



SAN MIGUEL CORPORATION

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Gentlemen:

Please see attached press statement of the Company entitled "SMC Q1 revenues up 7% to P250.9 B as margin pressures persist."

Very truly yours,

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News Release

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SMC Q1 revenues up 7% to P250.9 B as margin pressures persist

Coming off a year when it breached trillion-level revenues, San Miguel Corporation (SMC) continued its strong sales momentum in the first quarter of 2019 posting a 7% growth in consolidated revenues to P250.9 billion on the back of strong volumes across most of its major businesses.

However, its fuels and oils and food businesses were pulled down by volatile global oil prices and higher raw materials cost, respectively.

For its food business, the government's lifting of special safeguard duties against import surges led to an industry-wide oversupply and a significant decline in poultry prices. The rising cost of major raw materials—wheat, soybean meal, corn, and cassava- was also a big factor.

Petron, on the other hand, lost 5% volume for its Philippine operations following the implementation of the TRAIN law. By now, a total of around P4.50/liter in excise taxes plus 12% VAT are carried by fuel prices. On a quarterly basis, this translates to around P9 billion in excise taxes and P1.1 billion in VAT. The volatility in global crude prices also eroded refining margins by almost P3.3 billion in the first quarter.

As a result, consolidated operating income of the Group ended lower by 5% at P31.1 billion. Net income was also down 18% to P12.8 billion. EBITDA stood at P41.0 billion.

"The slowdown in these businesses is temporary. We are not taking them lightly and we're seeing clear signs of recovery. We anticipate higher consumer spending from an improving economy, primarily the easing of inflation. The election season also usually brings us good results. We've implemented a good number of measures to recover lost ground and further strengthen our competitive positions in industries where we are in," SMC president and COO Ramon S. Ang said.

He added: "We're off to a good start in terms of our volume and revenue performance. Our businesses are performing strongly despite the challenges, and we are confident that as it was in the past, we will overcome the impact of these economic challenges faced."

Meanwhile, SMC's other major businesses continued to deliver strong results.



Food and Beverage

San Miguel Food and Beverage Inc. posted consolidated revenues of P75.7 billion, 14% higher than the same period in 2018, propelled by higher volumes and revenues across the Beer, Spirits, and Food businesses.

Operating income ended slightly lower at P10.8 billion, while net income grew 1% to P7.4 billion.

Power

SMC Global Power Holdings Corp. posted a consolidated off-take volume growth of 42% to 6,826 Gwh in the first three months, as a result of longer operating hours at the Ilijan and Sual power plants; full contributions from Units 2 and 3 of the Malita and Limay power plants, and the full year-to-date recognition of operations of the Masinloc plant.

Consolidated revenues reached P34.7 billion, a 41% increase from the P24.7 billion posted last year. Operating income rose 23% to P9.8 billion.

Fuels, Oils, and Petrochemicals

Petron Corporation's consolidated revenues amounted to P124.6 billion, 4% down from the P129.1 billion posted in 2018.

Volumes for Philippine operations were also lower by 5% mainly due to the implementation of Phase 2 of TRAIN 1. This was partially offset by an increase in LPG and Polypropylene sales.

With prevailing movements in global crude prices and lower refining margins, operating income and net income declined 45% and 77% to P4.9 billion and P1.3 billion, respectively.

Infrastructure

SMC Infrastructure's consolidated revenues reached P6.4 billion, up 8% versus the previous year. Operating income was 1% higher at P3.1 billion.

The company broke ground for the SLEX-TR4 project last March 26. The Swiss challenge phase for the company's proposed New Manila International Airport project, has also commenced. Meanwhile, the construction of the Skyway Stage 3, MRT7, and Stage 2 of the Bulacan Bulk Water projects, are going well.