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SAN MIGUEL: Q1 INCOME DROP DUE TO FOREX LOSSES

By VG CABUAG

SAN Miguel Corp. on Monday said its net income attributable to equity holders reached P2.2 billion in the first quarter, a steep drop from the previous year's P4.23 billion during the same period, as foreign-exchange losses dampened performance. Without the forex losses of about P1.8 billion, the company's net income for the period would have been at P4 billion, the company said.

"But with the appreciation of the peso ending at 43.65 on May 9, the first-quarter forex losses were effectively eliminated," San Miguel said.

Revenues reached P195 billion for the first quarter, up 9 percent from the same period last year.

Petron Corp. and SMC Global Power Holdings Corp. were the biggest contributors, posting double-digit

SEE "SMC," A2

SMC . . . CONTINUED FROM A1

improvements even as core businesses San Miguel Brewery Inc., San Miguel Pure Foods Co. Inc. and San Miguel Yamamura Packaging Corp. reported better quarter-on-quarter results as well, it said.

Liquor unit Ginebra San Miguel Inc. reported a net income reversing last year's losses. Consolidated operating income reached P15.5 billion, while its recurring earnings before interest, depreciation and amortization (Ebitda), amounted to P21.6 billion.

The consolidated sales volume of its brewery unit reached 46.6 million cases, lower than the previous year's owing to a trade buildup prior to the price increase implemented in February 2013 to cover increase in excise taxes.

Volumes, however, picked up by February and March this year, improving 11 percent and 7 percent, respectively, allowing San Miguel Brewery to post flat sales revenues at P17.6 billion, while its operating income reached P4.7 billion. Ginebra San Miguel reported P43.9 million in operating income versus its P392 million loss in 2013. Its revenues reached P3.6 billion in the first quarter, or 21 percent higher than the prior year's, on the back of strong volume sales, which was up 10 percent from last year.

Pure Foods consolidated sales revenues rose 5 percent to P24.2 billion, with all segments contributing to growth, it said.

Meanwhile, San Miguel Yamamura Packaging Corp. delivered revenues of P5.6 billion, up 1 percent from 2013

levels. The paper segment registered record-high volume sales on the back of strong demand.

SMC Global Power Holdings Corp.'s consolidated revenues reached P20 billion, up 14 percent from the same period in 2013, on account of higher bilateral prices and volume sales improvement.

Consolidated off-take volume of 4,144 GWh was a mere 1 percent higher.

Operating income, meanwhile, rose 20 percent to P6.6 billion.

Petron's consolidated revenues rose 12 percent to P125 billion, with both Philippine and Malaysian operations delivering strong performances during the period. Its consolidated net income was flat at P2.2 billion, better than last year's P2.2 billion.

SPi Global acquires China company

OUTSOURCING firm SPi Global has expanded its services to China after it completed the acquisition of Bachieve International Inc. on Monday. The amount of the acquisition deal was not disclosed.

The takeover of Bachieve paved the way for the formation of SPi Global (Xi'an) Information Technology Ltd., which will have 260 employees focused on business-process outsourcing (BPO), information-technology outsourcing, management consulting services, and call-center solutions. Xi'an is the BPO capital of Western China.

SPi Global President and Chief Executive Officer (CEO) Maulik Parekh said the geographic expansion further strengthens the company's delivery operations in Asia and complements existing operational strengths in India and the Philippines.

The acquisition also affords

the company access to a new market. "China is a welcome addition to our global footprint. Having the option of delivering services from China will benefit our existing and future clients with the vast resources and talents available in the region," Parekh said.

For his part, Bachieve CEO Zhikui Chen said: "We are pleased to have attracted a strong partner for our business.

With SPi Global's experience, we are looking forward to strengthening our operations and further expanding our network for growth and development." Parekh noted that SPi Global (Xi'an) is a gateway to the wave of development in China toward the west. It will also serve as hub for other key markets in Asia where publishing and content conversion solutions are in demand.

"We believe Xi'an is the ideal location to capitalize on this wave of growth," Parekh added.

Lorenz S. Marasigan

PSE suspends Emperor trading

SHARES of Emperor Inc. has been suspended for trading at the Philippine Stock Exchange after the company announced it is set to buy the world's fifth-largest whiskey manufacturer Whyte & Mackay.

Emperor said in its disclosure that its unit in the United Kingdom has signed an agreement with United Spirits (Great Britain) Ltd., a wholly owned subsidiary of United Spirits Ltd., to acquire the entire Whyte and Mackay Group for about £430 million (about P31 billion) in cash.

"The transaction is subject to obtaining necessary regulatory approvals and USL shareholder approval," Emperor, a company controlled by businessman Andrew Tan, said.

"The acquisition of Whyte & Mackay is in line with Emperor's long-term strategy to focus on the Philippines and expanding its global footprint. Whyte & Mackay has delivered strong revenue and profit growth," it added.

Whyte & Mackay is a maker of Scotch whisky with a history of more than 160 years and owns several whisky brands. It also holds substantial aged whisky inventories. The group has a production capacity of 50 million liters of alcohol per annum with five distilleries and one bottling plant in Scotland.

Whyte & Mackay produces a wide range of products sold in more than 50 countries, mainly in Europe

and North America. It also has strong presence in the global-travel retail space. "Whisky is the second-fastest growing spirits segment in the world, next to brandy. With this acquisition, Emperor will be exposed to two of the fastest growing spirits segments in the world," Tan, the company chairman, said.

He added that the global demand for Scotch whisky has shown strong growth over recent years and is expected to continue this momentum.

"We believe that Whyte & Mackay is a prized asset with excellent growth opportunity and its acquisition is in line with our plans to enhance our product portfolio. Whyte & Mackay has a global-distribution network in over 50 countries that Emperor Brandy will have access to."

Emperor, known for its brandy of the same name, was advised by Macquarie Capital for the said deal. Over the past months, Emperor has been busy snapping up assets in Spain, such as warehouses and vineyards, as it plans to manufacture about a quarter of its brandy inventory in Europe.

The company early this month said it will raise more capital from the debt market of up to 70 percent of the stockholders' equity as it needs more funds for this aggressive expansion program.

Emperor, which expects its income will double by 2017 from last year's P5.8 billion in profit, has P23 billion in cash pile as of last year. *VG Cabuag*

Robinsons Retail buys majority stake in Visayas-based hardware chain

By VG CABUAG

ROBINSONS Retail Holdings Inc. on Monday said it will buy the controlling stake in Visayas-based hardware chain A.M. Depot as the Gokongwei-controlled firm expands further into the so-called big box builders hardware subformat.

The company said in its disclosure to the Philippine Stock Exchange that it will acquire 67 percent of A.M. Builders, a company that owns and operates 17 stores situated in the key cities in the Visayas.

"The acquisition [gives] Robinsons Retail a strong presence in the do-it-yourself hardware and builders big box hardware retail formats," the company said.

A.M. Builders started operations in 1998 with tiles, bathroom fixtures, lumber and roofing materials as core products. It then expanded its operations to about 35,000 square meters in gross floor area with branches in Cebu, Iloilo, Bacolod, Dumaguete and other key cities. Robinsons Retail said

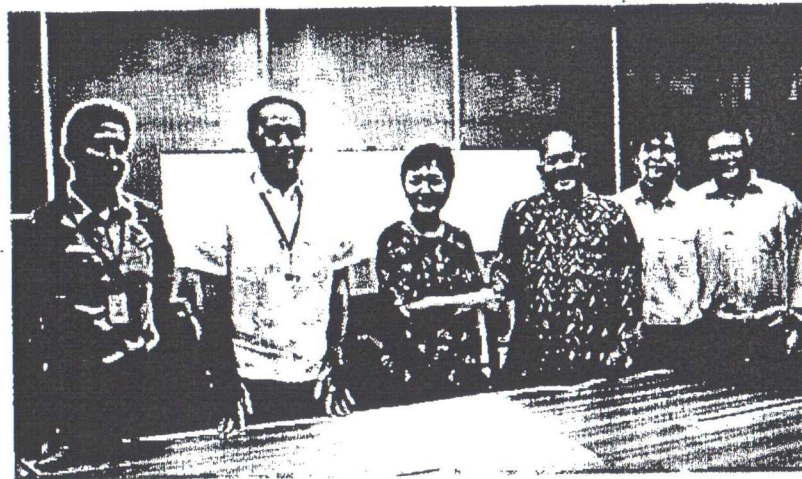


PHOTO shows (from left) Gilbert Millado Jr., general counsel for Retail Holdings Inc. (RRHI); Wilfred Co, vice chairman of Robinsons Handyman Inc.; Robina Y. Gokongwei-Pe, RRHI president and chief operating officer; Arsenio P. Rafael III, president of A.M. Builders' Depot; Christian A. Rafael, corporate secretary of A.M. Builders' Depot; and Arsenio A. Rafael IV, treasurer of A.M. Builders' Depot.

it will make available to A.M. Builders its wide range of products, which include home and kitchen appliances.

"The acquisition will be a good addition to our retail portfolio as it will serve another segment of the fast-growing retail market of the country," Robina Gokongwei-Pe, company

president and chief operating officer, said in a statement.

The company did not disclose the acquisition price, citing a nondisclosure agreement.

Robinsons Retail earlier said its income grew by 127 percent in 2013 to P3.05 billion from the previous

year's P1.34 billion. The surge in net earnings was said to be due to the increase in sales from new stores, the full-year consolidation of South Star Drug which was acquired in July 2012, the resilient same-store sales growth of 2.5 percent, as well as the expansion in gross margins and steady operating expenses.

As of end-2013, the company's store network reached 1,064 or an addition of 152 new stores from 912 stores in 2012.

Consolidated net sales rose by 17 percent to P67.25 billion last year from P57.39 billion in 2012.

The supermarket segment accounted for the largest share of the group's consolidated net sales, contributing close to one-half of the total.

The department stores segment was a far second, contributing 17.7 percent, followed by the do-it-yourself stores at 10.5-percent contribution or about P7.1 billion in sales, drug stores at 9.3 percent, specialty stores at 7.9 percent, and convenience stores under the Ministop brand at 0.3 percent.

Alliance Select reports profit in Q1

ALLIANCE Select Foods International Inc. on Monday said it turned around its operation in the first quarter of the year, posting a \$760,000 (about P32.68 million) net income from last year's net loss of \$642,000, as tuna prices stabilized.

"After a sustained period of unprecedented high prices for tuna in 2013, the company has experienced relatively normal raw material prices in the last few months," the company said.

Revenues for the period slightly improved to \$21.45 million from \$19.83 million last year.

Profits were further boosted by the company's cost cutting initiatives, the company said as it was able to cut selling and administrative expenses by 10 percent to \$1.82 million from last year's \$2.02 million.

"This significant turnaround by

the company was not only the result of Alliance Select's canned tuna operations, which accounted for about two-thirds of the revenues, but also the smoked salmon division," the company said.

It said all four subsidiaries in the Philippines, New Zealand and the US increased their sales, gross profit, operating income and net income results from that of the previous year.

An investment of approximately P563 million by Strongoak Inc. has given the company a war chest to further invest in its operations.

Alliance Select has canned tuna processing facilities in General Santos City and Bitung in Indonesia. It also owns salmon marine farms in New Zealand as well as smoked salmon processing subsidiaries in Philippines, New Zealand and the US. *VG Cabuag*

Business

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Tuesday, May 13, 2014

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FDIs to RP plummet 59% in February this year

By Ed Velasco

Are investors in the Philippines packing up or the country is really unattractive to investors?

This is the question raised by some critics as data from the Bangko Sentral ng Pilipinas (BSP) showed that foreign direct investments (FDIs) to the Philippines for February 2014 was only \$350 million, which is 59 percent lower than same period last

year.

Even on cumulative basis, FDIs recorded net inflows of \$1.4 billion for January to February 2014. The amount is 24.7 percent lower than same period in 2013, BSP data confirmed.

FDIs are money brought in by investors to put up factories, plants or open branch in a particular country.

Unlike hot money, FDIs bring a lot of added benefits as they create

jobs, push land value higher, pay taxes and bring in new technologies.

Equity capital investments, meanwhile, posted net inflows of \$79 million for the same period this year, the BSP data added.

This developed as gross equity placements of \$100 million exceeded withdrawals amounting to \$31 million in February 2014.

Bulk of these equity capital investments were channeled mainly to financial and insurance

activities, real estate, transportation and storage, manufacturing, mining and quarrying activities.

Majority of investments were from United States, Japan, Singapore, Germany and Hong Kong.

Reinvestment of earnings rose by 11.3 percent year-on-year to \$70 million during the month as foreign investors opted to retain their earnings in local corporations on the back of favorable prospects for

the Philippine economy.

Intercompany borrowings (non-residents' net placements in debt instruments issued by local affiliates) reached \$201 million for February 2014, BSP data said.

The amount was the result of sustained lending by parent companies abroad to their local subsidiaries/affiliates to support existing operations and to fund the expansion of their businesses in the country.

8990 Holdings FOO oversubscribed; listing set tomorrow

Mass housing developer 8990 Holdings Inc. reported that its ₱9 billion follow-on offering was oversubscribed as it saw tremendous demand from global funds and major local investment houses.

The shares will be listed under the stock symbol "House" at the Philippine Stock Exchange (PSE) tomorrow.

The company is listing 1.24 billion common shares composed of 862.19 million primary shares and up to 382.36 million secondary shares with an overallotment option of 134.95 million shares. The shares were sold at ₱6.50 apiece.

Proceeds from the follow-on will be utilized to pay down the company's long-term debts and, at the same time, increase its existing landbank by an additional 250 hectares.

According to 8990 president Januario Jesus Atencio, the equity deal attracted "overwhelming" demand from the global investors as the Phil-

ippines obtained another credit rating upgrade from Standard & Poor's Ratings Services (S&P) last week.

"The success of our follow-on allows us now to provide even more housing to the mass base of our countrymen whose main goal in life is to provide a decent home and a better life for his family," Atencio said.

Leading the investments are two global long-term institutional funds: U.S. private equity firm TPG Capital and Khazanah Nasional Berhad of Malaysia, who invested a combined total of ₱2.9 billion -- their first ever investment in the Philippines.

The entry of TPG & Khazanah into 8990 is not only a cornerstone for us, but a milestone for Philippine equities as well. We are excited to begin working with them, as we look forward to the innovations that our partnership will produce, and the greater value that our synergy will create as a result, Atencio said. (JAL)

BDO prefers expansion in local market before venturing in ASEAN

By LEE C. CHIPONGIAN

BDO Unibank Inc. President and CEO Nestor V. Tan said the country's largest bank is not big enough to compete with the regional giants and that there are more untapped markets in the domestic market that they would rather focused on.

Having said that – as he has been remarking these past years – the bank has more to do in the local market. “It’s best to use our resources wisely,” commented Tan when asked about BDO’s plan when ASEAN financial markets integrate.

In this, Tan has not changed his stance and that he still prefers to grow organically and stay domestic-centric. “We need to strengthen our position locally,” he stressed.

He explained that the wisest strategy when confronted with regional competition is to take a defensive position and to “make sure (BDO) is not vulnerable.”

Tan also stressed that a resilient banking operation, once achieved through organic positioning, will become a “strong springboard” for when they do decide or when the time comes when they would have to absolutely compete outside of the Philippines.

“If we ever we go outside of the Philippines, it is only to follow our market,” said Tan.

The SM Group-controlled bank is considered one of the fastest growing local banks, the first to cross the ₱1-trillion mark in terms of assets size among domestic banks. For years it has sustained its expansion through acquisition. As of 2013, it was still buying banks and expanding both its consumer lending sector and investment side.

BDO on average opens 40 to 50 new branches every year. For 2014, Tan said the bank’s expansion would keep its pace of opening 50 branches. By December

this year, they expect to have 864 branches.

As 2015 approaches and with it the tides of regional financial market integration, Tan said the key word for this year is sustainability although they do not expect to report as much growth as they did in 2013 because of one-off trading gains.

BDO’s income outlook for 2014 is

modest, a mere one percent year-on-year increase. But Tan said the core banking businesses is projected to continue to perform well despite an expected modest bottom line.

“Being big is just a measure of how well we are doing, our strategy and our servicing of clients. If you do it well you tend to grow faster than the others,” said Tan.

Forex losses trim SMC net earnings to ₱2.2B in quarter

By JAMES A. LOYOLA

Diversified conglomerate San Miguel Corporation (SMC) reported a 48 percent drop in attributable net income to ₱2.2 billion in the first quarter of 2014 from ₱4.24 billion in the same period last year due to foreign exchange losses.

The strengthening of the US dollar against the peso resulted in foreign exchange losses of about ₱1.8 billion for the first quarter, a stark contrast from the ₱1 billion forex gains the company reported in the same period last year.

With the appreciation of the peso ending at ₱43.65 last May 9, the first quarter forex losses is effectively eliminated.

Without the forex losses, SMC said in a disclosure to the Philippine Stock Exchange that its net income would have been at ₱4.0 billion.

The firm reported that revenues rose 9 percent to ₱195 billion in the first quarter of the year. Petron Corporation and SMC Global Power Holdings Corporation were the biggest contributors, posting double-digit improvement.

Core businesses San Miguel Brewery Inc., San Miguel Pure Foods Company Inc., and San Miguel Yamamura Packaging Corp. reported better quarter-on-quarter results as well.

Liquor unit Ginebra San Miguel Inc. made a solid recovery, which, together with the strong performance of SMPFC and the power business, raised consoli-

dated operating income to ₱15.5 billion. Consolidated recurring EBITDA, meanwhile, amounted to ₱21.6 billion.

San Miguel Brewery Inc.'s consolidated sales volume reached 46.6 million cases, lower than the previous year owing to a trade build-up prior to the price increase implemented in February 2013 to cover increase in excise taxes.

Volumes, however, picked up by February and March this year, improving 11 percent and 7 percent respectively, allowing SMB to match year-ago sales revenues at ₱17.6 billion and post an operating income of ₱4.7 billion.

Ginebra San Miguel posted revenues of ₱3.6 billion in the first quarter, 21 percent higher than in the prior year, on the back of strong volume sales, which was up 10 percent from last year.

San Miguel Pure Foods Company Inc.'s consolidated sales revenues rose 5 percent to ₱24.2 billion, with all segments contributing to growth. Operating income reached ₱1.3 billion, a 46 percent improvement, on the back of higher volumes and better margins in poultry and meats, lower wheat cost, improved supply of cassava, and better efficiencies.

San Miguel Yamamura Packaging Corp. delivered revenues amounting to ₱5.6 billion, up 1 percent from 2013 levels. The Paper segment registered record-high volume sales on the back of strong demand.

Robinsons Retail acquires 67% of Builders hardware chain

Robinsons Retail Holdings, Inc., through its subsidiary Robinson's Handyman, Inc., recently signed a Memorandum of Agreement allowing it to acquire a 67 percent stake in A.M. Builders' Depot, a Visayas-based builders hardware chain. A.M. Builders' Depot operates 17 stores with total gross selling area of approximately 35,000 square meters in Cebu, Iloilo, Bacolod, Dumaguete and other key cities in the Visayas region.

A.M. Builders' Depot commenced operations in 1998 with tiles, bathroom fixtures, lumber, and roofing materials as its core products.

The acquisition places Robinsons Retail in a unique position, giving Robinsons Retail a strong presence in both the DIY (do-it-yourself) hardware and builders (big box) hardware retail formats.

The purchase will promote greater synergy with Robinsons Retail's existing DIY stores, enabling it to tap a wider reach of customers with Handyman Do it Best, True Value and Howards Storage World catering mostly to household owners and A.M. Builders' Depot targeting residential and building contractors.

Robinsons Retail's DIY business

will make available to A.M. Builders' Depot its wide range of quality home improvement products. Moreover, A.M. Builders' Depot stores have an appliance section which can be complemented by Robinsons Appliances' offering of a wide selection of home and kitchen appliances as well as audio and video products.

"I am very pleased with our partnership with the founders of A.M. Builders' Depot and have utmost respect for their wealth of experience. The acquisition will be a good addition to our retail portfolio as it will serve another segment of the fast growing retail market of the country," said Robina Gokongwei-Pe, President and COO of Robinsons Retail Holdings, Inc.

Arsenio Rafael III, President of A.M. Builders' Depot commented, "It is a great honor to become part of the Robinsons Retail conglomerate. The synergy with Robinsons Retail's DIY expertise in modern hardware retailing, its extensive store network, strong balance sheet and our 17-year experience and dedication in the finishing construction materials industry will ensure the success of this partnership. The possibilities for this new partnership are endless as we improve and expand our product offerings. Building

one's dream home will now become a reality."

Robinsons Retail's DIY business is comprised of three formats: Handyman Do it Best, True Value and Howards Storage World, which generated a 14.5% increase in net sales to P7.1 billion in 2013 on robust same store sales growth of 6%. This accounted for 10.5% of the group's P67.2 billion consolidated net sales. As of end-March 2014, Robinsons Retail's DIY segment had a total of 132 stores.

Robinsons Retail currently operates 10 retail formats under six business segments: supermarkets (Robinsons Supermarket), department stores (Robinsons Department Store), DIY stores (Handyman Do it Best, True Value and Howards Storage World), convenience stores (Ministop), drugstores (South Star Drug and Manson Drug) and specialty stores (from consumer electronics and appliances retailer Robinsons Appliances to toys retailer Toys "R" Us; one price point retailer Daiso Japan and international fashion brands such as Topshop, Topman and Dorothy Perkins and international cosmetics brands such as Shiseido and Benefit). As of end-March 2014, the group had 1,145 stores located all over the country.

Nippon Paint invests ₱100 M in local unit

Nippon Paint is investing ₱100 million in the Philippines, beginning with the launch of a local subsidiary, Nippon Paint (Coatings) Philippines.

The new company, led by Nippon Paint Malaysia Group, will focus on penetrating the local architectural or decorative coating solutions market. According to Nippon Paint Southeast Asia (NIPSEA) Group Chief Executive Officer Wee Siew Kim, the strategy was based on the phenomenal growth in construction and real estate in the country.

With the construction boom in the country, Nippon Paint (Coatings) Philippines is targeting ₱1.5 billion in sales turnover by 2017. Nippon Paint operates 56 manufacturing facilities in 15 countries throughout Asia, with a workforce of more than 15,000 employees. In 2013, Nippon Paint's total

group sales revenue reached \$5.4 billion, making it the clear top coatings manufacturer in Asia.

Now, Nippon Paint broadened its line to include an innovative and diverse suite of Total Coating Solutions™ - coating solutions for roofs to floors, and everything in between - and Trend Beyond Colours™ special effects paint where walls now come alive with texture.

"At Nippon Paint, we take great pride in being a Total Coating Solutions provider - not just coatings for different surfaces but multi-segment offerings too; from architectural, to protective coatings, industrial, automotive and even marine coatings" said Nippon Paint Southeast Asia (NIPSEA) Group Chief Executive Officer, Wee Siew Kim. "As Asia's no. 1 coatings manufacturer, we are excited that Filipinos will soon enjoy

innovative coating solutions of unparalleled quality, together with a colour palette that runs into the thousands" he added.

Nippon Paint Coating's partner hardware and home depot chains and paint centers are equipped with a Nippon Colour Creations™ tinting machine that produces shades specifically for the client. Touted as "mini Nippon Paint factories", these machines are able to produce thousands of colors, on demand, making it convenient for Filipinos to find their choice of color.

"Worrying of being told that their preferred color is not available or in stock is now a thing of the past with Nippon Paint Colour Creations™ tinting machines. In fact, with over 10,000 paint formulations in our library, Filipinos will soon be spoiled for choice" said Nippon Paint Malaysia Group Managing Director, Yaw Seng Heng.

RFM posts ₱167-M income in Q1, up 8.4%

Food and beverage company RFM Corporation that its net income improved 8.4 percent to ₱167 million in the first quarter of the year from ₱154 million earned in the same period 2013.

In a disclosure to the Philippine Stock Exchange, RFM said its sales revenue reached ₱2.24 billion for the first three months of 2014, slightly higher than the ₱2.22 billion sales revenues posted for the same period last year.

RFM President Jose A. Concepcion III noted that, despite the modest sales growth, profitability has improved due to better margins in its core businesses and higher sales of higher margin products.

"The lower commodity input costs and managed operating expenses this year helped in bringing our cost levels down," he said.

Concepcion added that "we saw double digit growth in our consumer brands which offset the weaker flour

sales during the period. The priority for us is to grow the branded side of our business and we are encouraged as well by the increasing consumer offtake readings for our pasta, cake mixes and Selecta milk."

Offtake reports essentially show the tracking of actual sales to the consumers recorded in our major trade accounts.

"Moreover, revenues from our newly acquired Royal pasta have just started to be sold under RFM only in February, and sales level has so far been higher than levels posted last year by the

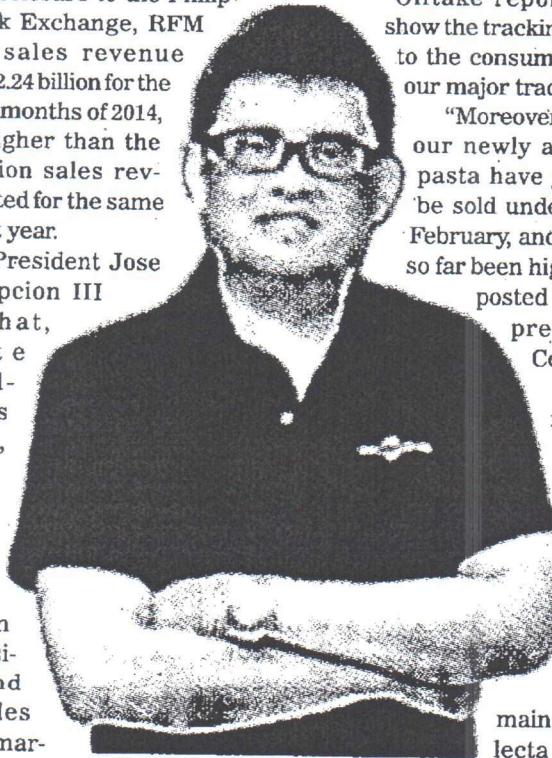
previous owner,"

Concepcion said.

Concepcion revealed that "the second quarter also started to show stronger numbers with double digit growth posted again in April by its main brands like Selecta milk and Ice cream and the Pasta

group."

"We remain bullish on a stronger 2014, banking on stronger consumer spending, and the market leadership and strength of our power brands Selecta, Fiesta and now also Royal," Concepcion said. (JAL)



JOSE A. CONCEPCION III

San Miguel's P1.8B forex loss dent Q1 earnings

SAN MIGUEL Corp, the Philippines' most diversified conglomerate, said yesterday it posted first-quarter net income of P2.2 billion after booking foreign exchange losses of P1.8 billion.

Last year, it reported a net income of P 4.2 billion in the January to March period. The company said without the forex losses, net income for the period would have risen 23 percent from a year ago to P4 billion.

San Miguel said in a statement the strong U.S. dollar against the pesos resulted in forex losses of about P1.8 billion in the first quarter, reversing a forex gain of P1 billion in the same period last year.

Consolidated revenue grew 9 percent to P195 billion, San Miguel said in statement, with oil refiner Petron Corp and unlisted SMC Global Power Holdings Corp delivering strong contributions.

San Miguel, currently valued at about \$4.4 billion, has aggressively expanded over the last six years into power, airlines, mining, telecoms, oil refining and distribution, and infrastructure, while maintaining its status as the country's dominant food and beverage firm.

It also owns controlling stakes in San Miguel Pure Foods Co Inc, unlisted San Miguel Brewery Inc and has management control of flag carrier Philippine Airlines.

RFM profit up 8.4% at P154M

RFM Corp., said profit for the first quarter of the year reached P167 million, up 8.4 percent from last year's P154 million.

Sales revenue reached P2.24 billion, relatively flat from last year's P2.22 billion.

"Despite the modest sales growth, profitability has improved due to better margins in its core businesses and higher sales of higher margin products," Jose A. Concepcion III, RFM president, said.

"The lower commodity input costs and managed operating expenses this year helped in bringing our cost levels down", he added.

Concepcion also said that RFM saw double digit growth in the consumer brands "which offset the weaker flour sales for the period."

"The priority for us is to grow the branded side of our business and we are encouraged as well by the increasing consumer offtake readings for our Fiesta pasta, White King cake mixes and Selecta Milk. Offtake reports essentially show the tracking of actual sales to the consumers recorded in our major trade accounts," he said.

"Moreover, revenues from our newly acquired Royal pasta have just started to be sold under RFM only in February, and sales level has so far been higher than levels posted last year by the previous owner", Concepcion added.

Concepcion also noted "stronger numbers with double digit growth" in April by its main brands like Selecta milk and Ice cream and the Pasta group, which hints of possible trend for the whole second quarter.

"We remain bullish on a stronger 2014, banking on stronger consumer spending, and the market leadership and strength of our power brands Selecta, Fiesta and now also Royal," Concepcion said.

Nippon Paint invests P100M

NIPPON Paint is investing P100 million in the Philippines with the setting up of a local subsidiary, Nippon Paint (Coatings), Philippines.

The new company will be led by Nippon Paint Malaysia Group. Nippon Paint Southeast Asia (NIPSEA) Group Chief Executive Officer Wee Siew Kim, said the construction boom in the country will enable the company to gross P1.5 billion by 2017.

Nippon Paint operates 56 manufacturing facilities in 15 countries throughout Asia, with a workforce of more than 15,000 employees. In 2013, Nippon Paint's total group sales revenue reached \$5.4 billion, making it the clear top coatings manufacturer in Asia.

Nippon Paint has Total Coating Solutions™ - for roofs to floors, and everything in between - and Trend Beyond Colours™ special effects paint.

Nippon Paint Coating's partner hard-

ware and home depot chains and paint centers are equipped with a Nippon Colour Creations™ tinting machine that produces shades specifically for the client. Touted as "mini Nippon Paint factories", these machines are able to produce thousands of colors, on demand, making it convenient for Filipinos to find their choice of color.

"Worrying of being told that their preferred color is not available or in stock is now a thing of the past with Nippon Paint Colour Creations™ tinting machines. In fact, with over 10,000 paint formulations in our library, Filipinos will soon be spoilt for choice" said Nippon Paint Malaysia Group Managing Director, Yaw Seng Heng.

The paints come in various price points, from P500 to P2,000 a liter for the high-end paint. Perfect to withstand the harsh Philippine climate, the paint can last over 5 years without fading, cracking and peeling.

Alsons net income up 3% at P229M

ALSONS Consolidated Resources, Inc. of the Alcantara Group reported yesterday higher profits for the first three months of the year carried by its strong power generation business in Mindanao.

Alsons said consolidated net income for the first quarter of the year went up by 3 percent to P228.9 million from P222.9 million during the same period last year.

Net income attributable to the parent for the first quarter likewise surge to P149.1 million from P93.9 million in the same period in 2013.

Alsons said higher profits for the quarter were pushed by higher revenues from its three subsidiaries operating diesel-fired power plants in Mindanao.

The Alcantara-led power firm currently operates three diesel facilities with a total generating capacity of 258 megawatts (MW) in Mindanao through its

subsidiaries.

These include the Southern Philippines Power Corp.'s 55-megawatt (MW) plant in Alabel, Sarangani, the 100-MW Western Mindanao Power Corp. plant in Zamboanga City, and the 103-MW Mapalad Power Corp. plant in Iligan City.

Alsons started operations of the Mapalad plant in May last year after completing rehabilitation works.

With the Mapalad plant operational, the company posted a 134 percent growth in revenues for the first quarter of 2014, to P1.18 billion from P505 million in the same period last year.

"Alson's three power generation subsidiaries are now the main contributors to the company's revenue growth. All three diesel power facilities are contributing to alleviate the power shortage in Mindanao," the firm said.

URC Q1 profits up 14% at P5.4B

UNIVERSAL Robina Corp., (URC) said profit for the first half of the year reached P6.22 billion, 14.4 percent higher than last year's P5.44 billion.

URC's fiscal year starts in October.

Net sales reached P45.74 billion, 13.5 percent higher than last year's P40.30 billion.

The company said that its Philippine operation on branded consumer food group (BCFG) "continued to be a key driver as net sales increased by 26.7 percent."

"BCFG International also managed to post a growth of 9.9 percent," the company said.

The branded consumer food (BCF) group, excluding the packaging division, saw sales grow 20.9 percent at P37.39 billion from P30.92 billion.

BCF Philippines sales hit P25.62 billion, up 26.7 percent from last year's P20.22 billion, driven by growth across all segments led by beverage division, which managed to grow by 42.2 percent.

"The increase in beverage sales was driven by the powdered beverage business, mainly from coffee, and complemented by the ready-to-drink (RTD) business. Snack food sales grew by 18 percent as salty snacks,

bakery, and confectionery segments posted growth," URC said.

BCF International saw sales grow 9.9 percent at P11.77 billion, from P10.71 billion, led by strong growth in Thailand and Vietnam.

"Thailand growth occurred despite the weak macro environment and the political turmoil in the country mainly due to new product launches. Vietnam showed signs of recovery from the weakness in beverage sales posted last quarter and weak consumer demand which affected total Fast Moving Consumer Goods (FMCG) sales in the country," URC said.

Sales for non-branded consumer foods group meanwhile declined 10.3 percent, caused by lower sugar volumes "as production were affected by the delay of the milling season and unusually wet weather," URC said.

The non-branded consumer foods business, composed of the commodity foods group and the agro-industrial group, saw sales hit P7.90 billion, 10.3 percent lower than last year's P7.16 billion.

"This was mainly due to the 24.3 percent decline for the commodity foods group, with sales as of the first half at P3.81 billion," URC said.

SE Asian stocks mostly down

SOUTHEAST Asian stock markets mostly fell yesterday, with Thai shares extending their losses to six-week lows amid risk of political violence while shares in Vietnam touched the lowest in four months as tensions with China mounted.

Philippine share prices ended lower on profit-taking. The Philippine Stock Exchange index was down 35.92 points to 6,811.34, a 0.52 percent drop. The broader all shares index was down 10.43 points to 4,105.63, a 0.25 percent drop. Gainers edged losers 89 to 86 with 46 stocks unchanged.

Trading turnover reached P8.02 billion. Most actively traded Philippine Long Distance

Telephone Co. was down P72 to P2,902.

Universal Robina Corp. was up P2.10 to P150. Ayala Land, Inc. was down P0.20 to P31.75. Double Dragon Properties Corp. was up P0.12 to P6.88. Megaworld Corp. was down P0.13 to P4.55.

Metropolitan Bank and Trust Co. was down P0.80 to P85.95. Alliance Global Group, Inc. was steady at P30.40. Century Pacific Food, Inc. was up P0.68 to P15.98. Ayala Corp. was up P4.50 to P639.50.

Shares in Thai large caps came under more selling pressure as investors cut risk holdings ahead of a market holiday today, Tuesday. Ongoing political protests kept risk-averse investors cautious.

The benchmark SET index was down 0.5 percent at midday, adding to a 3.1 percent drop last week when Thai shares underperformed most others in Southeast Asia. The index fell to 1,370 in early hours of trading, the lowest since March 28.

Stocks in Singapore were down 0.6 percent, with Malaysia nearly flat, with both bourses shut on Tuesday for a market holiday.

Bucking the trend, Jakarta's Composite Index climbed to the highest since April 9, helped by selective buying in laggard shares such as Harum Energy after the coal miner reported better-than-expected first-quarter earnings.

PSE bets on new products

HONG KONG - New trading products, better corporate governance and improved tax rules will help alter the perception that the Philippines Stock Exchange is a small, illiquid choice among South-East Asia's markets, its president Hans Sicat said.

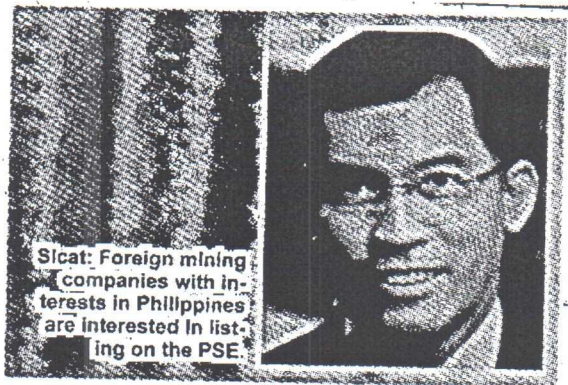
"In the past, the Philippine market was viewed as an old boy's club, but that is changing. Today, deals of the size of \$1 billion can be easily done," Sicat told IFR, a Thomson Reuters publication, in a telephone interview.

The market had been on a roll in the last two years as the economy has improved and the country achieved investment-grade status, yet much more was required from both regulators and issuers for Philippines to continue to attract capital, he said.

Average daily traded volume on the exchange rose to P10.6 billion in 2013 from P5.5 billion in 2011, after the Philippines strictly implemented the minimum 10 percent freefloat rule for listed companies in 2012. The market's capitalization rose 18 to 20 percent, Sicat said.

There is also more participation from domestic investors. Foreigners were responsible for nearly 65 percent of average daily traded volume 10 years ago, while trading volume now was split equally between local and foreign investors, he noted.

The decision of the three major rating agencies to



boost the Philippines to investment grade last year had helped as it "has opened the doors for many funds, which don't invest in non-investment-grade paper," Sicat said.

Despite the rising volumes, the Philippines remains the "baby" market among the big five ASEAN economies. Sicat said there were hopes that more family-owned companies would break their reliance on bank borrowings and consider the exchange. -Reuters

Profit taking trims Asia FX; peso underperforms

SINGAPORE - Most emerging Asian currencies eased yesterday, with some investors taking profits as the dollar broadly gained and tensions in Ukraine prompted caution.

The Chinese yuan fell, putting pressure on regional peers, after a weaker midpoint fixing by the central bank.

The Philippine peso, and the Malaysian ringgit led losses among Asian currencies as investors took profits from the last week's outperformers.

The peso fell as investors took profits after the Philippine currency last week jumped nearly 2 percent, its largest weekly gain in nearly two years.

On Friday, foreign investors became net sellers of Philippine shares. Yesterday, the stock index .PSI was down 0.5 percent.

Five- and ten-year government bond yields rose on Monday.

The ringgit eased as investors covered short positions in the dollar ahead of the closure of financial markets in Malaysia on Tuesday. Markets in Singapore and Thailand will also be shut for a holiday. . -Reuters

Weaker peso trims San Miguel's profit

SAN Miguel Corp. said Monday net income in the first quarter fell 49 percent to P2.2 billion from P4.2 billion in the same period last year, as the peso depreciation led to foreign exchange losses of P1.8 billion.

The conglomerate said it booked P1.8 billion in foreign exchange losses, a turnaround from a P1-billion currency gain booked in the same period a year ago. The foreign exchange rate heavily affects the company's foreign debt payments.

San Miguel has total debt of \$12.9 billion, according to data compiled by Bloomberg. The peso fell 0.9 percent against the dollar in the first quarter, according to the Bankers Association of the Philippines. The peso has strengthened 2.5 percent in the second quarter, Asia's best performer after the South Korean won, and is set to halt four quarters of losses.

San Miguel said minus the forex losses, net income reached P4 billion, or 23 percent higher

from a year ago, as sales grew 9 percent to P194.8 billion from P178.5 billion.

"San Miguel is a victim of the currency," Astro del Castillo, managing director at First Grade Holdings Inc., said.

"A recovery in the peso should paint a different picture for the company," Del Castillo said.

Petron Corp. and SMC Global Power Holdings Corp. were the biggest contributors to San Miguel's profit, as both posted double-digit improvement in sales.

Core businesses San Miguel Brewery Inc., San Miguel Pure Foods Company Inc. and San Miguel Yamamura Packaging Corp. also reported better quarter-on-quarter results.

San Miguel Brewery's consolidated sales volume reached 46.6 million cases, lower than the previous year owing to a trade build-up prior to the price increase implemented in February 2013 to cover increase in excise taxes.

Jennifer B. Austria

Foreign investments decline

FOREIGN direct investments posted a net inflow of \$350 million in February, down 59 percent from \$854 million recorded a year ago, the Bangko Sentral ng Pilipinas said Monday.

Data from the Bangko Sentral also showed the February figure was 66 percent lower than the net inflow of \$1.027 billion reported in January this year.

This brought the net FDI inflows in the first two months to \$1.377 billion, or 24.7 percent lower than \$1.829 billion recorded in the same period last year.

Equity capital investments posted a net inflow of \$79 million in February, as gross equity capital placements of \$110 million exceeded withdrawals amounting to \$31 million. **Julito G. Rada**

URC's profit up 14% to P6.2b

UNIVERSAL Robina Corp., the food manufacturing unit of the Gokongwei group, said Monday net income in the first six months of fiscal year ending March 2014 rose 14.4 percent to P6.23 billion from a year ago, as strong consumer spending boosted sales.

URC said in a disclosure to the stock exchange consolidated net revenues in the six-month period grew 13.5 percent to P45.74 billion, driven by higher sales from both the domestic and international markets.

It said sales of branded consumer foods in the domestic market climbed 26.7 percent to P25.62 billion in the first half of fiscal year, driven by growth across all segments led by beverage division, which jumped 42.2 percent.

The increase in beverage sales was driven by the powdered beverage business, mainly from coffee, and complemented by the ready-to-drink business.

Jennifer B. Austria

Emperador signs deal to buy UK liquor firm

EMPERADOR Inc., the liquor unit of conglomerate Alliance Global Group Inc., has signed an agreement with United Spirits (Great Britain) Ltd. to acquire 100 percent of Whyte & Mackay Group Ltd. and its subsidiaries for £430 million (US\$728 million).

Emperador said in a disclosure to the stock exchange the acquisition of Whyte & Mackay was part of a long-term strategy to focus on the Philippines and expand its global footprint.

The Philippine Stock Exchange on Monday immediately suspended the trading of Emperador shares pending the submission of additional information on the transaction.

Share price of Emperador on Friday closed at P12.18.

Emperador said it expected the acquisition of Whyte & Mackay to immediately increase its earnings.

"Whisky is the second fastest growing spirits segment in the world next to brandy. With this acquisition, Emperador will be exposed to two of the fastest growing spirits segments in the world. The global demand for Scotch whisky has shown strong growth over recent years and is expected to continue this momentum going forward," Emperador chairman Andrew Tan said.

"We are continuously looking to enhance shareholder value through

earnings accretive investments. We believe that Whyte & Mackay is a prized asset with excellent growth opportunity and its acquisition is in line with our plans to enhance our product portfolio. Whyte & Mackay has a global distribution network in over 50 countries that Emperador Brandy will have access to," Tan added.

The transaction is subject to shareholders' and regulatory approvals.

Whyte & Mackay is the fifth largest maker of Scotch whisky in the world with a history of more than 160 years and ownership of some of the most iconic Scotch brands in the industry. It also holds substantial aged whisky inventories.

The group has production capacity of 50 million liters of alcohol a year with five distilleries and one bottling plant in Scotland. Whyte & Mackay produces a wide range of products sold in more than 50 countries, mainly in Europe and North America. It also has strong presence in the global travel retail space.

Emperador, which was advised by Macquarie Capital on the transaction, said last week it planned to double its net income to P11.6 billion by 2016-2017 from last year's P5.8 billion on aggressive expansion and acquisition plans.

Jennifer B. Austria

Singapore company invests P7b in Clark

By Othel V. Campos

CAPILION Corp. Pte. Ltd. of Singapore has committed to invest at least P7 billion for a mixed-used facility in Clark Freeport and employ 75,000 people.

The Singaporean company signed a long-term lease agreement with Clark Development Corp. for the development of a three-hectare property inside the Clark Freeport Zone as a mixed-used facility for business process outsourcing, residential, commercial and retail enterprises.

The agreement also required an anti-graft undertaking as well as hiring of indigenous people and persons with disabilities for

activities pertinent to the project.

"This will be the biggest contract to be signed by the new administration in terms of employment generation with a projection of 75,000 that can be accommodated within seven years," said CDC president Arthur Tugade.

Capilion handed over to CDC some \$4.9 million or about P215 million as the company's advance lease, security deposit and performance security, plus a reservation for another 8,639 square meters adjacent to its property.

The company also presented a bank certification of P2 billion issued by the Union Bank of the Philippines as confirmation of its commitment fund to property development in Clark.

"Our target of breaking the 100,000 employee barrier by the year 2016 is projected to be broken by 2015 because of

the entry of Capilion to Clark," Tugade said.

The development timelines will be in three phases and are expected to be completed by the end of 2018.

Capilion Corp. was established by Peter YB Tay in 2006 in Singapore as an international private equity and corporate finance advisory firm. It is part of the Capilion Group of Companies, Capilion Financial Ltd. and Capilion RE Engineering Ltd.

The Capilion Group has businesses in private equity, corporate services, real estate, financial securities, ship ownership, shipping and shipbuilding, infrastructure development and clean and renewable energy projects.

The group has several stakes in different countries, such as securities industry in Indonesia, ferry project in China, biofuel in Indonesia, infrastructure in Kyrgyzstan, mono rail in India and various other real estate projects in Southeast Asia.

Alliance Select swings to profit

ALLIANCE Select Foods International Inc., a leading seafood manufacturer, said it posted a net profit of P33.7 million (\$800,000) in the first quarter, a turnaround from a net loss of \$600,000 a year ago.

"Net profit of \$0.8 million was the highest for the quarter the company has ever achieved since it went public in November 2006," the listed company said.

Alliance Select said gross profit grew 25 percent in the first quarter to P114 million (\$2.6 million) from a year ago. This translated into a gross profit margin of 12 percent in the first quarter, compared to 10.4 percent in 2013.

It said after a period of unprecedented stratospheric levels of tuna prices in 2013, the raw material prices settled at more stable levels this year.

"Alliance was able to leverage its production efficiencies and global marketing footprint to improve profit margins far in excess of growth in net revenues," the company said.

Alliance Select said revenues rose 4 percent year-on-year to P950 million (\$21.4 million) in the first quarter.

"This significant turnaround by the company was not only the result of Alliance's canned tuna operations, which accounted for about two-thirds of the revenues in the quarter, but also its smoked salmon division. All four of these subsidiaries, located in the Philippines, New Zealand and the United States of America, increased their sales, gross profit, operating income and net income as compared to the same period last year," the company said.

It said profits were also boosted by the company's cost-cutting initiatives. Selling and administrative expenses decreased 10 percent in the quarter in spite of higher revenues.

SPi Global expands to China

SPi Global, the country's internationally recognized business process outsourcing company, said Monday it has completed the acquisition of all of the assets of China-based Bachieve International Inc.

The new entity, SPi Global (Xi'An) Information Technology Ltd., will have 260 employees focused on business process outsourcing, IT outsourcing, management consulting services and call center solutions. Xi'An is considered the BPO capital of Western China.

SPi Global president and chief executive Maulik Parekh said the geographic expansion further strengthened the company's delivery operations in Asia and complemented existing operational strengths in India and the Philippines. The acquisition also affords the company access to a new market.

"China is a welcome addition to our global footprint. Having the option of delivering services from China will benefit our existing and future clients with the vast resources and talents available in the region," said Parekh.

"We are pleased to have attracted a strong partner for our business. With SPi Global's experience, we are looking forward to strengthening our operations and further expanding our network for growth and development," said Bachieve chief executive Zhikui Chen.

Parekh said SPi Global (Xi'An) is a gateway to the wave of development in China towards the west. It is also the hub for other key markets in Asia where publishing and content conversion solutions are in demand. **Lailany P. Gomez**

First Gen set to tap \$265-m German loan

By Alena Mae S. Flores

FIRST Gen Corp. is set to tap a \$265-million loan from German bank Kreditanstalt für Wiederaufbau, or KfW, to partly finance the construction of the 414-megawatt San Gabriel natural gas plant in Batangas.

First Gen is expanding the San Gabriel natural gas plant, beside the existing Sta. Rita and San Lorenzo natural gas facilities, to boost total capacity to 1,500 MW.

"This year, for the San Gabriel, we will tap the same market, KfW. It's a \$265-million, long-term loan. Predominantly, it's with KfW for the San Gabriel project because it's linked to equipment supply," First Gen president Francis Giles Puno told reporters following the annual stockholders' meeting of the company Monday.

"We're finalizing the terms," Puno said. He said the balance of the San Gabriel project cost, amounting to \$600 million would be secured from local banks and equity.

The 414-megawatt San Gabriel natural gas plant is being undertaken by wholly-owned subsidiary First NatGas Power Corp.

The plant, which will utilize natural gas from the Malampaya field northwest off Palawan, is expected to go on commercial operation by 2016. The plant will sell electricity to the Luzon grid.

Puno said the company would also develop the 100-MW Avion power plant, also in Batangas, which will utilize aeroderivative technology. The Avion plant is estimated to cost \$120 million.

"Avion is the quickest to build. We have the flexibility to build another unit but this will be market dependent," Puno said.

Puno said both the San Gabriel and Avion power projects would be fueled by natural gas from Malampaya, but the company knew the current gas supply contracts would expire in the next 10 years.

BUSINESS**SMC net income down 47.6% in first quarter**

THE NET profit of San Miguel Corp. (SMC) dropped by 47.6-percent year-on-year in the first quarter to P2.2 billion due to foreign exchange losses arising from the strengthening of the dollar against the peso.

Without the foreign exchange (forex) losses, SMC's net income was P4 billion, 23-percent higher than the comparable income for the same period last year.

In a statement, SMC said the strengthening of the dollar against the peso resulted in foreign exchange losses of about P1.8 billion for the first quarter, reversing the P1 billion in foreign exchange gains booked in the same period last year. But with the appreciation of the peso, the first quarter forex losses were effectively eliminated as of May, SMC said.

SMC had P195 billion in revenues for the first quarter, up 9 percent from the same period last year.

Doris C. Dumlaog