



SAN MIGUEL CORPORATION

March 7, 2013

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

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Gentlemen:

We reply to your request for clarification of the following news articles entitled, as follows:

1. "San Miguel eyes big oil, gas field," posted in *INQUIRER.net* on March 7, 2013. The article reported in part that:

Diversifying conglomerate San Miguel Corp. is looking for a major oil or natural gas field overseas as its next major venture.

In doing so, the firm's top executive said the group might need to completely divest of its core businesses—both old and new.

SMC president Ramon S. Ang on Wednesday disclosed that the company's next target would be a big oil or natural gas field abroad that has been proven.

"If we are able to buy one of those, it would be like printing money forever," Ang told reporters Wednesday. "If we had that kind of money right now, we would buy an oil or gas field. Nothing less than that," he said.

He said he estimated that the company would have to raise \$25 billion if it wanted to buy a gas field. About \$5 billion would be in the form of equity while the rest would be debt.

He dismissed suggestions that the company look into gas fields in waters near the Philippines. "Those are toys," Ang said, indicating that the projects in the country would be too small.

"If we buy anything, it has to be a proven gas field," he said.

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"If we are able to invest in an oil field, the growth of this company would be unimaginable," Ang said.

Ang added that the company could fund the acquisition of an oil or gas field on its own using internal funds, but the sale of key assets would also be considered. The firm could let go of its power generation and even brewery businesses to raise funds.

He said the company would be willing to let go of San Miguel Brewery Inc., selling its 51-percent stake to partner, Japan's Kirin, to raise funds for the oil or gas field acquisition. He declined to give estimates on how much the shares would be worth, but cited the example of Singapore's Fraser & Neave, which was recently valued at \$11 billion.

"Our beer business is much bigger than that and San Miguel is better known," Ang said.

Ang said the company would also be willing to let go, if needed, of its power generation assets under SMC Global Power Holdings, which has about 7,000 megawatts of capacity in existing power plants and those under construction.

He said SMC would most likely list SMC Global Power on the Philippine Stock Exchange this year. But selling SMC Global Power could also give SMC as much as \$6 billion.

2). "San Miguel puts off \$6-b airport project," posted in Manila Standard Today (*Internet Edition*) on March 7, 2013. The article reported in part that:

San Miguel Corp. said Wednesday it pushed back a plan to build its own \$6-billion airport project amid the government's policy of prohibiting airline operators from engaging in airport management.

The conglomerate earlier announced it would build its own airport, in partnership with the Lucio Tan group, to address the requirements of both PAL and its low-cost carrier AirPhil Express.

"We were supposed to present our proposal to President [Aquino] in January to ask his permission to build our own airport. However, sometime in Nov. or Dec., the [Transportation Department] came out with new rules banning airline operators to join in the bidding for the Mactan-Cebu airport project. Because of this decision, we have to look into the government's policy to avoid conflict. They might disapprove our proposal since we have a stake in PAL," Ramon Ang, SMC president, told reporters.

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"It seems to me that the new policy prohibits airline operators to operate or manage an airport. That's the implication of the new rules," Ang said.

He earlier said San Miguel and the Lucio Tan Group were jointly evaluating the possibility of constructing an airport that would address the airline's requirements and serve as the country's main gateway.

Ang had said the planned new international airport would be financed by San Miguel and Lucio Tan, the major shareholders of PAL.

We advise that the statements of Mr. Ramon S. Ang, President and Chief Operating Officer of the Company, relating to: (i) the intention of the Company to invest approximately US\$25 billion in a proven oil and natural gas venture abroad and (ii) the possible deferment of the construction of an international airport, as reported in the aforequoted articles, respectively, are accurate.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer