



## SAN MIGUEL CORPORATION

January 19, 2009

### **Philippine Stock Exchange**

Disclosure Department  
Listing and Disclosure Group  
4th Floor, Philippine Stock Exchange Center  
Exchange Road, Ortigas Center  
Pasig City

Attention: **Atty. Pete M. Malabanan**  
**Head - Disclosure Department**

Gentlemen:

We refer to your letter dated January 16, 2009 requesting disclosure of the key terms of the Option Agreement executed between San Miguel Corporation (the "Company") and Sea Refinery Holdings B.V. ("SEA BV").

We reply as follows:

1. **Nature and Duration of the Option** – Under the provisions of the Option Agreement between SEA BV and the Company, SEA BV granted the Company the continuing right to acquire, commencing on December 24, 2008 up to December 23, 2010 (the "Option Period"), 100% of the outstanding capital stock of SEA Refinery Corporation ("SRC") consisting of 40,000,000 shares of stock with a par value of P1.00 per share (the "Option Shares"). The Option Shares are owned by SEA BV and SRC is the owner of approximately 50.1% of the outstanding capital stock of Petron Corporation ("Petron") consisting of 4,696,885,564 common shares of stock (the "Petron Shares"). As you know, SRC acquired the Philippine National Oil Company's 40% equity stake in Petron on 23 December 2008, which was effected by way of a special block sale approved by the Philippine Stock Exchange ("PSE"). The option is only capable of exercise by SMC and cannot be assigned to any third party.

2. **Exercise Price** – The exercise price for the Option Shares will be the sum of: (a) the paid-up capital of SEA BV in SRC amounting to P40 Million and b) the value of the Petron Shares acquired by SRC plus the assumption of, if any, any liability or obligation and expenses incurred by SRC for the acquisition of the Petron Shares. SRC acquired the Petron Shares at a price of P6.85 per share by way of a special block sale through the PSE.

To illustrate:

|   |                          |                                                |
|---|--------------------------|------------------------------------------------|
| P | 40,000,000.00            | paid-up capital of SEA BV in SRC               |
| + | <u>32,173,666,113.40</u> | the value of the Petron Shares acquired by SRC |
|   | P32,213,666,113.40       |                                                |

On the basis of SRC's current holding of 4,696,885,564 Petron Shares, this would equate to Php6.859 per Petron Share.

Any liability or obligation of SRC and expenses in the acquisition of Petron will be determined when the option is exercised.

3. **Consideration of the Option** – As has been previously disclosed, the Company committed to pay the amount of approximately US \$10 Million as consideration for the option. Such consideration is separate and distinct from the price to be paid for the Option Shares if and when the option is exercised.

4. **Commitment of the Company** – Conformably with the agreement concluded with SEA BV, the Company shall comply with all the requirements of any statute, law, rules, regulations or ordinances applicable in respect of its acquisition of any of the Option Shares, including the making of any mandatory tender offer for the remaining common shares of stock of Petron held by the public.

5. During the Option Period, dividends declared by Petron on the Option Shares shall accrue in favor of SRC.

6. SEA BV has agreed to allow the Company to participate in the management of Petron through the election of representatives in the board and appointment of key officers in Petron.

Very truly yours,



**FERDINAND K. CONSTANTINO**  
Corporate Information Officer