



SAN MIGUEL CORPORATION

January 3, 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:

With respect to the following news articles:

1. We would like to seek clarification and/or confirmation of the news article entitled "SMC invests P75B in its food lines" posted in Inquirer.net on January 3, 2017, which reported in part that:

"San Miguel Corp. will pour in as much as P75 billion into its traditional food business lines—which had taken the backseat in the conglomerate's rapid expansion during the last decade—due mainly to resurgent demand from increasingly affluent consumers.

In an interview, the president of the country's largest company said the new investments would include new processing plants for its Purefoods meat products and new bottling lines for its 127-year-old beer business.

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The expansion of the food business will cost San Miguel an estimated P60 billion in capital expenditures until 2018, the bulk of which will be spent on new production facilities for its hotdog, corned beef and luncheon meat products.

'We are going to produce Spam now to export to Asean countries,' he said referring to a partnership San Miguel entered into with US-based Hormel Foods, which produces the processed meat firm popular with Filipinos.

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'We are also putting up chicken nuggets plant in Cavite, Cagayan de Oro and Cebu, simultaneously,' he added.

In addition, a further \$300 million—about P15 billion at the prevailing exchange rate— will be spent to put up a new beer brewery and bottling line for the conglomerate’s flagship brand, San Miguel Breweries, in Mindanao.

‘We are breaking ground to put up a 3-million hectoliter brewery in Cagayan de Oro City,’ Ang said. ‘We are expanding our brewery and bottling plant in Santa Rosa, Laguna, by 2 million hectoliters in capacity.’

San Miguel Brewery’s existing Santa Rosa plant has a bottling capacity of 1 million hectoliters annually.

‘We are spending about \$300 million for the breweries in Cagayan de Oro and Santa Rosa, as well as logistics systems to help us distribute our products more efficiently,’ he said, adding that San Miguel’s packaging units will also build a new glass plant in Pagbilao, Quezon, which can produce 400 tons of glass products per day capacity ‘for export to Australia and America.’

Ang said the refocusing of resources into the food business would also include an expansion of the group’s flour mills with the addition of 1,200 tons per day of capacity, as well as an additional 10-million ton annual capacity to its feed mills business—all of which are slated for completion by 2018.

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2. In relation to your previous disclosure dated December 22, 2016, we would like to seek clarification and/or confirmation of the news article entitled “SMC sets conditions for P20-b bond sale” posted in Manila Standard (Internet Edition) on January 2, 2017, which reported in part that:

“Conglomerate San Miguel Corp. set the terms for the planned P20-billion fixed-rate bond offering in February this year.

Documents filed with the Securities and Exchange Commission showed the P15-billion bonds with P5-billion oversubscription option would consist of series A bonds due 2022, series B due 2025 and series C due 2027.


San Miguel will have an option to redeem the bonds in the third year from the issue date for series A, fifth and sixth year for series B and eighth and ninth year for series C.

Proceeds from the bond offering will be used to partially refinance loans used to redeem US dollar-denominated loans.

...”

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

1. We confirm that San Miguel Corporation (the “Company”), through its subsidiaries engaged in the food and beverage and packaging businesses, namely San Miguel Pure Foods Company, Inc., San Miguel Brewery Inc., and San Miguel Yamamura



Packaging Corporation, respectively, has earmarked up to P75 billion for the implementation of the expansion of its manufacturing facilities, through the construction of new processing plants for its chicken and meat products, bottling lines to increase the production of beer products and packaging plants, in strategic locations throughout the country.

As advised by Mr. Ramon S. Ang, President and Chief Operating Officer of the Company, the expansion program shall address the increasing demand by the consuming public for the products of the San Miguel Group in the country and the Asean region. The construction of the additional manufacturing and processing plants and facilities shall be made in Cavite, Cebu, Cagayan de Oro, Pagbilao, Quezon and Santa Rosa, Laguna, as reported in the aforementioned news article.

2. With respect to the Fixed Rate Retail Bond Offering of the Company (the "Offering"), we advise that the aggregate principal amount of the Offering shall be up to P60 Billion, with an initial offering of up to P15 Billion, with a P5 Billion oversubscription option, consisting of: (i) Series "A" Bonds due 2022, (ii) Series "B" Bonds due 2024 (not 2025 as reported in the news article), and (iii) Series "C" Bonds due 2027. The Company shall have the discretion to allocate the principal amount among the different series of the offer bonds based on the bookbuilding process.

As reflected in the Offer Supplement submitted to the Securities and Exchange Commission, the Company shall have the option to redeem the Series "A", Series "B" and Series "C" as provided in the schedule set forth below.

Series A Bonds	
Optional Redemption Dates	Optional Redemption Price
On the 3 rd year from issue Date	100.5%
Series B Bonds	
Optional Redemption Dates	Optional Redemption Price
On the 5 th year from Issue Date	101.0%
On the 6 th year from Issue Date	100.5%
Series C Bonds	
Optional Redemption Dates	Optional Redemption Price
On the 7 th year from Issue Date	102.0%
On the 8 th year from Issue Date	101.0%
On the 9 th year from Issue Date	100.5%

The proceeds from the bond offering will be used to partially refinance loans used to redeem US dollar-denominated loans and for other general corporate purposes.

Very truly yours,


FERDINAND K. CONSTANTINO
 Corporate Information Officer