



SAN MIGUEL CORPORATION

February 15, 2016

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 with respect to the following news articles:

1. "SMC decides to keep Bank of Commerce" posted in the Manila Bulletin (Internet Edition) on February 14, 2016, which reported in part that:

"San Miguel Corporation (SMC) has decided to keep its \$500-million controlling stake in Bank of Commerce, opting to pursue growth in the sector instead of exiting due to lack of presence, the president of the Philippine conglomerate said.

San Miguel, whose varied interests include power generation, telecommunications and beer, now plans to inject up to P6 billion (\$126 million) in Bank of Commerce after failing to find a buyer, SMC President Ramon Ang said in an interview.

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2. "SMC seeks to halve its dollar debt" posted in the Manila Bulletin (Internet Edition) on February 13, 2016, which reported in part that:

"San Miguel Corp., the Philippines' largest company, aims to cut the portion of its dollar-denominated debt by half in two to three years to shield earnings from a weaker peso.

The energy, infrastructure and beer company will borrow more in pesos and sell preferred shares to refinance existing dollar debt and fund infrastructure projects ranging from rail and power to ports and toll roads, President Ramon Ang, 62, said in an interview Friday. The company had \$8.54 billion of dollar-denominated debt at the end of September, 47 percent of its 855.8 billion peso (\$18 billion) total liabilities, according to the company's third-quarter filing.

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Falling valuations for assets in the oil and gas industries present opportunities, Ang said. Discussions are ongoing for a possible acquisition overseas, he said. The target is worth about \$2 billion now, he said, down from about \$5 billion in equity investment terms in 2012, when Ang first began looking at the asset.

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Standard Chartered PLC and Bank of Commerce will provide financing to San Miguel's \$1.6 billion, 44-kilometer (27-mile) mass railway project from Manila to Bulacan province, to be built by EEI Corp., Ang said. Revenue from infrastructure, which includes rails and toll roads, may reach P100 billion by 2020 and will account for 20 percent of the business, from below 10 percent now, he said.

The company's earnings before interest, taxes, depreciation and amortization could hit P200 billion by 2020 if its infrastructure projects are completed as scheduled, Ang said.

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

- a) the Company intends to maintain its controlling stake in Bank of Commerce and may infuse additional capital, based on the requirements of the Bank;
- b) the dollar-denominated loan obligations of the SMC Group shall be reduced thru, among others, the availment of peso loans and the offering and issuance of preferred shares;
- c) Standard Chartered PLC and the Bank of Commerce have offered to provide financing for the implementation of the mass railway project of the Company (MRT 7); and
- d) the projected EBITDA of the Company by 2020 is expected to be about P200 Billion, provided the infrastructure projects are completed, as scheduled.

The foregoing matters were confirmed by Mr. Ramon S. Ang, President and Chief Operating Officer of the Company, as reported in the aforementioned article.

With respect to the possible investment in the oil and gas business, an appropriate disclosure shall be made to the Exchange in the event such investment is pursued by the Company and the relevant definitive agreements for the same are concluded.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer