SAN MIGUEL CORPORATION

October 28, 2010

Joselito V. Banaag, Esq.
General Counsel and
Officer-in-Charge, Issuer Regulation Division
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Re: Investment of San Miguel Corporation in Petron Corporation

Dear Atty. Banaag:

This refers to the Letter-Advice of the Exchange, dated October 27, 2010, relating to the above-captioned subject. Set forth below, for your perusal and consideration, is our response to the points contained in the said correspondence.

Based on the previous disclosures submitted by the Company, the Exchange was duly informed of the amendment to the Option Agreement, dated December 24, 2008 (the "Option Agreement"), between the Company and SEA Refinery Holdings B.V. ("Sea Refinery B.V."), thru: (i) the letter-disclosure, dated April 23, 2010 and (ii) the submission of the tender offer documents for the shares in Petron Corporation ("Petron") initiated by the Company on April 30, 2010 (the "Tender Offer"). The Exchange was furnished with copies of the Initial Tender Offer Report and the Final Tender Offer Report on April 30, 2010 and June 9, 2010, respectively.

The acquisition by the Company of additional shares in Petron (1,517,637,398 common shares – the "Shares"), together with the authorization of the Board of Directors of the Company, was disclosed to the Exchange on August 31, 2010, September 3, 2010 and September 9, 2010, respectively. By way of clarification, the authority of the Company to invest in Petron, passed and approved by the Board of Directors of the Company on December 8, 2008, provided for: (i) the execution, delivery and performance of the Option Agreement and (ii) the acquisition by the Company of additional shares thru the tender offer referred to above and the purchase of the Shares. The Shares were subject of the special block sale crossed at the Exchange on August 31, 2010.

Taking into account the foregoing, as well as the nature and extent of the disclosures made by the Company, we are of the view that the Exchange has been timely and fully apprised of the sequence of events which have taken place in connection with the investment by the Company in Petron commencing from the execution of the Option Agreement, the initiation and completion of the Tender Offer and the special block sale covering the Shares.

Very truly yours,

FERDINAND K. CONSTANTINO
Corporate Information Officer