



SAN MIGUEL CORPORATION

July 20, 2016

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:

We reply with respect to the news article entitled "PSALM, San Miguel clash anew over Ilijan power plant contract" posted in The Philippine Star (Internet Edition) on July 20, 2016. The article reported in part that:

"MANILA, Philippines – The San Miguel Group's total unpaid obligations to the Power Sector Assets and Liabilities Management Corp. (PSALM) for the generated capacity of the 1,200-megawatt (MW) Ilijan power plant in Batangas has ballooned to over P12 billion, according to a government source.

The amount is the accumulated shortfalls in generation payments from June 2010 to April 2016, which includes undisputed obligations, the source said.

Meanwhile, the San Miguel Group's outstanding generation payment covered by PSALM's demand letter now amounts to P7.8 billion.

...."

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

- (a) it appears that the amounts claimed by the Power Sector Assets and Liabilities Management Corporation ("PSALM") in the aforementioned news article are based on the disputed interpretation made by PSALM of the provisions of the Independent Power Producer Administration Agreement ("IPPA") relating to the generation payments due to PSALM;
- (b) to assail the validity of the interpretation made by PSALM, and maintain the position that South Premiere Power Corporation ("SPPC") has fully paid its obligations to PSALM due under the IPPA, SPPC filed a complaint with the Regional Trial Court of Mandaluyong City (the "Court") and a criminal complaint (for estafa and corruption) was likewise filed by SPPC with the Department of Justice ("DOJ"); respectively;

- (c) as previously disclosed to the Exchange, the Court, on September 28, 2015, issued an Order granting a Preliminary Injunction in favor of SPPC enjoining PSALM from terminating the IPPA while the case is pending; the preliminary conference is scheduled for September 1, 2016; and
- (d) to date, the complaint with the DOJ is submitted for resolution.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer