic excise taxes per liter in February 2020. Domestic operations accounted for ₱60,288 million and US\$113.3 million or ₱5,605 million for international operations.

Selling and administrative expenses amounted to ₱17,586 million, 26.6% lower than 2019 largely due to the decline in freight, trucking and handling costs and advertising and promotions expenses. Domestic operations accounted for ₱14,281 million while international operations accounted for US\$66.7 million or ₱3,306 million.

Consequently, income from operations dropped to ₱24,467 million, 36.8% lower than 2019. Domestic operations contributed ₱23,259 million while international operations contributed US\$24.7 million or ₱1,207 million.

Interest income of ₱539 million was 47.2% lower than 2019 due to lower interest rates and lower money market placements of both domestic and international operations.

On the other hand, interest expense and other financing charges increased to ₱2,098 million, 23% higher versus 2019 due to the availment of a ₱10,000 million term loan in December 2019. No impairment loss on assets was recognized in 2020 compared to 2019.

Income tax expense of ₱7,088 million decreased by 38.3% versus 2019 with the lower net income of domestic operations.

As a result of the foregoing, consolidated net income declined by 36% from ₱27,285 million in 2019 to ₱17,455 million in 2020. Domestic operations contributed ₱16,433 million while international operations contributed US\$20.7 million or ₱1,020 million.

Primarily due to the decrease in sales revenue as well as the decrease in income from operations, net income attributable to equity holders of the Company was lower by 35.8% or ₱9,559 million from ₱26,720 million in 2019 to ₱17,161 million in 2020. Likewise, net income attributable to non-controlling interest decreased to ₱294 million from ₱565 million posted in 2019.

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

### ***Domestic Beer Operations***

The Company sustained its recovery in the fourth quarter of 2020 posting a growth in sales volume of 19.5% in the fourth quarter of 2020 compared with the sales volume in the third quarter of 2020 with the easing of restrictions and gradual re-opening of the economy, coupled with the Company-initiated consumption-generating programs and direct-to-consumer initiatives programs.

However, despite these factors, uncertainties caused by the pandemic brought changes in consumer priorities which centered mostly on food and other basic items. Thus, the Company's volumes still ended lower than 2019 by 34.2%. Cost of sales also decreased by 15.9% despite the excise tax increase implemented in the first quarter of 2020. This translated to a ₱13,627 million or 36.9% decline in income from operations and 38.6% or ₱10,320 million decline in net income.

### ***International Beer Operations***

SMBIL registered US\$ 204.6 million in consolidated revenue, as of December 31, 2020, 23.0% lower than 2019 as a result of the 21.6% shortfall in volumes. Excluding the North China operations, which has ceased operations in 2020 following a strategic decision made by SMBIL prior to the onset of COVID-19, total volume was 11% behind 2019. SMBB, the Group's North China unit, is currently undergoing liquidation process.

Last November 2020, the selling and distribution of San Miguel beer products in South China were transitioned from GSMB into SMGB, which is the source brewery for San Miguel beer products sold in the region, following the expiry of the business term of GSMB in accordance with its Articles of Association and joint venture contract between San Miguel (Guangdong) Ltd. (SMGL) and Guangzhou Brewery (GB). SMGL and GB decided not to renew the GSMB joint venture contract. GSMB is also currently undergoing liquidation.

The impact of COVID-19 pandemic in all of the operating business units of SMBIL resulted in lower volumes of the local and global San Miguel brands by 24% and 3%, respectively. The decline was more severe in the first half of year 2020 with varying degrees of lockdowns and restrictions imposed, including the restriction on tourist arrivals in major destinations in various markets where the San Miguel brand is particularly strong in effect for most months in the year, resulting in volumes 17% lower than 2019. Some recovery, however, has been noted in the second semester of 2020 with volume decline narrowing down to 7% versus 2019.

The Indonesia and Thailand business units were the ones severely hit by the lockdowns and restrictions imposed to contain the pandemic due to their high on-premise exposure. In South China, on- and off-premise outlets were slowly recovering since the resumption of business operations. In Hong Kong, the impact of the pandemic in on-premise channels were minimized by growing the volumes in modern trade off-premise and wholesaler channels. Similarly, the Vietnam operations was able to offset the negative impact of lower sales of the San Miguel brand in the on-trade segment with growth in the supermarkets and convenience stores, as well as with higher WIn Bia volumes in the economy segment. SMBIL's Exports business grew by 6% against 2019, benefitting from the growth in the off-premise channels in Korea, as well as in the United Arab Emirates. The recovery of volumes in the Middle East, opening of new markets, and some volume growth in Malaysia, Canada and the Pacific Islands, offset the impact on volume of the different levels of lockdowns and restrictions in Singapore, USA and many other SMBIL export countries.

SMBIL's 2020 consolidated operating income reached US\$ 24.7 million, 29.8% behind 2019 due to the decline in volumes, partly tempered by lower fixed costs, particularly sales and marketing expenses.

## V. FINANCIAL POSITION

### 2021 vs. 2020

Cash and cash equivalents increased by ₱2,678 million owing to higher cash generated from operations net of payment of dividends and long-term debt as well as purchase of containers and acquisition of property, plant and equipment.

Trade and other receivables increased by 40.9% from ₱5,662 million in 2020 to ₱7,977 million in 2021 mainly due to higher credit availment by domestic dealers compared to December 2020.

Inventories was up by 7.9% or ₱233 million with higher levels of finished goods and goods in process for domestic operations.

Prepaid expenses and other current assets declined by ₱687 million or 31.8% in 2021 primarily due to the utilization of SML TCCs.

The increase in investments was mainly due to the cumulative translation adjustment on SMBIL's investment in San Miguel Corporation's (SMC) redeemable perpetual securities.

The 24.8% increase in investment property was due to the reduction of area leased by SMB from Brewery Properties Inc.

Deferred tax assets was lower by 32.7% or ₱300 million on account of the 2020 adjustments posted in 2021 pertaining to the impact of the CREATE Act and lower actuarial loss on retirement obligation for domestic operations.

Accounts payable and accrued expenses increased by 6.7% or ₱1,075 million as a result of higher purchases of goods and services.

Income and other taxes payable was down by 7.8% or ₱316 million with the decrease in income tax rate from 30% to 25%.

Current maturities of long-term debt declined by ₱5,441 million as a result of the redemption of the Series G fixed rate bonds in April 2021 net of the reclassification of the Series F fixed rate bonds that will mature on April 2022 from noncurrent to current.

Conversely, long-term debt increased by 25.3% or ₱4,918 million on account of the term loans drawn last March 30, 2021 net of the reclassification of the Series F fixed rate bonds to current liability.

Other noncurrent liabilities was lower by 5.6% or ₱12 million mainly due to international operations' actuarial gains and contributions to retirement plan offset by pension cost.

Equity reserves which is comprised of cumulative translation adjustment, fair value reserve and reserve for retirement plan was higher by ₱1,068 million due to the depreciation of the Philippine Peso versus the United States (US) Dollar and the lower actuarial loss on retirement obligation for domestic operations.

The 17.1% increase in Retained Earnings – Unappropriated pertained to the net income for 2021 and reversal of appropriations net of dividend declarations.

Noncontrolling interests rose by 11.4% with the share in 2021 profits of PT Delta Djakarta Tbk (PTD) and San Miguel Beer (Thailand) Limited.

## 2020 vs. 2019

Cash and cash equivalents decreased by ₱6,266 million or 20.6% with the lower cash generated from operations and the investment of SMBIL in SMC's redeemable perpetual securities as well as the payment of dividends and income taxes in 2020.

Trade and other receivables also declined by 12.6% from ₱6,479 million in 2019 to ₱5,662 million in 2020 with the lower credit sales volume for 2020 as alcoholic beverage bans and lockdowns were implemented to stop the spread of COVID-19.

Prepaid expenses and other current assets decreased by ₱1,885 million from ₱4,046 million in 2019 to ₱2,161 million in 2020 mainly due to the utilization of certain TCCs, lower purchases of vatable goods and services in 2020 and lower deposit for excise tax with the lower sales volume.

The increase in investments pertains to the investment of SMBIL in SMC's redeemable perpetual securities.

Property, plant and equipment increased to ₱30,189 million in 2020 from ₱26,719 million in 2019 with the completion of Tagoloan Brewery and the ongoing capacity expansion projects of the Company in Sta. Rosa and Bacolod.

Deferred tax assets decreased by 7.2% in 2020 primarily due to the lower actuarial loss on retirement obligation.

Accounts payable and accrued expenses was down from ₱17,732 million in 2019 to ₱16,023 million in 2020 resulting from lower purchases of goods and services, payment of trade payables as well as lower container deposit with the lower sales volume.

Lease liabilities - current decreased by ₱39 million or 17% due to the payment of rent expense net of the reclassification from noncurrent portion to current liabilities.

Income and other taxes payable decreased by 11.3% or ₱515 million due to the lower taxable income for the fourth quarter of 2020 compared with the taxable income for the fourth quarter of 2019.

Current maturities of long-term debt pertains to the Series G fixed rate bonds which matured in April 2021. Correspondingly, long-term debt decreased with the reclassification of the said Series G fixed rate bonds to current status net of the amortization of debt issue costs.

Lease liabilities – noncurrent increased by ₱65 million mainly due to the inception of the new lease contract in Sta. Rosa, Laguna for the new brewhouse.

Non-current liabilities diminished by ₱211 million due to the change in the net defined benefit of the domestic operations from a liability position to an asset position.

Equity reserves which is comprised of cumulative translation adjustment, fair value reserve and reserve for retirement plan decreased by ₱699 million in 2020 due to the appreciation of the Philippine Peso versus the US Dollar.

Retained earnings – Appropriated increased by ₱11,218 million mainly due to the additional appropriation for the redemption of the Series F fixed rate bonds and the 2019 term loan. Conversely, Retained Earnings – Unappropriated decreased due to the said appropriation net of the income for 2020.

Noncontrolling interests went down from ₱3,667 million to ₱3,340 million or 8.9% due to the dividend pay-out of PTD partially offset by the non-controlling interests' share in 2020 profits.

## Increase in Equity 2021 vs 2020

The increase in equity is due to:

<b>(in Millions)</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Income during the year	<b>₱20,449</b>	₱17,455
Cash dividends declared	<b>(15,670)</b>	(15,801)
Effect of translation adjustments and others	<b>1,337</b>	(881)
	<b>₱6,116</b>	₱773

## VI. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<b>(in Millions)</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Net cash flows provided by operating activities	<b>₱24,443</b>	₱23,596
Net cash flows used in investing activities	<b>(5,683)</b>	(13,139)
Net cash flows used in financing activities	<b>(16,540)</b>	(16,112)

Net cash flows from operating activities of ₱24,443 million basically consists of income for the year and changes in noncash current assets and certain current liabilities.

Net cash flows used in investing activities included the following:

<b>(in Millions)</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest received	<b>₱ 251</b>	₱ 555
Proceeds from sale of property and equipment	<b>208</b>	7
Dividend received	<b>123</b>	-
Additions to:		
Other noncurrent assets	<b>(3,576)</b>	(3,532)
Property and equipment	<b>(2,684)</b>	(5,243)
Intangible assets	<b>(5)</b>	(8)
Investments	<b>-</b>	(4,850)
Investment properties	<b>-</b>	(68)

Net cash flows used in financing activities included the following:

<b>(in Millions)</b>	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Proceeds from long-term debt - net of debt issue costs	<b>₱11,910</b>	₱-
Payments of:		
Cash dividends	<b>(15,358)</b>	(15,358)
Long-term debt	<b>(12,478)</b>	-
Lease liabilities	<b>(308)</b>	(315)
Dividends to noncontrolling shareholders	<b>(306)</b>	(439)

The effect of exchange rate changes on cash and cash equivalents amounted to ₱458 million and (₱611) million for the years ended December 31, 2021 and 2020, respectively.

## VII. KEY PERFORMANCE INDICATORS

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

	December 2021	December 2020
<b>Liquidity:</b>		
Current Ratio	1.41	1.07
<b>Solvency:</b>		
Debt-to-Equity Ratio	0.59	0.63
Interest-bearing Debt-to-Equity Ratio	0.35	0.38
Asset-to-Equity Ratio	1.59	1.63
<b>Profitability:</b>		
Return on Average Equity Attributable to Equity Holders of the Company	23.69%	21.16%
Interest Coverage Ratio	18.32	14.13
	<b>Periods Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Efficiency:</b>		
Volume Growth (Decline)*	1.24%	(33.00%)
Revenue Growth (Decline)	7.74%	(24.14%)
Operating Margin	23.15%	22.67%

\*Represents beer and malt-based beverage volumes only.

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Interest-bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Debt}}{\text{Equity + Non-controlling Interests}}$
Asset-to-Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Company}}{\text{Average Equity Attributable to Equity Holders of the Company}}$
Interest Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA)}}{\text{Interest Expense and Other Financing Charges}}$

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	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

## VIII. OTHER MATTERS

### a. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2021 amounted to ₱10,373 million.

Amount authorized but not yet disbursed for capital projects as of December 31, 2021 is approximately ₱14,495 million.

### b. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso in 2021 and 2020 were closing rates of ₱51.00 and ₱48.02, respectively, for consolidated statements of financial position accounts, and average rates of ₱49.28, ₱49.62 and ₱51.79 in 2021, 2020 and 2019, respectively, for income and expense accounts.

### c. *Claims for Tax Refund*

#### Filed by SMC

On April 12, 2004 and May 26, 2004, SMC was assessed 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) First Division under two cases: CTA Case Nos. 7052 and 7053. 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 applicable to it for its “San Mig Light” product for the period of February 2, 2004 to November 30, 2005 (docketed as CTA Case No. 7405). The CTA, through its First Division, and the CTA En Banc (on appeal), both ruled in favor of SMC. On April 1, 2013, the BIR elevated the consolidated cases to the Supreme Court (docketed as G.R. No. 205723).

SMC filed with the CTA by way of petition for review (Third Division and docketed as CTA Case No. 7708), a second claim for refund for overpayments of excise taxes for the period of December 1, 2005 to July 31, 2007 on November 27, 2007, as SMC was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. The CTA Third Division granted SMC’s petition for review and ordered the BIR to refund or issue a TCC in favor of SMC. The BIR elevated the decision of the Third Division to the CTA En Banc but its appeal was denied. Subsequently, the BIR filed a petition for review with the Supreme Court (docketed as G.R. No. 205045).

On January 25, 2017, the Supreme Court decided in the consolidated cases of GR Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of ₱926 million for the

period December 1, 2005 to July 31, 2007, and ₱782 million for the period February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Case Nos. 7052, 7053 and 7405 on the final judgment of the CTA of ₱782 million representing refund of excess taxes erroneously collected by the BIR for the period of February 2, 2004 to November 30, 2005; and another separate motion for execution in CTA Case No. 7708 on the final judgment of ₱926 million for the period of December 1, 2005 to July 31, 2007. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

The BIR issued ITS TCC Trans No. 121-20-00012 and 121-20-00013 amounting to ₱782 million for CTA Case No. 7405 and ₱926 million for CTA Case No. 7708, respectively in favor of SMC on September 8, 2020.

SMC filed its third claim for refund with the CTA (Third Division docketed as CTA Case No. 7953) on July 24, 2009 for overpayments of excise taxes for the period of August 1, 2007 to September 30, 2007. This case was consolidated with CTA Case No. 7973 below.

The BIR issued ITS TCC Trans No. 121-20-00010 amounting to ₱105 million in favor of SMC on August 10, 2020.

#### Filed by SMB

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into SMB. SMB continued to pay the excise taxes on “San Mig Light” at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

- i. first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);
- ii. second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);
- iii. third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);
- iv. fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);
- v. fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);

- vi. sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);
- vii. seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);
- viii. eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);
- ix. ninth claim for refund of overpayments for the period of January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);
- x. tenth claim for refund of overpayments for the period of January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);
- xi. eleventh claim for refund of overpayments for the period of January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019);
- xii. twelfth claim for refund of overpayments for the period of January 1, 2019 to December 31, 2019 - Third Division docketed as CTA Case No. 10421 (December 16, 2020); and
- xiii. thirteenth claim for refund of overpayments for the period of January 23, 2020 to February 9, 2020 - docketed as CTA Case No. 10745 (via electronic mail on 21 January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022)

CTA Case No. 7973 was consolidated with CTA Case No. 7953 (filed by SMC). For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of ₱829 million and the amount of ₱105 million to SMC. The BIR appealed to the CTA En Banc which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of ₱829 million. SMB filed an application for the issuance of a TCC with the BIR.

The ITS TCC Trans No. 121-20-00009 was issued by the BIR in favor of SMB on August 10, 2020 in the amount of ₱829 million. ₱809 million out of ₱829 million was partially applied to SMB's 2020 tax obligations. The remaining ₱20 million was applied in 2021.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of ₱731 million. The case was not elevated within the prescribed period, thus, the decision became final and executory. The BIR filed a Petition for Relief from Judgment which was denied by the CTA. Separately, the First Division granted SMB's Motion for Execution for the refund of ₱731 million, while the BIR filed a Petition for Certiorari before the Supreme Court

(docketed as GR No. 221790). The Petition for Certiorari was dismissed by the Supreme Court with finality but the BIR still filed an Urgent Motion for Clarification. Subsequently, SMB received a clarificatory Resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's Petition for Certiorari and expunged from the records all pleadings of the BIR filed after its denial of BIR's Petition for Certiorari had become final and executory. SMB filed an application for the issuance of a TCC in the amount of ₱731 million. On November 6, 2019, the BIR issued ITS TCC Trans No. 121-19-00010 in favor of SMB which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8400 was decided in favor of SMB by both the CTA Third Division and the CTA En Banc. The BIR was ordered to refund to SMB the amount of ₱699 million. The BIR elevated the case to the Supreme Court but the Supreme Court denied the BIR's petition through its March 20, 2017 Resolution. The BIR moved for reconsideration but the same was similarly denied by the Supreme Court through its July 24, 2017 Resolution. With the decision in favor of SMB, SMB moved for the execution of the decision on January 23, 2019 as the records of the case were already returned to the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of ₱699 million in favor of SMB. SMB filed an application for TCC issuance. The BIR issued ITS TCC Trans No. 121-19-00009 in favor of SMB on November 13, 2019 which was fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8591 was decided in favor of SMB by the CTA Second Division and CTA En Banc. The BIR was ordered to refund to SMB the amount of ₱740 million. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as GR No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. SMB filed a motion for the execution of the decision with the CTA Second Division. The CTA Second Division issued a Writ of Execution in the amount of P740 million on November 13, 2019. SMB filed an application for TCC with the BIR in January 2020 which was issued on August 10, 2020. The said ITS TCC Trans No. 121-20-00008 with an amount of ₱740 million has been fully utilized against SMB's tax obligations in 2020.

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of ₱761 million. The BIR appealed the decision to the CTA En Banc by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA En Banc denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019. The Supreme Court issued a Resolution dated January 27, 2021 denying the BIR's Petition for Review for failure to show any reversible error warranting the exercise by the Supreme Court of its discretionary appellate jurisdiction. SMB is awaiting the issuance of the corresponding Entry of Judgment.

CTA Case No. 8955, SMB's claim for refund for ₱83 million, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA En Banc by way of a Petition for Review. On September 19, 2018, the CTA En Banc reversed

and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA En Banc in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records have been remanded and the case is now pending with the CTA Third Division.

CTA Case No. 9223, SMB's claim for refund for ₱60 million, was partially decided in favor of SMB by the CTA Third Division. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 21, 2022, the CTA En Banc rendered a Decision denying the separate Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258812.

CTA Case No. 9513, SMB's claim for refund for ₱48 million, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 4, 2021, the CTA En Banc affirmed the decision of the CTA Second Division. Both parties filed motions for partial reconsideration of the CTA En Banc's Decision. In its October 22, 2021 Resolution, the CTA En Banc denied the parties' motions for reconsideration. On December 16, 2021, SMB filed a Petition for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784.

CTA Case No. 9743, SMB's claim for refund for ₱30 million, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petitions for Review with the CTA En Banc. On February 10, 2022, the CTA En Banc rendered a Decision denying the Petitions for Review. On March 1, 2022, SMB sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 258813.

CTA Case No. 10000, SMB's claim for refund for ₱123 million, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of ₱123 million. The BIR filed for a motion for reconsideration.

CTA Case No. 10223, SMB's claim for refund for ₱147 million, was filed on December 11, 2019 and is pending with the CTA First Division.

CTA Case No. 10421, SMB's claim for refund for ₱162 million, was filed on December 16, 2020. SMB filed a Motion to Withdraw the Petition for Review as the BIR issued a TCC in the amount of ₱162 million. In its November 29, 2021 Resolution, the CTA granted SMB's Motion to Withdraw the Petition and deemed the Petition as withdrawn and the case closed and terminated. ₱80 million was applied to SMB's tax obligations in 2021.

CTA Case No. 10745, SMB's claim for refund for ₱1,069 million, was personally filed on February 2, 2022. The case is yet to be raffled to a Division of the CTA. The case is a consolidation of two claims, to wit:

- i. ₱8 million under RA No. 10351 – the overpayment arose from the BIR's imposition of excise tax of ₱27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on RMC No. 90-2012 and RR No.

17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of ₱26.44 per liter under Section 143 of the NIRC, as amended by RA No. 10351 beginning January 1, 2020.

- ii. ₱1,061 under RA No. 11467 – the overpayment arose from the BIR’s imposition of excise tax of ₱35.00 per liter on SMB’s beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

#### Administrative Case

An administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of ₱8 million was filed with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of ₱8 million. As at December 31, 2021, the TCC was not yet applied to any of SMB’s tax obligations.

#### d. *Pending Tax Cases*

##### i. Iconic Beverages Inc. (IBI)

- i. The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI’s protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the CTA First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA En Banc and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA En Banc. As a result, IBI paid the amount of P270 million on August 26, 2016. On January 30, 2018, the CTA En Banc rendered a decision affirming the decision of the CTA First Division. IBI filed a Motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA En Banc in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for Review on September 7, 2018 docketed as G.R.Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR’s Petition was docketed as G.R. nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019. IBI's Petition was denied with finality on June 26, 2019. On March 11, 2019, the Supreme Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of ₱285 million as full satisfaction of the latter's supposed tax liability for taxable year 2009. The BIR further acknowledged that IBI no longer has any tax liability based upon, arising from, or in connection with CTA Case No. 8607.

On July 6, 2021, the Supreme Court approved the Compromise Agreement and considered G.R. Nos. 240651 and 240665 closed and terminated.

- ii. On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA En Banc (docketed as CTA Case EB No. 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110 million, where IBI requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA En Banc did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus, IBI was ordered to pay a modified amount of P501 million in light of the TRAIN Law amendments on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA En Banc has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR.

Noting the BIR's failure to file its Comment/Opposition, the Court issued a Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the BIR's Motion for Partial Reconsideration of the CTA En Banc Decision promulgated on September 18, 2018 and partially granting the Motion for Reconsideration filed by IBI of the said CTA En Banc Decision.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911-12 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

On December 27, 2019 IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between IBI and the BIR.

On September 2, 2020, the Supreme Court issued a Resolution requiring IBI and the BIR to manifest whether they consider the case closed and terminated. In compliance, IBI filed its manifestation on September 14, 2020. On December 3, 2020, IBI received a Manifestation filed by the BIR manifesting that in view of its receipt of certified true copy of Certificate of Availment (Compromise Settlement), the BIR considers the cases as closed.

On March 3, 2021, the Supreme Court considered GR Nos. 246911-12 and 246865, closed and terminated.

- iii. On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three (3) Divisions of the Court.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, documentary stamp tax and compromise penalty were cancelled and set aside. However, the assessment for deficiency expanded withholding tax was affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to ₱5 million.

On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review.

The CTA *En Banc* promulgated a Resolution on February 4, 2021 noting IBI's Comment to the Petition for Review, and referring the case for mediation in the Philippine Mediation Center - Court of Tax Appeal

e. *Amendment of Amended Articles of Incorporation*

On December 4, 2020, the BOD of the Company approved the amendment of the Company's primary purpose or Article II of its Amended Articles of Incorporation to include alcoholic beverages and such other beverages of all kinds and classes as among the products it is authorized to manufacture, sell or otherwise deal in (Primary Purpose Amendment) and to submit the same for the approval of the Company's stockholders by written assent. The Company received the written assent of stockholders representing more than two-thirds (2/3) of the Company's total outstanding capital stock to the proposed amendment as of February 24, 2021.

On March 16, 2021, the SEC approved the Primary Purpose Amendment in the Company's Amended Articles of Incorporation.

f. *Effect of COVID-19*

Generally, 2021 is an improvement over 2020, with the Group posting significant recoveries in sales and operating income despite continued impact of COVID-19 in both the domestic and international markets. Accelerated vaccination roll-out in 2021 raised optimism, but the spread of more aggressive and highly transmissible COVID variants prompted re-implementation of COVID-19 restrictions in National Capital Region and selected key cities in the Philippines as well as some markets in the international operations such as Thailand, Vietnam, Hong Kong and, China. Meanwhile, the market has adjusted to lingering COVID concerns and limitations in on-premise as purchases shifted to off-premise channels such as supermarkets, convenience and neighborhood provision stores. Other emerging consumer behaviors noted during the pandemic were increased online shopping as well as growing preference for multipacks and canned variants.

g. *Effect of Ukraine-Russia War*

While the Group has very minimal or no direct business in Russia and Ukraine, the Russia-Ukraine conflict could affect global supply and prices of production inputs, including malt and fuel costs, as well as shipping/freight costs.

The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 8, 2022.

## **ANNEX D**

**A. External auditor's opinion on:**

**1. Map of the conglomerate,**

**2. Supplementary schedules of Annex 68-J**

**B. Supplementary Schedules**

**C. Aging of Receivables**



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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING  
WITH THE SECURITIES EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
**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. and Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 18, 2022.

Our audits were 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 are the responsibility of the Group's management.

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not required parts of the consolidated financial statements. Such supplementary information have been subjected to the auditing procedures applied in our audit of the consolidated financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**



MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 225-068-761

BIR Accreditation No. 08-001987-041-2020

Issued December 22, 2020, valid until December 21, 2023

PTR No. MKT 8854089

Issued January 3, 2022 at Makati City

March 18, 2022

Makati City, Metro Manila

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2021**

- |   |   |                |
|---|---|----------------|
| A | - FINANCIAL ASSETS  |                |
| B | - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS,<br>EMPLOYEES, RELATED PARTIES AND PRINCIPAL<br>STOCKHOLDERS (OTHER THAN RELATED PARTIES) | NOT APPLICABLE |
| C | - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH<br>ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL<br>STATEMENTS                   |                |
|   | - AMOUNTS PAYABLE TO RELATED PARTIES WHICH<br>ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL<br>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, 2021**  
(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, 2021	Income Received and Accrued
Cash and cash equivalents	-	P 26,863	P 26,863	P 251
Trade and other receivables - net	-	7,977	7,977	3
Derivative assets	-	9	9	-
Financial asset at fair value through OCI*	20,404	5,137	5,137	123
Noncurrent receivables	-	12	12	-
	<u>20,404</u>	<u>P 39,998</u>	<u>P 39,998</u>	<u>P 377</u>
<b>* Financial asset at fair value through OCI</b>				
San Miguel Corporation	-	5,100	5,100	123
Neptunia Corporation Ltd.				
HSBC Holdings	20,400	6	6	-
San Miguel Brewery Hong Kong				
The Pacific Club Kowloon	1	7	7	-
The American Club Hong Kong	1	9	9	-
Hong Kong Football Club	1	6	6	-
Discovery Bay Golf Club	1	9	9	-
	<u>20,404</u>	<u>5,137</u>	<u>5,137</u>	<u>123</u>

See Notes 4, 7, 8, 10, 11, 28, 32 and 33 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, 2021  
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CHANGE IN ACCOUNTING POLICY	CURRENT	NONCURRENT	ENDING BALANCE
SAN MIGUEL BREWING INTERNATIONAL LIMITED AND SUBSIDIARIES	P 26 P	23 P	(21) P	- P	- P	28 P	- P	28
BREWERY PROPERTIES INC. AND A SUBSIDIARY	<u>20</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>-</u>	<u>19</u>
	P <u>46</u> P	<u>23</u> P	<u>(22)</u> P	<u>-</u> P	<u>-</u> P	<u>47</u> P	<u>-</u> P	<u>47</u>

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES  
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2021  
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CHANGE IN ACCOUNTING POLICY	CURRENT	NONCURRENT	ENDING BALANCE
SAN MIGUEL BREWING INTERNATIONAL LIMITED AND SUBSIDIARIES	P -	P 2	P (2)	P -	P	P -	P -	P -
ICONIC BEVERAGES, INC.	291	P 2,131	(2,147)	-	P	275	-	275
BREWERY PROPERTIES INC. AND A SUBSIDIARY	<u>2,517</u>	<u>250</u>	<u>(260)</u>	<u>-</u>	<u>P</u>	<u>11</u>	<u>2,496</u>	<u>2,507</u>
	<u>P 2,808</u>	<u>P 2,383</u>	<u>P (2,409)</u>	<u>P -</u>	<u>P -</u>	<u>P 286</u>	<u>P 2,496</u>	<u>P 2,782</u>

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS**  
**DECEMBER 31, 2021**  
**(Amounts in Millions)**

Description	Beginning Balance	Additions	Disposals/ Reclassifications	Cumulative Translation Adjustments	Ending Balance
<b>Cost</b>					
Trademarks and brand names	P 33,734	P -	P -	P 106	P 33,840
Licenses	2,105	-	-	(95)	2,010
Computer software and licenses	267	6	(5)	6	274
Land use rights	-	-	-	-	-
	<u>36,106</u>	<u>6</u>	<u>(5)</u>	<u>17</u>	<u>36,124</u>
<b>Accumulated Amortization</b>					
Trademarks and brand names	-	-	-	-	-
Computer software and licenses	242	11	(4)	5	254
Land use rights	-	-	-	-	-
	<u>242</u>	<u>11</u>	<u>(4)</u>	<u>5</u>	<u>254</u>
<b>Accumulated Impairment Losses</b>					
Trademarks and brand names	221	-	-	13	234
Computer software and licenses	5	-	(1)	1	5
Land use rights	-	-	-	-	-
	<u>226</u>	<u>-</u>	<u>(1)</u>	<u>14</u>	<u>239</u>
<b>Carrying Amount</b>	<b>P <u>35,638</u></b>	<b>P <u>(5)</u></b>	<b>P <u>-</u></b>	<b>P <u>(2)</u></b>	<b>P <u>35,631</u></b>

See Notes 4 and 15 of the Consolidated Financial Statements

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**DECEMBER 31, 2021**  
(Amounts in Millions)

TITLE OF ISSUE	AGENT/LENDER	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Long-term	Current and Long-term	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
<b>Unsecured term notes:</b>													
<b>Peso denominated:</b>													
Fixed	Philippine Depository & Trust Corp.	P 7,000	P 7,000	P (2)	P 6,998	P	P	P -	P 6,998	6.60%	Bullet	Semi-annual	02/04/2022
Fixed	Philippine Depository & Trust Corp.	2,538	-	-	-	2,538	(7)	2,531	2,531	6.00%	Bullet	Semi-annual	02/04/2024
Fixed	Bank of the Philippine Islands	10,000	-	-	-	10,000	(47)	9,953	9,953	4.63%	Bullet	Quarterly	26/12/2024
Fixed	Banco De Oro Unibank, Inc.	4,000	-	-	-	4,000	(26)	3,974	3,974	3.80%	Bullet	Quarterly	30/03/2026
Fixed	Bank of the Philippine Islands	2,000	-	-	-	2,000	(13)	1,987	1,987	3.95%	Bullet	Quarterly	30/03/2026
Fixed	China Banking Corporation	1,500	-	-	-	1,500	(10)	1,490	1,490	3.95%	Bullet	Quarterly	30/03/2026
Fixed	Rizal Commercial Banking Corporation	2,484	21	(4)	17	2,463	(12)	2,451	2,468	3.88%	Bullet	Quarterly	30/03/2026
Fixed	Banco De Oro Unibank, Inc.	2,000	-	-	-	2,000	(13)	1,987	1,987	4.15%	Bullet	Quarterly	30/03/2028
		P <u>31,522</u>	P <u>7,021</u>	P <u>(6)</u>	P <u>7,015</u>	P <u>24,501</u>	P <u>(128)</u>	P <u>24,373</u>	P <u>31,388</u>				

See Notes 6, 18, 32 and 33 of the Consolidated Financial Statements

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES  
SCHEDULE H - CAPITAL STOCK  
DECEMBER 31, 2021

Description	Number of Shares Authorized	Number of Shares Issued	Treasury Shares	Number of Shares Outstanding	Number of Shares Held by Directors and Officers
COMMON STOCK	25,000,000,000	15,410,478,960	51,425,799	15,359,053,161	71,000

See Note 20 of the Consolidated Financial Statements

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES  
 TRADE AND OTHER RECEIVABLES  
 DECEMBER 31, 2021

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	CURRENT	PAST DUE			
			1 - 30 DAYS	31 - 60 DAYS	61-90 DAYS	OVER 90 DAYS
Trade	P 7,355	P 6,555	P 665	P 19	P 10	P 106
Non-trade	799	698	5	7	34	55
Others	167	140	16	2	3	6
TOTAL	8,321	7,393	686	28	47	167
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(344)					
NET	P <u>7,977</u>					

## **ANNEX E-1**

### **Reconciliation of retained earnings available for dividend declaration**



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The KPMG Center, 6/F  
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Fax +63 (2) 8894 1985  
Internet www.home.kpmg/ph  
Email ph-inquiry@kpmg.com

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders  
**San Miguel Brewery Inc.**  
SMC Head Office Complex  
40 San Miguel Avenue Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Brewery Inc. (the "Company") as at and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated March 18, 2022.

Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information included in the *Reconciliation of Retained Earnings Available for Dividend Declaration* is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in our audit of the separate financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

  
MARIA ARLENE C. YU

Partner  
CPA License No. 0108855  
SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements  
Tax Identification No. 225-068-761  
BIR Accreditation No. 08-001987-041-2020  
Issued December 22, 2020, valid until December 21, 2023  
PTR No. MKT 8854089  
Issued January 3, 2022 at Makati City

March 18, 2022  
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

**RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION  
DECEMBER 31, 2021  
(Amount in Millions)**

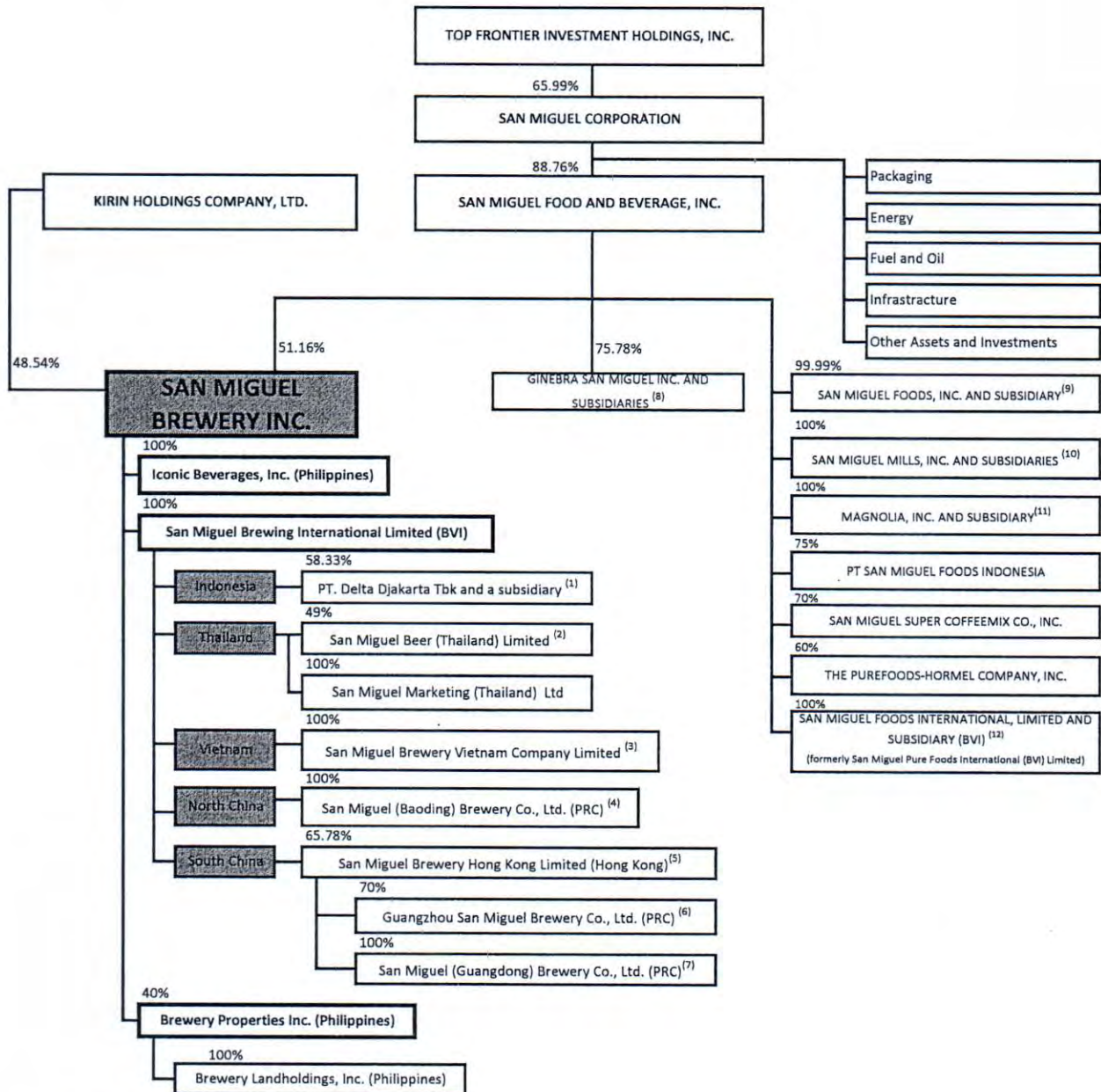
**SAN MIGUEL BREWERY INC.**  
No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

<b>Total retained earnings available for dividend declaration as of December 31, 2020</b>		<b>P22,441</b>
<b>Add: Net income actually earned/realized during the year:</b>		
Net income during the year closed to retained earnings	<b>P18,224</b>	
<b>Add: Non-actual losses</b>		
Decrease in deferred tax asset	<b>25</b>	
Unrealized foreign currency loss	<b>7</b>	
Fair value adjustments - Marked to market loss	<b>40</b>	
Sub-total	<b>72</b>	
<b>Net income actually earned during the year</b>		<b>18,296</b>
<b>Add (less): Adjustments during the year</b>		
Dividend declarations during the year	<b>(15,362)</b>	
Appropriations of retained earnings during the year	<b>(16,211)</b>	
Reversal of appropriation	<b>16,870</b>	<b>(14,703)</b>
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2021</b>		<b>P26,034</b>

## **ANNEX E-2**

### **Map of the conglomerate**

**San Miguel Brewery Inc. and Subsidiaries**  
As of December 31, 2021



- (1) Owned thru San Miguel Malaysia(L) Pte. Ltd.
- (2) Owned thru San Miguel Holdings (Thailand) Limited
- (3) Owned thru Dragon Island Investments Limited and San Miguel (Vietnam) Limited
- (4) Owned thru San Miguel Brewing International Limited and San Miguel (China) Investment Company Limited; undergoing liquidation
- (5) Owned thru Neptunia Corporation Limited. Neptunia has a subsidiary, San Miguel Company Limited which operates in Taiwan. San Miguel Brewery Hong Kong Limited has a non-operating subsidiary, Hong Kong Brewery Limited.
- (6) Owned thru San Miguel (Guangdong) Limited; undergoing liquidation
- (7) Owned thru San Miguel Shunde Holdings Limited
- (8) Ginebra San Miguel Inc. and subsidiaries, which include Distileria Bago, Inc., East Pacific Star Bottlers Phils. Inc., Healthy Condiments, Inc., Agricrops Industries Inc., Crown Royal Distillers, Inc., GSM International Holdings Limited and a subsidiary, Ginebra San Miguel International Ltd. and a subsidiary, Global Beverages Holdings Limited and Siam Holdings Limited and a subsidiary
- (9) San Miguel Foods, Inc. and a subsidiary, Foodcrave Marketing, Inc.
- (10) San Miguel Mills, Inc. and subsidiaries which include Golden Bay Grain Terminal Corporation and Golden Avenue Corp.
- (11) Magnolia Inc. and a subsidiary, Golden Food Management, Inc.
- (12) San Miguel Foods International, Limited (BVI) and a subsidiary, San Miguel PureFoods Investment (BVI) Limited

## **ANNEX E-3**

### **Schedule of indicators of financial soundness**



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Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders  
**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. and its Subsidiaries (the "Group") as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 18, 2022. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

**R.G. MANABAT & CO.**

*Maria Arleene C. Yu*

MARIA ARLEENE C. YU

Partner

CPA License No. 0108855

SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 225-068-761

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financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**KEY PERFORMANCE INDICATORS**  
**DECEMBER 31, 2021 AND 2020**

	December 31	
	2021	2020
<b>Liquidity:</b>		
Current Ratio	1.41	1.07
<b>Solvency:</b>		
Debt-to-Equity Ratio	0.59	0.63
Interest-bearing Debt-to-Equity Ratio	0.35	0.38
Asset-to-Equity Ratio	1.59	1.63
<b>Profitability:</b>		
Return on Average Equity Attributable to Equity Holders of the Company	23.69%	21.16%
Interest Rate Coverage Ratio	18.32	14.13

	Years Ended December 31	
	2021	2020
<b>Operating Efficiency:</b>		
Volume Growth *	1.24%	-33.00%
Revenue Growth	7.74%	-24.14%
Operating Margin	23.15%	22.67%

\* Represents beer and malt-based beverage volumes only

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Interest-bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Debt}}{\text{Equity + Non-controlling Interests}}$
Asset-to-Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Company}}{\text{Average Equity Attributable to Equity Holders of the Company}}$
Interest Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
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	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

## **ANNEX F**

**Interim and Unaudited Consolidated Financial  
Statements for the period ended March 31, 2022 and  
Management Discussion and Analysis for the First  
Quarter of 2022**

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**  
**FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**  
(In Millions, Except Per Share Data)

	<u>2022</u>	<u>2021</u>
SALES	P 29,659	P 28,846
COST OF SALES	<u>18,359</u>	<u>17,873</u>
GROSS PROFIT	11,300	10,973
SELLING AND ADMINISTRATIVE EXPENSES	(4,549)	(4,222)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(426)	(486)
INTEREST INCOME	63	69
OTHER INCOME - Net	<u>67</u>	<u>105</u>
INCOME BEFORE INCOME TAX	6,455	6,439
INCOME TAX EXPENSE	<u>1,520</u>	<u>981</u>
NET INCOME	P <u><u>4,935</u></u>	P <u><u>5,458</u></u>
Attributable to:		
Equity holders of the Company	P 4,822	P 5,372
Non-controlling interests	<u>113</u>	<u>86</u>
	P <u><u>4,935</u></u>	P <u><u>5,458</u></u>
Basic and Diluted Earnings Per Share	P <u><u>0.31</u></u>	P <u><u>0.35</u></u>

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:



MERCY MARIE J. L. AMADOR  
Chief Finance Officer and Treasurer




**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2022 AND DECEMBER 31, 2021**  
(In Millions)

	<u>2022</u>	<u>2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 28,735	P 26,863
Trade and other receivables - net	4,837	7,977
Inventories - net	4,299	3,171
Prepaid expenses and other current assets	2,322	1,474
Total Current Assets	40,193	39,485
<b>Noncurrent Assets</b>		
Investments - net	5,212	5,137
Property, plant and equipment - net	31,450	31,444
Right-of-use assets - net	1,880	1,913
Investment property - net	2,211	2,206
Intangible assets - net	35,690	35,631
Deferred tax assets	628	618
Other noncurrent assets - net	27,737	28,380
Total Noncurrent Assets	104,808	105,329
	<b>P 145,001</b>	<b>P 144,814</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	P 14,993	P 17,098
Lease liabilities - current portion	189	186
Income and other taxes payable	4,589	3,718
Current maturities of long-term debt - net of debt issue costs	7,013	7,015
Total Current Liabilities	26,784	28,017
<b>Noncurrent Liabilities</b>		
Long-term debt - net of debt issue costs	24,380	24,373
Lease liabilities - net of current portion	1,078	1,101
Other noncurrent liabilities	210	202
Total Noncurrent Liabilities	25,668	25,676
<b>Equity</b>		
<b>Equity Attributable to Equity Holders of the Company</b>		
Capital stock	15,410	15,410
Additional paid-in capital	515	515
Equity reserves	108	(224)
Retained earnings:		
Appropriated	36,311	36,311
Unappropriated	37,399	36,417
Treasury stock	(1,029)	(1,029)
	88,714	87,400
<b>Non-controlling Interests</b>	3,835	3,721
Total Equity	92,549	91,121
	<b>P 145,001</b>	<b>P 144,814</b>

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

  
**MERCY MARIE J. L. AMADOR**  
Chief Finance Officer and Treasurer

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**  
**FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**  
(In Millions)

	<u>2022</u>	<u>2021</u>	
<b>NET INCOME</b>	<b>P 4,935</b>	<b>P 5,458</b>	
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Item that will not be reclassified to profit or loss			
Equity reserve for retirement plan	(3)	(1)	
Income tax	<u>1</u>	<u>(102)</u>	
	(2)	(103)	
Item that will be reclassified to profit or loss			
Gain (loss) on exchange differences on translation of foreign operations - net of tax	<u>347</u>	<u>(83)</u>	
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax</b>	<u>345</u>	<u>(186)</u>	
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P <u>5,280</u></b>	<b>P <u>5,272</u></b>	
Attributable to:			
Equity holders of the Company	<b>P 5,154</b>	<b>P 5,168</b>	
Non-controlling interests	<u>126</u>	<u>104</u>	
	<b>P <u>5,280</u></b>	<b>P <u>5,272</u></b>	

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

**CERTIFIED CORRECT:**

  
**MERCY MARIE J. L. AMADOR**  
Chief Finance Officer and Treasurer  


SAN MIGUEL BREWERY INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021  
(In Millions)

	Equity Attributable to Equity Holders of the Company										
	Equity Reserves					Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Reserve for Retirement Plan	Fair Value Reserve	Cumulative Translation Adjustments Reserve	Appropriated	Unappropriated				
As of December 31, 2021 (Audited)	P 15,410	P 515	P (959)	P (2)	P 737	P 36,311	P 36,417	P (1,029)	P 87,400	P 3,721	P 91,121
Net income	-	-	-	-	-	-	4,822	-	4,822	113	4,935
Other comprehensive income (loss)	-	-	(1)	-	333	-	-	-	332	13	345
Gain on exchange differences on translation of foreign operations - net of tax	-	-	-	-	333	-	-	-	333	14	347
Equity reserve for retirement plan - net of tax	-	-	(1)	-	-	-	-	-	(1)	(1)	(2)
Total comprehensive income (loss)	-	-	(1)	-	333	-	4,822	-	5,154	126	5,280
Cash dividends	-	-	-	-	-	-	(3,840)	-	(3,840)	(12)	(3,852)
As of March 31, 2022 (Unaudited)	P 15,410	P 515	P (960)	P (2)	P 1,070	P 36,311	P 37,399	P (1,029)	P 88,714	P 3,835	P 92,549
As of December 31, 2020 (Audited)	P 15,410	P 515	P (1,460)	P (3)	P 171	P 36,970	P 31,091	P (1,029)	P 81,665	P 3,340	P 85,005
Net income	-	-	-	-	-	-	5,372	-	5,372	86	5,458
Other comprehensive income (loss)	-	-	(102)	1	(103)	-	-	-	(204)	18	(186)
Gain (loss) on exchange differences on translation of foreign operations - net of tax	-	-	-	1	(103)	-	-	-	(102)	19	(83)
Equity reserve for retirement plan - net of tax	-	-	(102)	-	-	-	-	-	(102)	(1)	(103)
Total comprehensive income (loss)	-	-	(102)	1	(103)	-	5,372	-	5,168	104	5,272
Cash dividends	-	-	-	-	-	-	(3,841)	-	(3,841)	(12)	(3,853)
As of March 31, 2021 (Unaudited)	P 15,410	P 515	P (1,562)	P (2)	P 68	P 36,970	P 32,622	P (1,029)	P 82,992	P 3,432	P 86,424

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

  
MERCY MARIE J. L. AMADOR  
Chief Finance Officer and Treasurer

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
**FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**  
(In Millions)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P 6,455	P 6,439
Adjustments for:		
Depreciation, amortization and others	1,211	1,044
Interest expense and other financing charges	426	486
Provision for impairment losses on receivables and inventories	205	372
Retirement costs	189	189
Gain on sale of property and equipment	(4)	-
Dividend income	(32)	-
Interest income	(63)	(69)
Operating income before working capital changes	8,387	8,461
Decrease (increase) in:		
Trade and other receivables	3,096	1,741
Inventories	(1,128)	(492)
Prepaid expenses and other current assets	(862)	(15)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,186)	(2,760)
Income and other taxes payable	(141)	(336)
Other noncurrent liabilities	3	(2)
Cash generated from operations	7,169	6,597
Income taxes paid	(517)	(195)
Interest paid	(239)	(771)
Contributions paid to the retirement plan	(9)	(4)
Net cash flows provided by operating activities	6,404	5,627
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property, plant and equipment	(378)	(925)
Investment property	(5)	-
Interest received	63	69
Dividends received	32	-
Proceeds from sale of property and equipment	6	1
Decrease (increase) in intangible assets and other noncurrent assets	(464)	838
Net cash flows used in investing activities	(746)	(17)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of:		
Cash dividends	(3,839)	(3,841)
Lease liabilities	(60)	(83)
Dividends to noncontrolling shareholders	(12)	(11)
Long-term debt	(5)	(12,462)
Proceeds from long-term debt - net of debt issue costs	-	11,910
Net cash flows used in financing activities	(3,916)	(4,487)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	130	75
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,742	1,123
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	26,863	24,185
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	P 28,735	P 25,383

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

  
**MERCY MARIE J. L. AMADOR**  
Chief Finance Officer and Treasurer

*LR*

**SAN MIGUEL BREWERY INC. AND SUBSIDIARIES**  
**TRADE AND OTHER RECEIVABLES**  
**AS OF MARCH 31, 2022**

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	CURRENT	PAST DUE			
			1 - 30 DAYS	31 - 60 DAYS	61-90 DAYS	OVER 90 DAYS
Trade	P 4,451 P	4,041 P	183 P	69 P	35 P	123
Non-trade	586	498	-	1	8	79
Others	168	96	22	7	37	6
<b>TOTAL</b>	<b>5,205</b>	<b>4,635</b>	<b>205</b>	<b>77</b>	<b>80</b>	<b>208</b>
<b>ALLOWANCE FOR IMPAIRMENT - RECEIVABLES</b>	<b>(368)</b>					
<b>NET</b>	<b>P 4,837</b>					

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# SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Food and Beverage, Inc.

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

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Brewery Inc. (the Company) and its subsidiaries (collectively referred to as the Group) as of and for the period ended March 31, 2022 (with comparative figures as of December 31, 2021 and for the period ended March 31, 2021). All necessary adjustments to present fairly the Group's consolidated financial position, financial performance and cash flows as of March 31, 2022 and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

### I. FINANCIAL PERFORMANCE

#### 2022 vs. 2021

Comparisons of key financial performance for the periods ended March 31, 2022 and 2021 are summarized in the following tables.

	March		Horizontal Analysis		Vertical Analysis	
	2022	2021	Increase (Decrease) Amount	%	2022	2021
	<i>(In Millions)</i>					
Sales	<b>P29,659</b>	P28,846	P813	2.8%	<b>100%</b>	100%
Cost of Sales	<b>18,359</b>	17,873	486	2.7%	<b>62%</b>	62%
Gross Profit	<b>11,300</b>	10,973	327	3.0%	<b>38%</b>	38%
Selling and Administrative Expenses	<b>(4,549)</b>	(4,222)	327	7.7%	<b>(15%)</b>	(15%)
Income from Operations	<b>6,751</b>	6,751	-	0%	<b>23%</b>	23%
Interest Expense and Other Financing Charges	<b>(426)</b>	(486)	(60)	(12.3%)	<b>(1%)</b>	(1%)
Interest Income	<b>63</b>	69	(6)	(8.7%)	<b>0%</b>	0%
Other Income - Net	<b>67</b>	105	(38)	(36.2%)	<b>0%</b>	0%
Income Before Income Tax						
Tax	<b>6,455</b>	6,439	16	0.2%	<b>22%</b>	22%
Income Tax Expense	<b>1,520</b>	981	539	54.9%	<b>5%</b>	3%
Net Income	<b>P4,935</b>	P5,458	(P523)	(9.6%)	<b>17%</b>	19%
Net Income Attributable to Equity Holders of the Company	<b>P4,822</b>	P5,372	(P550)	(10.2%)	<b>17%</b>	19%
Net Income Attributable to Non-controlling Interests	<b>113</b>	86	27	31.4%	<b>0%</b>	0%
Net Income	<b>P4,935</b>	P5,458	(P523)	(9.6%)	<b>17%</b>	19%

The Group posted a modest increase in revenue from ₱28,846 million last year to ₱29,659 million in the first quarter of 2022. The 2.8% growth was a result of international operations' positive sales performance coupled with the price increase implemented in the domestic operations in October 2021. Domestic operations contributed ₱26,450 million while international operations contributed US\$62.3 million or ₱3,215 million.

Cost of sales increased by 2.7% to ₱18,359 million mainly with the increased cost of raw materials and supplies, fuel and power, and packaging materials for the domestic operations and the higher sales volume for international operations. Domestic operations accounted for ₱16,515 million while international operations accounted for US\$35.9 million or ₱1,850 million.

Selling and administrative expenses amounted to ₱4,549 million, 7.7% higher than the same period in 2021 largely due to higher advertising and promotions expenses, depreciation and amortization expenses and personnel expenses. Domestic operations accounted for ₱3,711 million, while international operations accounted for US\$16.2 million or ₱838 million.

Income from operations was flat at ₱6,751 million. Domestic operations contributed ₱6,224 million while international operations contributed US\$10.2 million or ₱527 million.

Interest income decreased from ₱69 million to ₱63 million or 8.7% mainly due to lower interest rates on money market placements of both domestic and international operations.

Likewise, interest expense and other financing charges also decreased by 12.3% with the lower interest rates on outstanding loans.

Other income was lower by 36.2% or ₱38 million primarily due to international operations' lower royalty income and net foreign exchange loss compared to last year's net foreign exchange gain and higher marked to market loss in the domestic operations as a result of the depreciation of the Philippine Peso against the United States (US) Dollar.

Income tax expense for the first quarter of 2022 was higher by 54.9%. In the first quarter of 2021, with the implementation of Republic Act No. 11534 also known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, income tax expense for the period was reduced by ₱532 million representing the adjustment for July to December 2020.

As a result of the foregoing, consolidated net income declined by 9.6% from ₱5,458 million to ₱4,935 million. Domestic operations contributed ₱4,455 million while international operations contributed US\$9.3 million or ₱480 million.

Net income attributable to equity holders of the Company was lower by 10.2% or ₱550 million while net income attributable to non-controlling interest increased by 31.4% or ₱27 million due to the higher profits of PT Delta Djakarta Tbk (PTD) and San Miguel Beer (Thailand) Limited (SMBTL).

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

### ***Domestic Beer Operations***

Domestic operations' revenue for the first three months of the year rose to ₱26,450 million, slightly higher than last year's ₱26,294 million. The price increase implemented in October 2021 cushioned the impact of the decline in sales volume.

Income from operations was 2.9% below last year with the reimposition of lockdowns and alcoholic beverage bans this January due to the Omicron variant as well as the effect of Typhoon Odette in some areas in Visayas and Mindanao. The Company performed better in February and March 2022 with eased restrictions but rising fuel and commodity prices tempered the consumers' category spending. Supporting the Company's performance in the first quarter were new and refreshed brand campaigns coupled with consumer and trade programs in key channels.

Net income of ₱4,455 million was 12.3% lower than the same period last year. This was mainly due to the adjustment of ₱532 million in income tax expense for July to December 2020 due to the implementation of the CREATE Act, in the first quarter of 2021. Without the adjustment, net income would have only been 2% lower versus 2021.

### ***International Beer Operations***

San Miguel Brewing International Limited (SMBIL) registered US\$ 62.3 million in consolidated revenue for the first quarter of 2022, 17.8% higher than last year as a result of the 20.9% increase in volumes.

Despite the reimposition of more stringent restrictions in some of SMBIL's markets driven by new Coronavirus Disease 2019 (COVID-19) surges, volumes of SMBIL's local and global San Miguel brands were still favorable by 1% and 32%, respectively. The Indonesia operations continued to register improved volumes driven by programs focused on wholesalers and distributors. Thailand operations also registered an increase in volumes due to sustained growth in the modern trade off-premise channel and more relaxed restrictions in key tourist destinations where San Miguel is particularly strong historically, albeit limited operations of on-premise outlets particularly bars, pubs and nightclubs. SMBIL's Exports business sustained its volume growth momentum from last year driven by programs in the modern trade off-premise and wholesaler channels. Meanwhile, the Hong Kong, Vietnam and South China operations registered declines as these markets were severely impacted by the new COVID-19 variant. Stricter social distancing restrictions in restaurants and bars were implemented in Hong Kong. In South China, volumes in the wholesaler channel, Chinese restaurants/daipaidongs and night outlets were affected by the more frequent temporary closure and/or limited operating hours of on-premise outlets, and city lockdown. Similarly, the extended on-premise restrictions in most major cities led to the volume shortfall in Vietnam.

SMBIL's consolidated operating income for the three-month period was higher by 46.1% at US\$ 10.2 million primarily due to favorable volumes, tempered by higher fixed expenses and variable production costs as a result of material price increases brought about by global issues.

## 2021 vs. 2020

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	2020	Amount	%	2021	2020
	<i>(In Millions)</i>					
Sales	<b>P28,846</b>	P28,404	P442	1.6%	<b>100%</b>	100%
Cost of Sales	<b>17,873</b>	18,151	(278)	(1.5%)	<b>62%</b>	64%
Gross Profit	<b>10,973</b>	10,253	720	7.0%	<b>38%</b>	36%
Selling and Administrative Expenses	<b>(4,222)</b>	(4,870)	(648)	(13.3%)	<b>(15%)</b>	(17%)
Income from Operations	<b>6,751</b>	5,383	1,368	25.4%	<b>23%</b>	19%
Interest Expense and Other Financing Charges	<b>(486)</b>	(486)	-	0%	<b>(2%)</b>	(2%)
Interest Income	<b>69</b>	231	(162)	(70.1%)	<b>0%</b>	1%
Other Income - Net	<b>105</b>	78	27	34.6%	<b>1%</b>	0%
Income Before Income Tax	<b>6,439</b>	5,206	1,233	23.7%	<b>22%</b>	18%
Income Tax Expense	<b>981</b>	1,436	(455)	(31.7%)	<b>3%</b>	5%
Net Income	<b>P5,458</b>	P3,770	P1,688	44.8%	<b>19%</b>	13%
Net Income Attributable to Equity Holders of the Company	<b>P5,372</b>	P3,661	P1,711	46.7%	<b>19%</b>	13%
Net Income Attributable to Non-controlling Interests	<b>86</b>	109	(23)	(21.1%)	<b>0%</b>	0%
Net Income	<b>P5,458</b>	P3,770	P1,688	44.8%	<b>19%</b>	13%

The Group posted a 1.6% increase in revenue from ₱28,404 million in 2020 to ₱28,846 million in 2021 despite the decrease in volume mainly due to the price increase implemented in the domestic operations in March 2020. Domestic operations contributed ₱26,294 million while international operations contributed US\$52.9 million or ₱2,557 million.

Cost of sales decreased by 1.5% to ₱17,873 million primarily due to the lower sales volume of domestic operations despite the increase in excise tax rate implemented in January 2021. Domestic operations accounted for ₱16,426 million while international operations accounted for US\$30.1 million or ₱1,452 million.

Selling and administrative expenses decreased by 13.3% or ₱648 million due to lower freight, trucking and handling costs and advertising and promotions expenses. Domestic operations accounted for ₱3,455 million, while international operations accounted for US\$15.9 million or ₱767 million.

Consequently, income from operations increased by 25.4% to ₱6,751 million. Domestic operations contributed ₱6,413 million while international operations contributed US\$7 million or ₱338 million.

Interest income decreased by 70.1% or ₱162 million with lower interest rates prevailing in the market as well as shorter average tenor of placements for the domestic operations compared with the same period in 2020 despite the higher average placements in 2021.

Other income for the first quarter of 2021 is higher by 34.6% or ₱27 million primarily due to the dividend income of SMBIL from its investment in San Miguel Corporation's redeemable perpetual securities.

Income tax expense decreased by 31.7% or ₱455 million primarily due to the implementation of CREATE Act in 2021 which reduced income tax rates from 30% to 25% effective July 2020.

Consolidated net income increased by 44.8% to ₱5,458 million. Domestic operations contributed ₱5,080 million while international operations contributed US\$7.8 million or ₱378 million.

As a result of the foregoing, net income attributable to equity holders of the Company was higher by 46.7% or ₱1,711 million while net income attributable to non-controlling interest decreased by 21.1% or ₱23 million due to the lower net income of SMBTL.

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

#### ***Domestic Beer Operations***

Domestic operations' revenue for the first quarter of 2021 improved by 2.1% over the same period in 2020 despite the decline in beer sales volume by 12.7%. This was due to the effect of the price increase implemented in March 2020 on the full first quarter of 2021.

Income from operations grew by 24.8% in 2021 on the back of cost-reduction initiatives as well as decreased cost of sales with the lower sales volume. Moreover, new brand thematic campaigns relevant in the new normal were launched complemented by on-ground and e-premise activations.

As a result, year-to-date net income posted a 46.4% growth over the first quarter of 2020.

#### ***International Beer Operations***

SMBIL registered US\$ 52.9 million in consolidated revenue for the first quarter of 2021, 1.3% higher than 2020. Sales volume of 385.0 thousand hectoliters was 3.6% ahead of 2020 despite many of SMBIL's international markets having implemented COVID-19 related restrictions only in March or April 2020. SMBIL's consolidated operating income for the first quarter of 2021 was higher by 44.6% at US\$ 7.0 million, due to improved volumes, managed fixed costs and restructuring of operations in China.

SMBIL's China operations was rationalized and consolidated to significantly improve profitability and efficiency. Excluding North China operations, which ceased in early 2020 and is undergoing liquidation, total volume was 5% better than 2020. Meanwhile, with the expiry of the business term of, and the purposive non-renewal of the joint venture contract for, Guangzhou San Miguel Brewery Co., Ltd (GSMB), SMBIL transitioned the selling and distribution of the San Miguel and Dragon brands from GSMB in South China to San Miguel (Guangdong) Brewery Co., Ltd., which is the brewery that manufactures the products previously sold by GSMB. GSMB is also undergoing liquidation process.

SMBIL's markets continued to go through varying degrees of lockdown restrictions and reopening in the first quarter of 2021. Thailand sales volume was significantly lower than 2020 mostly pre-COVID-19 months due to continuing restrictions on tourism in major destinations where San Miguel is particularly strong, coupled with the limited operations in on-premise outlets. Hong Kong operations registered only slightly lower volumes as the impact of the pandemic in the on-premise channels was offset by the growth in the modern trade off-premise and wholesaler channels. On the other hand, Indonesia registered higher volumes against the overall beer industry contraction in the

country, and despite the continuing COVID-19 restrictions which started in March 2020. South China also registered significant growth as the on-premise channel started to reopen. In Vietnam, the strategy focus on the modern trade off-premise channel and small but many local outlets helped the Vietnam operations to gradually recover lost volumes from affected tourist-dependent outlets. SMBIL's Exports business registered higher sales despite the pandemic due to the growth in off-premise volumes, particularly in United Arab Emirates, South Korea and some markets in Africa, partly offset by the decline in volumes from other countries as a result continuing COVID-19 related restrictions.

## II. FINANCIAL POSITION

### 2022 vs. 2021

	March 2022	December 2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2022	2021
Cash and cash equivalents	<b>P28,735</b>	P26,863	P1,872	7.0%	<b>20%</b>	19%
Trade and other receivables - net	<b>4,837</b>	7,977	(3,140)	(39.4%)	<b>3%</b>	5%
Inventories	<b>4,299</b>	3,171	1,128	35.6%	<b>3%</b>	2%
Prepaid expenses and other current assets	<b>2,322</b>	1,474	848	57.5%	<b>2%</b>	1%
<b>Total Current Assets</b>	<b>40,193</b>	39,485	708	1.8%	<b>28%</b>	27%
Financial assets at fair value through other comprehensive income	<b>5,212</b>	5,137	75	1.5%	<b>4%</b>	4%
Property, plant and equipment - net	<b>31,450</b>	31,444	6	0%	<b>22%</b>	22%
Right-of-use assets - net	<b>1,880</b>	1,913	(33)	(1.7%)	<b>1%</b>	1%
Investment property - net	<b>2,211</b>	2,206	5	0.2%	<b>1%</b>	1%
Intangible assets - net	<b>35,690</b>	35,631	59	0.2%	<b>25%</b>	25%
Deferred tax assets	<b>628</b>	618	10	1.6%	<b>0%</b>	0%
Other noncurrent assets - net	<b>27,737</b>	28,380	(643)	(2.3%)	<b>19%</b>	20%
<b>Total Noncurrent Assets</b>	<b>104,808</b>	105,329	(521)	(0.5%)	<b>72%</b>	73%
<b>Total Assets</b>	<b>P145,001</b>	P144,814	P187	0.1%	<b>100%</b>	100%
Accounts payable and accrued expenses	<b>14,993</b>	17,098	(2,105)	(12.3%)	<b>10%</b>	12%
Lease liabilities - current portion	<b>189</b>	186	3	1.6%	<b>0%</b>	0%
Income and other taxes payable	<b>4,589</b>	3,718	871	23.4%	<b>3%</b>	2%
Current maturities of long- term debt - net of debt issue cost	<b>7,013</b>	7,015	(2)	0%	<b>5%</b>	5%
<b>Total Current Liabilities</b>	<b>26,784</b>	28,017	(1,233)	(4.4%)	<b>18%</b>	19%

*Forward*

	March	December	Horizontal Analysis		Vertical Analysis	
	2022	2021	Increase (Decrease) Amount	%	2021	2020
Long-term debt - net of current maturities and debt issue costs	<b>P24,380</b>	P24,373	P7	0%	<b>17%</b>	17%
Lease liabilities - net of current portion	<b>1,078</b>	1,101	(23)	(2.2%)	<b>1%</b>	1%
Other noncurrent liabilities	<b>210</b>	202	8	4.0%	<b>0%</b>	0%
<b>Total Noncurrent Liabilities</b>	<b>25,668</b>	25,676	(8)	0%	<b>18%</b>	18%
Capital stock - common	<b>15,410</b>	15,410	-	0%	<b>11%</b>	11%
Additional paid-in capital	<b>515</b>	515	-	0%	<b>0%</b>	0%
Equity reserves	<b>108</b>	(224)	332	(148.2%)	<b>0%</b>	0%
Retained earnings:						
Appropriated	<b>36,311</b>	36,311	-	0%	<b>25%</b>	25%
Unappropriated	<b>37,399</b>	36,417	982	2.7%	<b>26%</b>	25%
Treasury stock	<b>(1,029)</b>	(1,029)	-	0%	<b>(1%)</b>	(1%)
<b>Equity Attributable to</b>						
Equity Holders of						
the Parent Company	<b>88,714</b>	87,400	1,314	1.5%	<b>61%</b>	60%
Non-controlling Interests	<b>3,835</b>	3,721	114	3.1%	<b>3%</b>	3%
<b>Total Equity</b>	<b>92,549</b>	91,121	1,428	1.6%	<b>64%</b>	63%
<b>Total Liabilities and Equity</b>	<b>P145,001</b>	P144,814	P187	0.1%	<b>100%</b>	100%

Cash and cash equivalents increased by ₱1,872 million owing to higher cash generated from operations, mainly coming from collection of outstanding trade receivables, net of payment of dividends and trade payables.

Conversely, trade and other receivables declined by 39.4% from ₱7,977 million in 2021 to ₱4,837 million this year with the collection of 2021 balances and lower sales volume of domestic operations in March 2022 as compared to December 2021.

Inventories increased by 35.6% or ₱1,128 million with higher levels of finished goods and raw materials inventory in the domestic operations.

Prepaid expenses and other current assets was up by ₱848 million or 57.5% in 2022 primarily due to higher excise tax deposit as of March 31, 2022.

Accounts payable and accrued expenses decreased by 12.3% or ₱2,105 million as a result of lower purchases of goods and services and payment of outstanding trade payables.

Income and other taxes payable increased by 23.4% or ₱871 million with the provision for first quarter income of 2022.

