



**SAN MIGUEL CORPORATION**

December 26, 2017

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

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

Gentlemen:

With respect to the following news articles:

1. "SMC to borrow \$1.3 B for Masinloc plant purchase" posted in Manila Bulletin (Internet Edition) on December 22, 2017, which reported in part that:

"Diversifying conglomerate San Miguel Corporation (SMC) will be tapping the capital markets again next year for roughly \$1.3 billion worth of fresh borrowings to finance its 630-megawatt Masinloc plant acquisition.

In an interview on the sidelines of the company's R20-billion bond listing, SMC Chief Finance Officer Ferdinand K. Constantino said they will likely raise 70-percent of the \$1.9 billion purchase price that SMC Global-Power Holdings, Inc. had tendered for the Masinloc asset.

'There are a lot of offers already. But we will work that out once we get the approval of the PCC (Philippine Competition Commission),' he said.

Constantino emphasized that the typical debt level they are pursuing for projects or asset buy would be at 70-percent; and settles the equity part from internally generated cash.

'Normally, it's 70:30,' he said, referring to the debt-to-equity ratio of the financing for Masinloc plant's purchase, albeit qualifying that 'we can also be flexible.'

...."

2. "SMC to convert Ilijan into diesel-fired plant" posted in Manila Bulletin (Internet Edition) on December 24, 2017, which reported in part that:

"The power unit of San Miguel Corporation (SMC) will be converting the 1,200-megawatt Ilijan gas-fired plant into diesel technology upon its anticipated turnover in year 2022, the lapse of the asset's build-operate-transfer (BOT) contract with the government.

'We will convert that (Ilijan) into a peaking plant, so that if there would be a shortage of supply, we can use it like how the Malaya plant is being run now,' SMC President Ramon S. Ang said.

....

Ang added that the company's preference would be a diesel-fired facility, and must possibly be within the same capacity of 1,200MW.

'If eventually Malampaya gas will really run out, we would also be done paying our dues with government, then we can have that plant converted,' he stressed.

...."

3. "SMC puts other coal power plants on hold" posted in manilastandard.net on December 25, 2017, which reported in part that:

"San Miguel Corp. has put on hold developing greenfield power plants after its recent acquisition of the Masinloc coal-fired power plants in Zambales province.

'It's on hold but we will still build it if there is a market,' San Miguel president Ramon Ang over the weekend.

San Miguel earlier planned to build two 600-megawatt coal-fired power plants in Luzon, pending environmental compliance certificates and the approval of a power supply agreement with Manila Electric Co.

San Miguel subsidiary Central Luzon Premiere Power Corp. planned to build the 600-MW coal-fired power plant in Pagbilao, Quezon province set to be operational in 2021.

Meralco agreed to purchase up to 528 MW of the output of Central Luzon Premiere but the power supply agreement remained pending with the Energy Regulatory Commission.

Another San Miguel unit, Mariveles Power Generation Corp., is also supposed to put up a 600-MW circulating coal-fired power generating facility in Mariveles, Bataan province for completion in 2020.

Meralco agreed to secure 528 MW from Mariveles Power Generation but the supply deal was also pending with the ERC.

...."

By way of response to the Exchange, we advise as follows:

1. In the light of the financing offers received by the Company, San Miguel Corporation, by itself or through SMC Global Power Holdings Corp., ("SMC Global Power") may tap the capital markets in 2018 to finance up to seventy (70%) of the purchase price of the Masinloc Power Plant which is approximately US1.3 billion, as explained by Mr. Ferdinand K. Constantino, Chief Finance Officer of the SMC Group, and reported in the aforementioned article.

2. We further confirm that the statements of Mr. Ramon S. Ang, President and Chief Operating Officer of the Company, relating to:

- (i) the contemplated plans to convert the 1,250 MW Ilijan plant into a peaking plant using diesel after its turn-over in 2022, in the event of a shortage in the supply of natural gas from Malampaya; and
- (ii) subject to market demand, the possible deferment of the construction of the greenfield power plants of SMC Global Power, namely the two (2) 600 MW coal-fired power plants in Pagbilao, Quezon and Mariveles, Bataan, respectively, owing to the recent acquisition of the Masinloc Power Plant;

are concise and accurate.

Very truly yours,



**Virgilio S. Jacinto**  
Corporate Secretary