



SAN MIGUEL CORPORATION

March 14, 2017

The Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Mr. Jose Valeriano B. Zuño III**
OIC-Head, Disclosure Department

Gentlemen:

Enclosed herewith, for the information of the Exchange, is a copy of the press release of PhilRatings relating to the Series "D" Philippine Peso Retail Bond Offering of the Corporation.

Very truly yours,


FERDINAND K. CONSTANTINO
Corporate Information Officer

 <p>PhilRatings PHILIPPINE RATING SERVICES CORPORATION <i>The Pioneer Domestic Credit Rating Agency</i></p>	<p>RATING NEWS March 14, 2017</p>
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San Miguel Corporation's Proposed Bond Issuance of up to P15 billion Assigned an Issue Credit Rating of PRS Aaa

San Miguel Corporation's (SMC) proposed fixed-rate bond issuance of P10 billion, with an Oversubscription Option of up to P5 billion, was assigned an issue credit rating of **PRS Aaa**, with a **Stable Outlook**, by Philippine Rating Services Corporation (PhilRatings). It will mainly be used to partially pay the Company's US Dollar-denominated obligations.

This is the second issuance under the Company's three-year Shelf Registration of up to P60 billion. The Company previously issued and listed P20 billion in fixed-rate retail bonds last March 1, 2017, as part of the Shelf Registration. This issue was likewise rated **PRS Aaa**, with a **Stable Outlook**, by PhilRatings.

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **PRS Aaa** is the highest rating assigned by PhilRatings.

On the other hand, an Outlook is an indication as to the possible direction of any rating change within a one year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators, and the general public. A **Stable Outlook** is defined as: "The rating is likely to be maintained or to remain unchanged in the next twelve months."

The rating was assigned given the following key considerations: (1) ample cash flow generation that is seen to strengthen further as the Company's energy and infrastructure projects are completed; (2) manageable and improving debt position, especially considering the capital-intensive nature of its recent projects in energy and infrastructure; (3) adequate liquidity and financial flexibility; (4) solid market position and substantial track record of its subsidiaries, backed by stable demand and boosted by an improving economy; (5) seasoned management team with sound strategies; and (6) use of bond proceeds.

PhilRatings' ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to SMC and may change the ratings at any time, should circumstances warrant a change.

SMC is one of the largest conglomerates in the Philippines with diversified businesses ranging from beverages, food, packaging, fuel and oil, energy and infrastructure. The Company's subsidiaries either enjoy a dominant or strong and leading market position. These companies include: San Miguel Brewery Inc. (SMB), the largest beer producer in the country; Ginebra San Miguel, Inc. (GSMI), reportedly the world's largest producer of gin by volume; San Miguel Pure Foods Company, Inc. (San Miguel Pure Foods), offering some of the country's most recognizable brands including Magnolia, Purefoods, Monterey, Dari Crème, B-Meg and La Pacita; San Miguel Yamamura Packaging Corporation (SMYPC) and its subsidiaries called the Packaging Group, a leading packaging company that offers total packaging solutions; Petron Corporation (Petron), the largest integrated oil refining and marketing company in the Philippines and a major player in Malaysia; SMC Global Power Holdings Corp. (SMC Global Power), which accounts for 22% and 17% of the Luzon and national grids, respectively; and San Miguel Holdings Corp. (SMHC), operator and developer of key infrastructure projects, including the South Luzon Expressway (SLEX), the Skyway System, the Southern Tagalog Arterial Road Tollway (STAR), the Tarlac-Pangasinan-La Union Expressway (TPLEX), NAIA Expressway (NAIAx) and the Boracay Airport, among others.

SMC's management team is well accustomed to the Philippine operating environment, having managed the Company through periods of crisis and instability in the Philippines. Most senior managers have been with the Company for a considerable amount of time. SMC continues to invest in businesses

that have the potential to be leaders in their respective industries. SMC also seeks to diversify into industries that support and ride on the growth and development of the Philippine economy, hence its recent foray into fuel and oil, energy and infrastructure. In addition, SMC consciously identifies and pursues synergies across its different businesses.

The Company is planning to spend over P300 billion in the coming years to achieve its target of growing its revenues by half and doubling its earnings before interest, taxes, depreciation and amortization (EBITDA) from 2015 levels by 2020. For 2017, the Company may spend about P80 billion with a significant portion being allocated to power and infrastructure development.

The Philippine economy posted a 6.8% growth in Gross Domestic Product (GDP) for full year 2016, the fastest rate recorded by the country in the past three years. The performance was also in the higher end of the government's GDP growth target for 2016 of 6% to 7%. The recorded growth was also reportedly faster than the 6.7% and 6.2% posted by China and Vietnam, respectively.

Some of SMC's subsidiaries also have outstanding PRS-rated bond issuances. These are SMB with P37.81 billion bonds, Petron with P20 billion bonds, South Luzon Tollway Corporation (SLTC) with P7.3 billion bonds and SMC Global Power with P15 billion bonds. All of these issuances have an outstanding issue credit of **PRS Aaa** with a **Stable Outlook** from PhilRatings.