Equity reserves which is comprised of cumulative translation adjustment, fair value reserve and reserve for retirement plan was higher by ₱332 million due to the depreciation of the Philippine Peso against the US Dollar

**2021 vs. 2020**

	<b>March</b>	<b>December</b>	Horizontal Analysis		Vertical Analysis	
			<b>2021</b>	<b>2020</b>	Increase (Decrease) Amount	%
Cash and cash equivalents	<b>P25,383</b>	P24,185	P1,198	5.0%	<b>19%</b>	17%
Trade and other receivables - net	<b>3,925</b>	5,662	(1,737)	(30.7%)	<b>3%</b>	4%
Inventories	<b>3,429</b>	2,938	491	16.7%	<b>2%</b>	2%
Prepaid expenses and other current assets	<b>2,180</b>	2,161	19	0.9%	<b>2%</b>	2%
<b>Total Current Assets</b>	<b>34,917</b>	34,946	(29)	(0.1%)	<b>26%</b>	25%
Financial assets at fair value through other comprehensive income	<b>4,888</b>	4,837	51	1.1%	<b>4%</b>	4%
Property, plant and equipment - net	<b>30,625</b>	30,189	436	1.4%	<b>22%</b>	22%
Right-of-use assets - net	<b>1,863</b>	1,898	(35)	(1.8%)	<b>1%</b>	1%
Investment property - net	<b>1,766</b>	1,768	(2)	(0.1%)	<b>1%</b>	1%
Intangible assets - net	<b>35,586</b>	35,638	(52)	(0.1%)	<b>26%</b>	26%
Deferred tax assets	<b>841</b>	918	(77)	(8.4%)	<b>1%</b>	1%
Other noncurrent assets - net	<b>26,239</b>	28,256	(2,017)	(7.1%)	<b>19%</b>	20%
<b>Total Noncurrent Assets</b>	<b>101,808</b>	103,504	(1,696)	(1.6%)	<b>74%</b>	75%
<b>Total Assets</b>	<b>P136,725</b>	P138,450	(P1,725)	(1.2%)	<b>100%</b>	100%
Accounts payable and accrued expenses	<b>13,072</b>	16,023	(2,951)	(18.4%)	<b>10%</b>	12%
Lease liabilities - current portion	<b>168</b>	190	(22)	(11.6%)	<b>0%</b>	0%
Income and other taxes payable	<b>4,407</b>	4,034	373	9.2%	<b>3%</b>	3%
Current maturities of long-term debt - net of debt issue cost	<b>16</b>	12,456	(12,440)	(99.9%)	<b>0%</b>	9%
<b>Total Current Liabilities</b>	<b>17,663</b>	32,703	(15,040)	(46.0%)	<b>13%</b>	24%

*Forward*

	March	December	Horizontal Analysis		Vertical Analysis	
	2021	2020	Increase (Decrease) Amount	%	2021	2020
Long-term debt - net of current maturities and debt issue costs	<b>P31,356</b>	P19,455	P11,901	61.2%	<b>23%</b>	14%
Lease liabilities - net of current portion	<b>1,066</b>	1,073	(7)	(0.7%)	<b>1%</b>	1%
Other noncurrent liabilities	<b>216</b>	214	2	0.9%	<b>0%</b>	0%
<b>Total Noncurrent Liabilities</b>	<b>32,638</b>	20,742	11,896	57.4%	<b>24%</b>	15%
Capital stock - common	<b>15,410</b>	15,410	-	0%	<b>11%</b>	11%
Additional paid-in capital	<b>515</b>	515	-	0%	<b>0%</b>	0%
Equity reserves	<b>(1,496)</b>	(1,292)	(204)	(15.8%)	<b>(1%)</b>	(1%)
Retained earnings:						
Appropriated	<b>36,970</b>	36,970	-	0%	<b>27%</b>	27%
Unappropriated	<b>32,622</b>	31,091	1,531	4.9%	<b>24%</b>	22%
Treasury stock	<b>(1,029)</b>	(1,029)	-	0%	<b>(0%)</b>	(0%)
<b>Equity Attributable to</b>						
Equity Holders of the Parent Company	<b>82,992</b>	81,665	1,327	1.6%	<b>61%</b>	59%
Non-controlling Interests	<b>3,432</b>	3,340	92	2.8%	<b>2%</b>	2%
<b>Total Equity</b>	<b>86,424</b>	85,005	1,419	1.7%	<b>63%</b>	61%
<b>Total Liabilities and Equity</b>	<b>P136,725</b>	P138,450	(P1,725)	(1.2%)	<b>100%</b>	100%

Cash and cash equivalents increased by 5% or ₱1,198 million with the higher cash generated from both domestic and international operations.

Trade and other receivables decreased by 30.7% from ₱5,662 million in 2020 to ₱3,925 million as of the first quarter of 2021 with the lower credit sales for the month of March as Metro Manila and its nearby provinces reverted to enhanced community quarantine, with lockdowns and alcoholic beverage bans reimposed. Correspondingly, inventories increased by 16.7% or ₱491 million.

Deferred tax assets decreased by 8.4% as of March 2021 primarily due to the adjustment pertaining to the CREATE Act.

Other noncurrent assets decreased by 7.1% or ₱2,017 million primarily due to amortization of containers, provision for inventory losses and reclassification of advances to suppliers to property, plant and equipment.

Accounts payable and accrued expenses decreased by 18.4% or ₱2,951 million as a result of lower purchases of goods and services and payment of trade payables.

Lease liabilities - current decreased by ₱22 million or 11.6% due to the payment of rent expense net of the reclassification from noncurrent portion to current liabilities.

Income and other taxes payable increased by 9.2% or ₱373 million due to the recognition of provision for first quarter income tax of 2021 less the income tax adjustments made for 2020.

Current maturities of long-term debt decreased by ₱12,440 million as a result of the remittance of the payment for the Series G fixed rate bonds. Long-term debt increased by 61.2% or ₱11,901 million due

to the availment of new term loans from various banks for the re-financing of the maturity of the Series G fixed rate bonds and other general corporate purposes.

Equity reserves which is comprised of cumulative translation adjustment, fair value reserve and reserve for retirement plan decreased by P204 million due to the depreciation of Indonesian Rupiah and Thai Baht.

Retained Earnings – Unappropriated increased by 4.9% representing the net income for the first quarter of 2021.

Noncontrolling interests increased from P3,340 million in 2020 to P3,432 million in 2021 or 2.8% with the share in PTD's first quarter 2021 profits.

### **Increase/(Decrease) in Equity 2022 vs 2021**

The increase (decrease) in equity is due to:

<b>(in Millions)</b>	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Income during the period	<b>P4,935</b>	P5,458
Effect of translation adjustments and others	<b>345</b>	(186)
Cash dividends declared	<b>(3,852)</b>	(3,853)
	<b>P1,428</b>	P1,419

### **III. SOURCES AND USES OF CASH**

A brief summary of cash flow movements is shown below:

<b>(in Millions)</b>	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Net cash flows provided by operating activities	<b>P6,404</b>	P5,627
Net cash flows used in investing activities	<b>(746)</b>	(17)
Net cash flows used in financing activities	<b>(3,916)</b>	(4,487)

Net cash flows provided by operating activities basically consist of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows used in investing activities included the following:

<b>(in Millions)</b>	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to:		
Property, plant and equipment	<b>(P378)</b>	(P925)
Investment properties	<b>(5)</b>	-
Interest received	<b>63</b>	69
Dividend received	<b>32</b>	-
Proceeds from sale of property and equipment	<b>6</b>	1
Decrease (increase) in other noncurrent assets	<b>(464)</b>	838

Net cash flows used in financing activities included the following:

<b>(in Millions)</b>	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
Payments of:		
Cash dividends	<b>(₱3,851)</b>	(₱3,852)
Lease liabilities	<b>(60)</b>	(83)
Long-term debt	<b>(5)</b>	(12,462)
Proceeds from long-term debt – net of debt issue costs	<b>-</b>	11,910

The effect of exchange rate changes on cash and cash equivalents amounted to ₱130 million and ₱75 million for the periods ended March 31, 2022 and 2021, respectively.

#### IV. KEY PERFORMANCE INDICATORS

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

	<b>March 2022</b>	<b>December 2021</b>
Liquidity:		
Current Ratio	<b>1.50</b>	1.41
Solvency:		
Debt-to-Equity Ratio	<b>0.57</b>	0.59
Interest-bearing Debt-to-Equity Ratio	<b>0.34</b>	0.35
Asset-to-Equity Ratio	<b>1.57</b>	1.59
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Company	<b>22.12%</b>	23.69%
Interest Coverage Ratio	<b>18.96</b>	18.32

	<b>Periods Ended March 31</b>	
	<b>2022</b>	<b>2021</b>
Operating Efficiency:		
Volume Decline*	<b>(3.69%)</b>	(11.30%)
Revenue Growth	<b>2.82%</b>	1.56%
Operating Margin	<b>22.76%</b>	23.40%

\*Represents beer and malt-based beverage volumes only.

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Interest-bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Debt}}{\text{Equity + Non-controlling Interests}}$
Asset-to-Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Company}^*}{\text{Average Equity Attributable to Equity Holders of the Company}}$
Interest Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA)**}}{\text{Interest Expense and Other Financing Charges}}$
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	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

\*Annualized for quarterly reporting

\*\*Based on 12-month rolling EBITDA

## V. OTHER MATTERS

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- b. There were no material changes in estimates of amounts reported in prior financial years.
- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. 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.

- e. 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. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- f. Sales are affected by seasonality in customer purchase patterns. In the Philippines, subject to the effect of the COVID-19 as stated below, alcoholic beverages, including those produced by the Company, generally experience increased sales during the summer and Christmas season and typically slow down in the third quarter as a result of rainy weather. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate from quarter to quarter.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered into by the Group as of and for the period ended March 31, 2022.
- h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of March 31, 2022. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short-term or long-term loans.
- i. *Effect of COVID-19*

The Group posted an increase in sales revenue compared with the same period last year, although with lower volumes for the domestic operations due to the effect of the reimposition of lockdowns and alcoholic beverage bans driven by the highly contagious Omicron variant in the National Capital Region and selected key cities in January.

The extent to which the COVID-19 pandemic impacts the Group will depend on future developments, including the timeliness and effectiveness of actions taken or not taken to contain and mitigate the effects of COVID-19 both in the Philippines and abroad where the Group has operations, healthcare providers, healthcare system participants, and other businesses and individuals, which are highly uncertain and cannot be predicted.

- j. *Effect of Ukraine-Russia War*

While the Group has very minimal or no direct business in Russia and Ukraine, the Russia-Ukraine conflict could affect global supply and prices of production inputs, including malt and fuel costs, as well as shipping/freight costs.

The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 31, 2022.