



SAN MIGUEL CORPORATION

1 March 2016

Philippine Stock Exchange

3/F Philippine Stock Exchange Plaza
Ayala Triangle
Ayala Avenue,
Makati City

Attention: **Janet A. Encarnacion**
Disclosure Department

Re: Interest of San Miguel Corporation (the "Company") in Manila North Harbour Port, Inc. ("MNHPI"), through its subsidiaries Petron Corporation ("Petron") and San Miguel Holdings Corp. (SMHC")

Gentlemen:

By way of response to the letter of the Exchange dated 26 February 2016, relating to the above-captioned subject we reply as follows.

Increase in Authorized Capital Stock from Php1 billion to Php3 billion

On January 7, 2011, Petron acquired a 35% equity interest in MNHPI, which at that time, was owned by Harbour Centre Port Terminal, Inc. ("HCPTI") and Harbour Centre Port Holdings, Inc. ("HCPHI"). Such equity interest was transferred and conveyed by HCPTI in favor of Petron.

Additional capital was required by MNHPI to comply with the obligations of MNHPI under its concession agreement with the Philippine Ports Authority to develop the Manila North Harbour. Owing to such requirement, on 29 January 2015, meetings of the board of directors and stockholders of MNHPI were held where the stockholders approved the increase in the authorize capital stock of MNHPI from Php1 billion to Php3 billion, and required its stockholders to subscribe to the increase in proportion to their shareholdings.

All the requirements in support of the application for the increase of the authorized capital stock and the corresponding amendment to the articles of incorporation to reflect such amendment were duly filed and submitted to the Securities and Exchange Commission ("SEC") in support of such application. On 18 February 2015, the SEC approved the increase in the authorized capital stock of MNHPI.

Subscriptions of Petron and SMH were out of the increase

Pursuant to the resolutions passed in the aforementioned meetings, Petron made a deposit for future subscription amounting to Php700 million to subscribe to an additional 7 million common shares of MNHPI. The other shareholders namely HCPTI and HCPHI, represented by their controlling stockholder, Michael L. Romero, waived their pre-emptive rights to subscribe to additional shares of MNHPI. Subsequently, on 4 December 2015, the board of directors and stockholders of MNHPI approved the investment by SMHC in MNHPI. On 9 December 2015, SMHC subscribed to 13 million common shares and correspondingly paid the subscription price amounting to Php 1.3 billion.

Petron, HCPTI and HCPHI all waived their respective pre-emptive rights to subscribe to the shares of MNHPI. On the same date, stock certificates corresponding to the subscription to 7 million common shares of MNHPI were issued in the name of Petron.

Cases in the RTC and SEC

We are aware of the cases filed by Mr. Reghis M. Romero II, acting purportedly in representation of HCPTI with the Regional Trial Court ("RTC") and the SEC to recall and revoke the approval of the increase in the authorized capital stock of MNHPI and the subscription of Petron to the increase in the authorized capital stock of MNHPI. Petron was impleaded as a party in both cases while the Company and SMHC are not parties to the cases. The case filed with the SEC is already submitted for resolution. On the other hand, the RTC on 3 August 2015 denied the application for a temporary restraining order against several defendants, including Petron and MNHPI.

In both cases, Mr. Reghis M. Romero II, it appears, seeks to impugn the validity of the acts of his son Mr. Michael L. Romero as the controlling shareholder of HCPTI.

Absent a temporary restraining order issued by the RTC or the final resolution of the cases filed both in the RTC and the SEC, we believe that Petron and SMHC has valid ownership of the shares they respectively acquired or subscribed to in MNHPI.

Conclusion

The Company believes that it had acquired its total equity interest in MNHPI in a regular and legitimate manner considering that:

- (a) all the requirements for the valid holding of a stockholders meeting held on 29 January 2015 to approve the increase, and the stockholder meeting on 4 December 2015 to approve the investment of SMHC to MNHPI were met.
- (b) the waiver of pre-emptive rights of the existing shareholders of MNHPI were validly obtained for the (i) subscription by Petron to 7 million common shares of MNHPI and payment of the subscription price amounting to Php 700 million following the increase in the authorized capital stock of MNHPI on 18 February 2015; and (ii) the subscription by SMHC to 13 million common shares and the corresponding payment of the subscription price amounting to Php 1.3 billion on 9 December 2015.
- (c) the requirements for the increase in the authorized capital stock of MNHPI were complied with as determined by the SEC when it approved the said increase.

Very truly yours,



MARY ROSE S. TAN

Assistant Corporate Secretary
& Associate General Counsel