

The Philippines

COUNTRY PROFILE

Location:
Southeastern Asia, archipelago between the Philippine Sea and the South China Sea, east of Vietnam

Population:
97.97 million (2009 est.)

Capital:
Manila

GDP (purchasing power parity):
\$324.8 billion (2009 est.)

Industries:
electronics assembly, garments, footwear, pharmaceuticals, chemicals, wood products, processing, petroleum, fishing

GDP – real growth rate:
0.9% (2009 est.)

GDP – composition by sector:
agriculture: 14.9%
industry: 29.9%
services: 55.2%
(2009 est.)

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THE COUNTRY HAS BEGUN THE DECADE BY PREPARING FOR HISTORIC, OPEN ELECTIONS THAT WILL PAVE THE WAY FOR A NEW ADMINISTRATION TO BUILD ON THE NATION'S IDEAL LOCATION FOR DIVERSE BUSINESS VENTURES

Great expectations

ON MAY 10, Filipinos will head to the ballot boxes and make electoral history. For the first time, local and national leaders will be chosen through a fully automated polling system intended to herald a new era of politics in the Philippines, free from the ballot tampering and fraud allegations that have marred elections here in the past, whether for village chieftains or for the nation's presidency.

Voters will mark their preferences on pre-printed ballot papers showing the names of the parties and candidates. They will then feed the ballots into P.C.O.S. (precinct count optical scan) machines. The Philippine Commission on Elections (Comelec) has registered a record 50 million voters and has undertaken massive education drives in its bid to boost participation and run cleaner, fairer elections on Monday. Voting by the overseas electorate began on April 10, with Hong Kong and Singapore being the first to use the new system.

Election technology firm Smartmatic, which also helped automate Venezuela's 2004 elections, has been contracted to bring in around 76,000 P.C.O.S. machines, plus an additional 6,000 back-up machines, to the Philippine archipelago. By speeding up the whole process, officials expect the final results to be announced within two days of the polls closing. With electronic automation and minimized human intervention, the new voting system aims to ensure the integrity of the elections.

The issue of corruption features heavily in the campaigns being run by the 10 party leaders competing to succeed incumbent President Gloria Macapagal Arroyo. The presidential candidates all express a determination for change, to revive the economy and eliminate corruption and poverty.

Opinion poll frontrunner Benigno "Noy" Aquino III of the Liberal Party posted a double-digit lead over his nearest opponent in a survey carried out last month by the Social Weather Stations (SWS) research institution. Aquino is the son of the former president and *TIME* Woman of the Year Corason Aquino, whose death from cancer last August prompted a massive outpouring of public grief and affection. She was a key figure in toppling dictator Ferdinand Marcos amid protests that followed a rigged election in 1986, peaceful protests that coined the nowadays ubiquitous term 'people power'. Senator Aquino's father, Benigno "Ninoy" Aquino Jr., was another Philippine champion of democracy up until his shooting in 1983. Indeed, Nelson Mandela is said to have praised Noy Aquino when they met once, commenting, "You chose your parents well."

Philippine construction magnate Manuel "Manny" Villar is Aquino's closest rival for the presidency, with 26 points in the April SWS poll. He describes himself as a boy from a poor family who worked hard and became a rich businessman, and his rags-to-riches story appeals to many voters. Senator Vil-



PHOTO: ANDREW HETRAM

The high rises of Bonifacio Global City, by Makati Central Business District, tower over Manila's fastest-growing suburb, home to some of the world's largest multinationals

lar believes "what will impress foreign investors is if they see things moving in this country." He asserts that his experience as a property developer who survived a credit crisis makes him uniquely qualified to revive the economy. He has also pledged to deliver rapid action to target the nation's agricultural and infrastructure shortcomings.

Former president Joseph "Erap" Estrada of the PMP and the current administration's candidate Gilberto "Gibo" Teodoro of Lakas-CMD came in at third and fourth places respectively in the April SWS poll.

Since President Macapagal Arroyo took office in 2001, economic growth in the Philip-

pines has averaged 4.5 percent per year. Last year, GDP grew by just under 1 percent, but the economy has actually weathered the 2008-09 global recession better than its regional peers, helped in part by a lower dependence on exports, large remittances by an estimated 4 to 5 million overseas Filipino workers, and a growing business process outsourcing (BPO) industry. New developments such as the Bonifacio Global City have attracted many multinationals here.

On January 1, free trade agreements came into effect that will boost international business in the Philippines. The China-ASEAN Free Trade Agreement (CAFTA)

represents the world's third largest FTA in terms of trade volume after the EU and the North American Free Trade Agreement (NAFTA), and the largest by population at 1.9 billion. According to the *Philippine Daily Inquirer*, CAFTA is billed as having 1.7 million consumers, with a combined gross domestic product of \$2 trillion and total trade of \$1.3 trillion. Additionally, the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) came into force at the beginning of the year, which contains measures to improve business flows and promote cooperation between the nations in a broad range of economic areas of mutual interest.

SM INVESTMENTS

Strategic maneuvering

SM demonstrates its trademark eye for opportunity by not only expanding existing businesses, but also setting out in a new direction

WHEN SM founder Henry Sy first began his retail business just over half a century ago, it is unlikely he could have foreseen the phenomenal growth of what many have come to call "Awesome SM". Today, SM Investment Corporation (SMIC) is one of the Philippines' premier holding companies and is organized around four core businesses: banking, retail, malls and real estate.

It boasts an impressive array of subsidiaries, including but not limited to: Banco de Oro, the country's largest bank; SM Prime Holdings, its largest mall operator; and SM Department Store, the Philippines' leading lifestyle and fashion chain.

All of SM's core businesses have not only remained resilient, but even saw expansion in 2009. Construction of three malls totaling over 1,000 square meters of floor space is planned for this year. On the retail side, fourteen new Save-More stores are set to open, in addition to two department stores, two supermarkets and four hypermarkets, offering a high value alternative for the wise shopper. Banco de Oro, with over 700 branches across the country, is also seeking to increase its presence. Growth is prevalent across the entire group.

Complementing this, a strategic decision has been made to create a fifth core business: tourism and leisure development. "We feel that the move into tourism and leisure adds another business dimension to our growth," says Teresita Sy-Coson, vice chairman of SMIC. The group



HENRY SY
Chairman of SM Investments



TERESITA SY-COSON
Vice Chairman of SM Investments

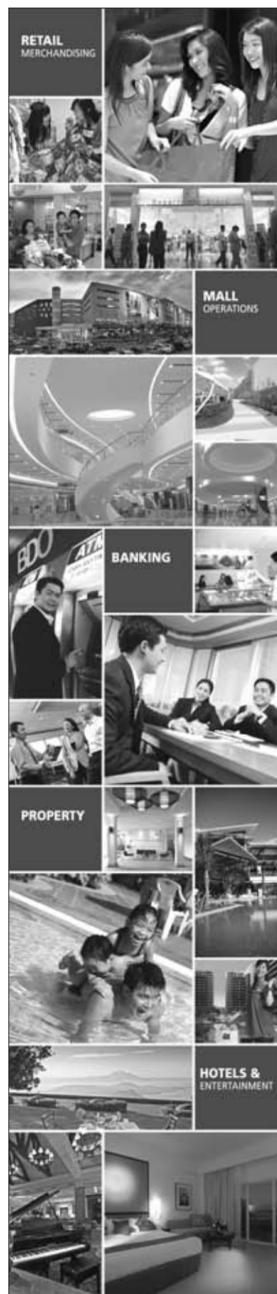
is building and expanding hotels not only in Metro Manila, but regionally as well. It is also introducing its own mid-range brand: SM Inns.

The jewel in the crown of these developments is taking shape just outside of the capital, in the nearby province of Batangas. Due to its proximity, forests and beautiful beaches, Batangas has long been a popular recreation destination for residents of Metro Manila. It is there that SM holds a land bank of 14,000 acres (roughly twice the size of Macau) and is developing a 98-acre cove, one of the thirteen coves on Hamilo's 18-mile (30km) coastline. The first development is named Pico de Loro, a resort community with condominiums, hotels,

country clubs, villas and beachside recreational facilities.

Underpinning SM's expansion plans has been its effective revenue raising activities. The company has had tremendous success in its bond offerings, generating the necessary funds to realize its projects.

When reviewing the group's success, Ms. Sy-Coson highlights SM's belief in the "long term stability" and absence of "peaks and valleys" of the Philippines as being a critical factor. There is also the managerial benefit of being a family-controlled corporation. "Communication is shorter, because there are fewer tiers of approval. That makes the group innovative and efficient," she explains.



Every single day, SM touches the lives of millions of people who can go and buy nearly everything they need at SM stores, spend time in SM malls with family and friends, transact with its banks, live in style in SM residences, hotels and resorts, and work in comfort and convenience at one of SM's office buildings. Indeed, over the last five decades, SM has created a world all its own, one that breathes life and growth into empty spaces, builds thriving communities where there once was none, and cares for people and places with its warm smiles, friendly faces and its heart to serve.

SM
INVESTMENTS
CORPORATION
www.sminvestments.com



SM Cebu, SM Mall of Asia and SM Marikina are multi-purpose retail and entertainment centers that are changing the way Filipinos shop

The Philippines

METROPOLITAN BANK & TRUST CO.

In good hands

Metropolitan Bank & Trust Company (Metrobank) builds on its well-established reputation by focusing on good governance, nurturing client relationships, expanding its international reach and contributing meaningfully to the development of the Philippines

METROBANK is regarded as one of the premier Philippine banks, owing to its quality products and services, consistent performance, and vast network. However, it is the bank's achievements in corporate governance that are currently receiving the most attention.

At the prestigious 2009 Corporate Governance Asia Annual Recognition Awards in Hong Kong, Metrobank was cited for its commitment to maintaining high standards in ethical conduct by its employees.

In addition to good corporate governance, the bank earned several other significant accolades this year. Metrobank ranked first in 'Financial Reputation' in the Philippines based on the latest Asia 200 report of the *Wall Street Journal Asia*, marking the second time Metrobank topped the survey in this category. The bank also ranked in the Top 10 of the Philippines' Most Admired Companies in the same survey. Its latest recognition came from *The Asian Banker*, which ranked Metrobank first for Best Investor Relations Services in the Philippines. Metrobank was also accorded the STP (Straight-Through Processing) Award 2008 from Commerzbank AG; the Gold Trusted Brand Award in the bank category from *Reader's Digest* for the sixth consecutive year; the Gold Trusted Brand Award in the investment fund bank category from *Reader's Digest*; and four Philippine Quill Awards of Merit from the International Association of Business Communicators-Philippines.

Aside from transparency in financial reporting, regulation and accounting stan-

dards have set Metrobank and the Philippine banking sector apart. Despite some exposure to toxic assets during the global financial meltdown, both have remained resilient and maintained strong balance sheets.

Arthur Ty, president of Metrobank, explains, "The Philippines has been one of the few countries to have its banks adopt international financial accounting standards and Basel II. Regulation has limited the amount of damage we have experienced."

The resilience of the bank has allowed it to have a far-sighted strategic vision, aided by its client-nurturing initiatives. "These activities allow us to feel the pulse

of our clients and what they are thinking. This year, we gained the impression that many were taking a more conservative stance – making sure their cash position was strong and their debt levels were controlled. This is partly why the banks have been fairly strong. We did not have to deal with a lot of bad loans and bad assets."

The bank continues to depend on its solid relationship with its clients, preferring to strengthen partnerships that are geared for the long term. For Metrobank, banking remains a business of trust, which is precisely the principle on which its brand of service is anchored. "We do not simply conduct banking transactions on a day-to-day basis," Mr. Ty adds. "We provide solutions to our customers, according to their specific needs. We are here for them now, and more importantly, in the long run. Our relationship with our clients is mu-

Today, Metrobank has 35 foreign branches, subsidiaries and representative offices, focused on providing services to underserved regions in North America and the Middle East



Metrobank is one of the Philippines' premier financial institutions, with an extensive network. The bank has maintained its strong performance throughout the global crisis

tually beneficial, and built on trust and professionalism."

The long-term partnerships the bank has formed with its customers have contributed to the good credit quality of its present portfolio and its clean balance sheets. Metrobank has always maintained prudence in building and maintaining its client base, ensuring that its customers are loyal clients and, more importantly, trusted partners.

The bank has also been able to utilize its solid client relationships to gain insight into market trends. Among the more

recent developments in the bank was the launch of its Chinese Yuan (CNY) line of products and services, a first among local banks in the Philippines. While this has once again brought attention to the bank as an innovator, the concept, more than anything else, was to cater to the changing needs of its customers. The bank recognized the growing trade relations between the Philippines and China, as well as the strengthening value of China's currency, and realized the need for such a product and service, particularly for clients involved in trading and investments.

Metrobank is also in tune with Filipino expatriates or Overseas Filipino Workers (OFWs), who continue to be major contributors to the Philippines' economic development. "Remittances play a very significant role in the country since the Philippine economy is primarily centered around consumer spending," says Mr. Ty. Metrobank pioneered the concept of global expansion among local banks in the Philippines. In 1970, it was the first of the country's banks to receive a license and establish an international office in Taiwan, Japan and South Korea. Its in-

creasing worldwide network is particularly marked for the Filipino Diaspora.

Today, Metrobank has 35 foreign branches, subsidiaries and representative offices and is focusing on providing more services to underserved regions such as North America, Australia and the Middle East.

"One of our main strategies is partnering with other institutions overseas," Mr. Ty shares. "Some countries do not allow non-banks to handle remittances. In this kind of market, the bank has a very strong advantage. There are other countries where non-banks are more dominant. In which case, non-banks have more flexibility in terms of how they operate and grow."

To further cater to the Filipinos overseas, Metrobank also partners with local pay-out centers to reach the beneficiaries living in the most remote areas.

Beyond providing service to its countrymen, Metrobank extends assistance to the local communities through its corporate foundation. History has shown that the enduring legacy of any business is its contribution to social development. It is here that the Metrobank Foundation has made a name for itself since its inception 30 years ago. The main principles of the foundation have been education and the arts.

This year marks the 26th anniversary of two of its highly successful initiatives: the annual Search for Outstanding Teachers, rewarding exceptional educators from various institutions; and its Metrobank Art and Design Excellence National Competition, designed to reward, encourage and provide a career stepping stone for talented artists, sculptors, interior designers and architects.

Having the largest corporate foundation in the country in its fold, Metrobank advocates leadership in business as well as community service.

With its stellar reputation, global network and renowned social development initiatives, Metrobank remains a trusted partner for both international businesses interested in opportunities in the Philippine archipelago, and expatriate Filipinos looking for domestic banking solutions abroad. The bank has certainly proved that its motto, "You're in good hands", is not simply a slogan, but a proven guarantee to its customers and the people of the Philippines.

ARDENT DEVELOPMENT CORP. AND HOSPITALITY INTERNATIONAL INC.

Experience life inside 'a living canvas' in buildings created as works of art

A young and enthusiastic real estate development company, Ardent, unveils a creatively redesigned, Picasso-influenced masterpiece in the economic heart of Manila



AFTER extensive corporate experience working abroad for multinationals, Luis C. Monserrat returned to his native Philippines in the late 1990s to pursue his passion for real estate. With his international business team, he set out to create a quality property management company to increase occupancy for client buildings, improve customer satisfaction for tenants and enhance property value for owners. This was successfully achieved through the establishment of Hospitality International Inc. (HII), which has gone on to produce occupancy levels and revenue well above market averages.

Five properties have been selectively added to HII's management portfolio in locations spread across Metro Manila. During the last decade, the group made the leap from property management to property development through its sister company Ardent Property Development Corporation (Ardent).

Ardent's maiden project was the Mondrian Residences, which Mr. Monserrat describes as "a jewel in the rough, a golden opportunity waiting for the right vision to tap its full potential."

The Mondrian Residences is an up-market residential condominium known for its high ceilings, spacious layout and



LUIS C. MONSERRAT
President and CEO of Ardent Development Corp. and Hospitality International Inc.

abundant natural light. It is home to professionals in a fast developing business district, and is managed by Hospitality's professional and dedicated staff.

It was a half-built structure when Ardent approached the original owners in 2005 with a proposal to redesign it into a residential condominium. The architects and designers were influenced by the ideas of modernist painter Piet Mondrian, famously quoted as saying, "Reality is form and space." The building was successfully completed in 2007.

Ardent's second project, which opened in late 2009, also draws its inspiration from a genius. Located in the prestigious Salcedo Village area of Makati – Metro Manila's central business district and wealthiest city – the Picasso Boutique Serviced Residences condominium offers stylish, creatively designed apartments with luxurious rooms that convey the feeling of being inside 'a living canvas'. Like the Mondrian, the Picasso is an innovative re-development of an existing structure creatively reborn.

The cleverly designed facade presents two different mural images depending on from which direction it is approached. The interior features all the expected amenities: a gym, spa and restaurant, as well as a gallery displaying the works of modern Filipino artists. In fact, the whole building will serve as a showcase for art year round. Naturally, the Picasso Boutique Serviced Residences are also managed by HII's dedicated staff.

Ardent is increasingly considering involvement in other niche developments. "We believe passionately in the potential of the Philippines as a prime retirement haven and tourist destination," says Mr. Monserrat, "and we are actively seeking out projects as well as foreign or local partners along these lines."

LUFTHANSA TECHNIK PHILIPPINES

LTP takes off, exceeding all expectations

LTP is a leader in technical and engineering support in the archipelago and the entire region

LEAVING behind six years of intercontinental service, an Airbus A340 enters its hangar and exits after 24 days like new. Since it started operations in 2000, Lufthansa Technik Philippines has been changing expectations in aircraft maintenance.

The Philippines is associated with a host of outsourcing services. However, few world travelers realize that the aircraft they fly in are serviced and maintained in this archipelago nation.

Lufthansa Technik Philippines (LTP) began operations in 2000, when Lufthansa Technik (LHT) entered into a joint venture with the Philippines' Macro-Asia Corporation, a member of the Lucio Tan Group of companies that specializes in aviation-related services. Wolfgang Mayrhuber, then chairman of LHT, and tycoon Dr. Lucio C. Tan shared the view of combining German technical precision and strict quality control with highly trained local expertise. The partnership has produced a world-class standard of quality and efficiency that has amazed observers. This was confirmed in February 2009 when August Wilhelm Henningsen, chairman of LHT, said to Dr. Tan, "We are at the right place in Asia with the right partner." LTP is one of 30 LHT subsidiaries worldwide.

"Maintenance, repair and overhaul (MRO) of aircraft is our core business, which we can do faster and at a lower cost than other subsidiaries. They called me from Germany to say they had managed to overhaul an aircraft in 26 days. Here, we guarantee 25," explains Bernhard Krueger-Sprengel, president and CEO of LTP.

The company's success is far from surprising. Filipino aviation technicians are sought after the world over. Their near-native capacity in English, strong team skills and scrupulous attention to detail complement their technical expertise. On top



Dr. Lucio Tan, chairman of PAL Holdings, and August Wilhelm Henningsen, chairman of Lufthansa Technik AG, are the fathers of the LTP joint venture

of this, LTP's technicians all undergo rigorous training. "After completing a bachelor's degree in aeronautical engineering, our workers undergo five to six years of training before being allowed to work alone. We have a long training period and our people are eager to improve their skills to obtain the qualifications. That's the advantage we have here. We face less trouble because the people are very well prepared," says Mr. Krueger-Sprengel.

The national carrier, Philippine Airlines, is just one of more than thirty airline companies that have benefited from LTP's services. The high level of maintenance has dramatically improved on-time performance, making it the third-most punctual Asian airline. Other clients include Virgin Atlantic Airways, which has been sending Airbus A340s to LTP for overhaul. "We were able to offer Virgin Atlantic high quality services and dedicated customer commitment, with prices significantly lower than European price levels," remarks Bernhard Krueger-Sprengel.

The chairman says that the wide-body overhaul business is moving to Asia, and LTP was lucky to have been an early mover. Since 2002, LTP has overhauled close to a hundred Airbus widebodies belonging to top airline companies from Asia, Africa, Australia, Europe and North America.

Being based in the MacroAsia Free Trade Zone, LTP is able to ship aircraft parts in and out with limited delays from customs. Capitalizing on this, LTP has started up the world's first engine teardown line, disassembling aircraft engines and shipping out individual components.

This groundbreaking joint venture highlights the lucrative potential for business partnership in the Philippines. The local partner, MacroAsia Corporation, represents just one of the many diverse business interests of prominent Filipino entrepreneur Dr. Tan. Finding opportunities in a broad range of sectors, Dr. Tan is best known for creating successful operations in aviation, agriculture, banking, real estate, education and breweries.

What does the future hold for LTP? "We've just signed a major agreement with the Australian national carrier – Qantas Airways. That will keep us busier for the next year and a half," concludes Mr. Krueger-Sprengel.



The Picasso Boutique Serviced Residences at the heart of Makati City's upmarket central business district will serve as a beacon of modern, stylish accommodation for business travelers and tourists with discerning tastes



www.hospitalityinc.com.ph
www.ardentdevcorp.com

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The Philippines

SAN MIGUEL CORPORATION

Titan on the march

San Miguel Corporation boldly goes where no brewer has gone before

FOR MANY conglomerates the world over, the global financial crisis of 2008 heralded the beginning of a strategy of conservative consolidation. However for the Philippines' largest company, San Miguel Corporation, the situation was quite the reverse. Stunning observers, the company has diversified away from its traditional business in food, beverage and packaging, investing heavily in sectors like the energy and power industries, infrastructure, telecommunications and banking.

Ramon S. Ang, president & chief operating officer, describes the company's new expansionist strategy as a result of "new eco-

nomnic realities that have required a fundamental rethink of our current priorities and strategic intent."

Analysts predict that San Miguel's entry into these sectors is set to yield long-term benefit to its shareholders and create reliability of supply and increasingly competitive prices for Filipino consumers.

San Miguel has acquired a significant stake in Manila Electric Company (Meralco), the country's largest power distributor.

"We believe that we can add value to the existing management and the board to maximize its assets and expertise. At the same time, this is a very good investment because this is the largest utility franchise in the Philippines," explains Mr. Ang.

In fact it is the high rate of growth in the capital, both demographically and economically, which has also created opportunities for San Miguel in supplying the most vital utility of

all: water. San Miguel has submitted an unsolicited proposal to the Philippine government to construct Laiban Dam, on a joint-venture basis.

Maintaining a steady and reliable water supply to this populous commercial hub is a focus of both government and the private sector.

"Beverage and food: these are fundamental human needs. But electricity, energy, connectivity through telecommunications, these are things that can improve the quality of our lives. These are industries that will accelerate and drive prosperity for our people," Mr. Ang says by way of explaining San Miguel's diversification strategy.

"Our entry in the telecoms business will benefit everybody because the current players will immediately bring down prices, upgrade their facilities and improve the level of services because they are anticipating our entry in the business which will become very competitive," he adds.

As a joint venture with Qatar Telecom, the corporation is entering the booming ICT sector through Liberty Telecom Holdings, which Mr. Ang identifies as a company "whose value lies in the frequency bandwidth that it holds – a spectrum that is highly strategic to our country's fast growing wireless broadband business."

One of the most significant moves in this new strategy occurred in October of 2008, when San Miguel signed an option agreement for a 100 percent stake in a company that owns

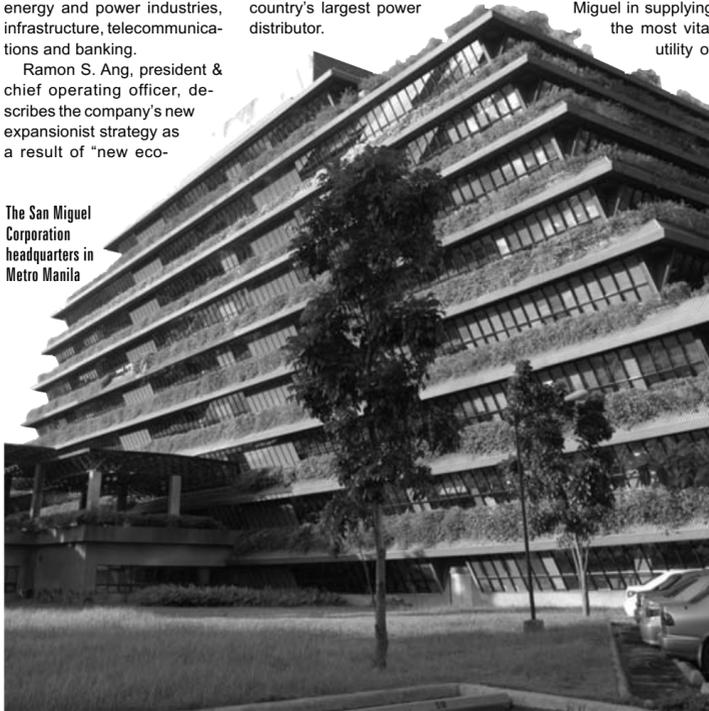


RAMON S. ANG
President of San Miguel Corporation



In October 2008, San Miguel signed an agreement for a 100% stake in the company that is the majority owner of Petron, owner, in turn, of one of the largest networks of service stations in the country

The San Miguel Corporation headquarters in Metro Manila



'Homegrown companies that perform well are definite indicators'

As the world slowly inches out of recession, Ramon Ang, president of San Miguel Corporation, explains why the Philippines is a country in which investors can be confident

The Philippines is one of the few nations within ASEAN that posted positive growth in 2008 and 2009. What has spared this country from the worst of the global financial crisis?

The nature of our economy shielded us. I think that the Philippines remains relatively unaffected because our net export to GNP is a single digit compared to neighboring countries. We do not rely on exports. Meanwhile, in the last 10 years, we did not overheat our economy. It did not grow too quickly, which means that the country did not engage in too much borrowing.

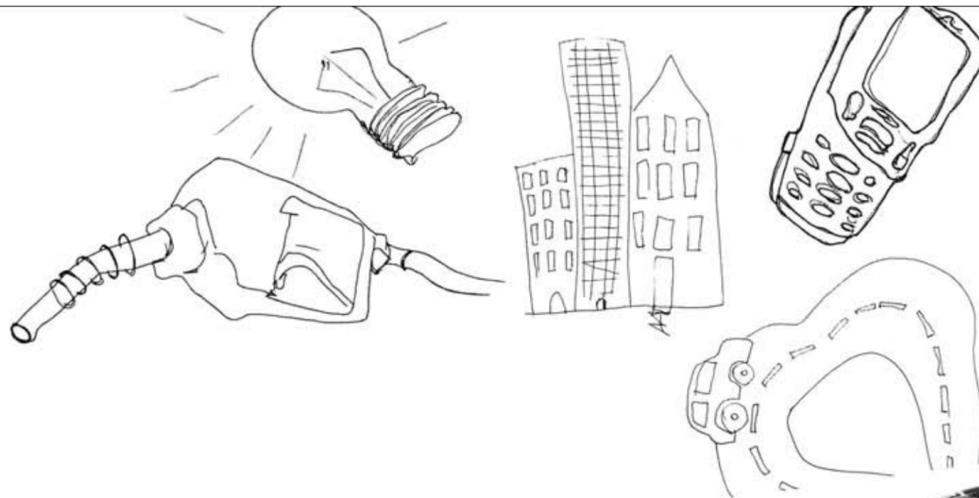
How does a company like San Miguel help the Philippines become more attractive to foreign investors?

Homegrown companies that perform well are definite indicators for an investor to be confident in a country like the Philippines. In San Miguel's case, I think 2008's bond issue is very important. The San Miguel Brewery's debt of-

fering of P38.8 billion (\$831.1 million) in bond sales became the largest ever made by a corporate issuer. The bond offer was oversubscribed by 16 percent, indicating strong demand and market confidence in a hugely profitable and stable business.

So the bottom line: why should anyone consider investing in the Philippines?

We are going into several sectors because we know the potential is there. However, transforming the potential into reality is another thing altogether. You need local expertise and know-how. Moreover, our people are something that you cannot find elsewhere in the world. They have a unique customer service gene where creativity abounds. Taking advantage of the opportunities and having that creative spirit is the formula for success. That's the best way to describe it. Come here and you'll feel it. You'll see why.



THINKING OUTSIDE THE BOTTLE

For starters, we're not just about our award-winning, world class beer. San Miguel Corporation is today Southeast Asia's largest food, beverage and packaging company with a rich portfolio of businesses, brand and products – many of which are No. 1 or No. 2 in their respective categories.

Over a century-old, we are a company unlike any other in the Philippines and one that has always defined our aspirations through the hopes and goals of our nation. And for San Miguel, there has never been a more hopeful time than the present to participate in industries that can contribute to our nation's progress – businesses like power, oil refining, banking, property development, bulk water, telecoms, and infrastructure.

Even at 119 years we are still, at heart, a growth company. These businesses will be a part of the new San Miguel. It's a future that we can all drink a toast to.



SAN MIGUEL CORPORATION
WWW.SANMIGUEL.COM.PH



DRINK RESPONSIBLY.
5% ALC. / VOL.

The Philippines

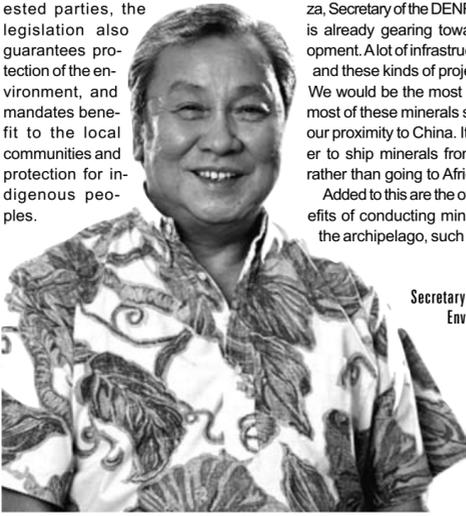
MINERALS DEVELOPMENT COUNCIL AND DEPARTMENT OF ENVIRONMENT

A mining renaissance

This rejuvenated sector saw a resurgence of investment in 2009

OUTSIDE of the mining industry, few people realize that the Philippines is one of the most highly mineralized countries in the world. The rich geology of the archipelago has resulted, most notably, in the formation of tremendous deposits of nickel, copper, gold and chromite, as well as other minerals. In fact, gold has been mined on the country's largest island, Luzon, since the 3rd century. Chinese traders even gave it the name "The Island of Gold" at this time. Spanish rule saw a continued development of the sector, as did the brief period of American colonization.

Unfortunately, by the 1980s, the Philippine mining sector began to fall into decline. It was not until early this century that the government, under the administration of President Gloria Macapagal Arroyo, began to implement plans for re-suscitating the industry. One significant step was ratifying the Mining Act, which was passed to open the way for both domestic and international investment in the sector. Besides reducing bureaucracy to encourage interested parties, the legislation also guarantees protection of the environment, and mandates benefit to the local communities and protection for indigenous peoples.



LITO ATIENZA
Secretary of the Department of
Environment and Natural
Resources

In addition to this, President Arroyo established the Minerals Development Council (MDC) on October 11, 2005, to advance the government's policy of sustainable and responsible development of the Philippines' natural resources. The MDC is tasked with enlisting aid from government controlled or owned corporations, departments and agencies to assist in attracting investment into the sector.

The Mines and Geosciences Bureau is the main agency of the Department of Environment and Natural Resources (DENR) responsible for mining. Together with the MDC, it works to promote sustainable mining. Its main function is the administration and disposition of the country's mineral lands and mineral resources. Additionally, it conducts geo-scientific surveys and research, and is the first point of contact for companies interested in launching mining operations.

The close geographical proximity of the country to the resource-hungry economies of Northern and Eastern Asia adds a significant advantage to the sector. Lito Atienza, Secretary of the DENR, explains: "China is already gearing towards more development. A lot of infrastructure is being built and these kinds of projects require steel. We would be the most logical source for most of these minerals simply by virtue of our proximity to China. It would be cheaper to ship minerals from the Philippines rather than going to Africa or Indonesia."

Added to this are the other logistical benefits of conducting mining operations in the archipelago, such as minimal trans-

port distances between extraction and export points. "The practicality of mining as an industry in the Philippines is also dictated by our physical layout, our archipelago. Mines can't be located too far from the water. Thus it is a small distance from the mineral source to maritime transportation. This geographical advantage is a big plus factor," outlines Secretary Atienza.

Human capital is another positive factor in encouraging the sector's growth. Highly skilled Filipino mining specialists are found on mine sites across the world. In the Philippines they are readily available and the pay scale means that this labor force is available at competitive rates.

For these reasons, despite the plunging and often volatile commodity prices witnessed since the global financial meltdown of 2008, the Philippines has continued to see increasing interest and steady investment in mining. In fact, the rise of gold as a safe haven resource has sparked renewed interest in the archipelago, and numerous projects have been launched or rehabilitated to obtain this precious metal.

DENR Secretary Lito Atienza has expressed optimism that the Philippine mining industry will remain a pillar of the country's economic growth and an engine that generates jobs and reduces poverty in the countryside.

"We believe that the development of our mineral wealth will help us achieve sustained economic development and improved quality of life for our people and will be a major factor in attaining our investment target in mining," claims Mr. Atienza.

To prove his point, he says that from 2004 through 2009, mining investments totaled approximately \$2.8 billion. Mr. Atienza also says that since 2004, the government has been promoting 60 mining, exploration and processing projects which are expected to collectively generate a total of up to \$14.8 billion of investments up to the year 2013.

NAC

Nickel Asia in second HPAL plant

At a cost of \$1.3 billion, a state-of-the-art HPAL plant will represent the largest single foreign investment in the Philippine resource sector to date

THE PHILIPPINES is well known for its vast reserves of lateritic nickel ore. For many years, saprolite containing high-grade nickel, sometimes found beneath the low-grade nickel oxide or limonite, has been shipped directly to buyers by the largest mining group of this ore in the Philippines, Nickel Asia Corporation (NAC).

NAC's origins go back to the 1970s, when its current Chairman Manuel B. Zamora Jr. and a few partners started the first mine, Rio Tuba Nickel Mining Corp., in the southwest of Palawan Island. Since those early years the group has expanded to five mines throughout the Philippines, all of which contain high-grade saprolite that is much desired by ferronickel smelters. In order to mine this, a substantial amount of limonite has first to be taken out. Because of the lack of a market, over the years the group has been stockpiling limonite until the recent opening in China for certain types of this ore, principally used for the production of nickel pig iron. This market is, however, unstable and the price generally low.

The breakthrough came in 2001 when the Japanese giant Sumitomo Metal Mining Co. teamed up with Rio Tuba to establish the country's first high pressure acid leach processing plant (HPAL). Under a joint venture company called Coral Bay Nickel Corp., the plant became operational in 2005 and has been a resounding success, both technically and commercially. Its initial capacity of 10,000 tonnes of contained nickel has since been doubled. Sited adjacent to the Rio Tuba mine, the plant's technology allows for the processing of the limonite into a mixed nickel-cobalt sulfide that can then be refined to extract the metals. The plant thus provides a ready market for Rio Tuba's low-grade nickel ore, which it sources both from its stockpiles and from mining operations.

The Sumitomo-NAC tandem now plans to build a second HPAL plant in Taganito, Surigao del Norte, on the northeastern tip of Mindanao. As Gerard H. Brimo, president & CEO of NAC, explains, "This will be considerably larger than Coral Bay. It will start at 30,000 tonnes of contained nickel a year. If you combine that with the ex-



GERARD H. BRIMO, CEO and president of Nickel Asia Corporation



Taganito mine staff

panded output from Coral Bay, those two plants will supply close to 5 percent of worldwide nickel production."

This time NAC will take a 20 percent to 25 percent direct equity participation in the project in a joint venture company called THPAL Corp., while all the required ore for the plant will be supplied from another NAC subsidiary, Taganito Mining Corp. With some 100 million tonnes of ore reserves in the

Taganito mine, the plant will have a projected life of 30 years, create jobs for 1,000 people and is expected to have a transformational effect on the area due to substantial infrastructure to be built and mandated social spending programs.

At a cost of \$1.3 billion, the project will represent the largest single foreign investment in the Philippine resource sector to date.

LAND TRANSPORT

Major steps in transport development

Much progress has been made in smoothing the flow of people and goods throughout the nation

THE DEPARTMENT of Transport and Communications (DOTC) recently commemorated its 110th anniversary and celebrated its many successes achieved during the administration of President Gloria Macapagal Arroyo. Amongst them was the completion of the roll-on, roll-off transit (RORO) system: an integration of roads, vehicles and boats as means of moving people and goods across islands. Furthermore, the establishment of three

Nautical Highway sea lanes has greatly lessened the cost of inter-island transport. According to DOTC Secretary Leandro Mendoza, "The fare has been reduced by 30 percent for both passenger and cargo".

Air transport infrastructure has also witnessed dramatic advances, as Secretary Medoza explains. "It was only during President Arroyo's term that we were able to construct and develop at least three major airports of international standards, namely, the Davao International Airport, the Iloilo International Airport, and the Bohol International Airport," he says.

In regard to the country's roads, the Land Transport Office (LTO), headed

by Assistant Secretary Arturo Lomibao, has increased the number of traffic enforcers in a bid to reduce vehicle accidents.



MINING FOR SUCCESS

With five nickel ore mines and an investment in the Philippines' sole High Pressure Acid Leach (HPAL) plant in partnership with a Japanese consortium led by Sumitomo Metal Mining, Nickel Asia Corporation is the largest and most successful nickel mining company in the Philippines with a 30-year operating history. We focus on the acquisition, exploration and operation of nickel properties in the Philippines, on the sale of nickel ore to our customers in Japan, China and Australia, and on continuing collaboration with our partners for additional nickel processing plants within our mine sites.

www.nickelasia.com

NAC
NICKEL ASIA CORP.

A new era in mining has begun

The Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources, together with the Minerals Development Council (MDC), now welcomes both local and international mining companies to come and explore what is one of the most mineralized countries on earth, thanks to our great deposits of copper, nickel, chromite, marble, cement raw materials and, most notably, gold. Investment here translates directly into secure returns and an undeniably positive impact on the development and future progress of our country. The MDC and the MGB aim to properly manage the sector and enforce responsible activities so that Filipinos may reap the benefits of our land's natural resources and enjoy an improved quality of life.

Department of Environment and Natural Resources
MINES AND GEOSCIENCES BUREAU
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