



SAN MIGUEL CORPORATION

February 27, 2017

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 "SMC may launch own airline – CAPA" posted in The Philippine Star (Internet Edition) on February 27, 2017. The article reported in part that:

"MANILA, Philippines - San Miguel Corp. (SMC) may launch its own airline operations to cater to international routes as well as domestic points from Caticlan Airport near Boracay, according to think tank Center for Aviation (CAPA).

In a report, CAPA said SMC is considering the possibility of establishing its own airline and acquiring aircraft which are capable of operating longer international routes.

'The new airline would be based in Caticlan and focus on international routes of up to four or five hours. The new airline could also potentially compete in the domestic market,' CAPA said.

CAPA said SMC has been in talks with Boeing for the 737 MAX 7.

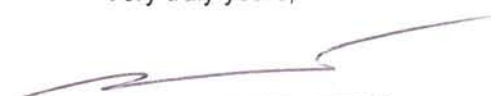
It said Embraer would likely promote the use of the E190, and the C Series for Bombardier, to be used by SMC.

'Any of these aircraft would give San Miguel's new airline subsidiary a competitive advantage, since they are capable of operating routes from Caticlan to several potentially viable destinations in East Asia that could not be reached with the A320,' CAPA said.

...."

We advise that to date, San Miguel Corporation has no plans of investing in the airline business. It appears that the views expressed by the Center for Aviation, as reported in the aforementioned article, seem to be speculative and are based on the analysis they have made of on-going improvement, refurbishing and up-grade of the Caticlan Airport which the Company is undertaking and can presently accommodate larger aircraft of international and domestic airline carriers.

Very truly yours,


FERDINAND K. CONSTANTINO
Corporate Information Officer