



SAN MIGUEL CORPORATION

February 10, 2009

Philippine Stock Exchange

Disclosure Department
Listing and Disclosure Group
4th Floor, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: **Atty. Roy Joseph M. Rafols**
Head, Issuer Regulation Division

Gentlemen:

We acknowledge receipt of your letter dated February 9, 2009, directing the payment of a fine over alleged violation of Sections. 4.1 and 4.4 of the Revised Disclosure Rules (the "Rules"), respecting the actual signing date of the Sale and Purchase Agreement ("Agreement") between San Miguel Corporation ("SMC") and the Government Service Insurance System ("GSIS") for the acquisition of the latter's 27% stake in Manila Electric Company ("Meralco").

We respectfully request reconsideration.

You will remember that on October 27, 2008, we disclosed that the SMC Board authorized SMC to enter into the SPA with the GSIS. We further disclosed the purchase price of P90.00 per share and that the total purchase price would be payable in three years. While the disclosure did not specify the signing date, we reiterate that, under all the circumstances, the disclosure and subsequent disclosures comply with the Rules, as they apprised the investing public of the substance and material details of the transaction.

That our October 27, 2008 disclosure sufficiently informed the PSE and the investing public about the material details of SMC's investment in Meralco is evidenced by the fact that on November 4, 2008, PSE requested of us, not confirmation of the transaction, but only "additional information" on the transaction. The tenor and text of the PSE letter request assumed that "agreement(s)" on the transaction had been "executed." The tenor of the request of PSE assumed execution when it asked that SMC submit copies of all "agreements executed" on the transaction. The text of the request enumerated seven matters for clarification, none of which was a request to declare the date of execution. Given the foregoing, our November 5, 2008 reply thus did not focus on, much less include the detail of, the date of execution of the agreement.

It is important though to note that we confirmed execution, when we replied that in view of the confidentiality agreement between the parties, we “regret that we cannot provide a copy of the agreement.” We further confirmed execution when we said that a downpayment would be paid “15 days from the SPA date.” Our reply was thus a clear and unequivocal disclosure that the SPA had been executed and that the downpayment was payable fifteen days from the signing. This constituted full disclosure on the fact of the execution of the SPA.

We are sought now to be penalized, however, for not specifying the date of “actual signing” of the SPA, and on the ground that the “investing public” do not have information “if an Agreement has already been signed.”

We stress that the date of the execution of the SPA was not declared in our November 5, 2008 disclosure because the same was not clearly or specifically requested of us. There were seven items enumerated in the “additional information” requested, but none stated that we should identify the date of the signing of the SPA. Had the request for clarification or additional information simply asked for the date of signing, we would have promptly given the information, without prejudice to our reservation on submitting a copy. It is not accurate therefore to state that the investing public do not have information that the SPA had been executed. The fact of execution of the agreement was disclosed as of November 5, 2008, and we so apprised the investing public through the PSE.

Were specifying the specific date of the signing of the SPA been critical, in the view of PSE, it would have been fairer if PSE just clearly and simply stated so immediately or soon after we submitted our November 5, 2008 reply. As it was, PSE did not require us to indicate the signing date as an additional item of information. In light of the tenor and text of the PSE request, and the extent of our subsequent disclosures, we in good faith continued to believe we had satisfied the requirements of PSE. It was only after the lapse of more than two and a half months, or on January 29, 2009, that the PSE for the first time asked us to state the date of the signing of the SPA. We confirmed the same immediately on the same day. Now, we are taken to task for the alleged failure to disclose the date of actual signing. We submit that based on the above antecedent circumstances, it would not be fair and equitable to impose a fine.

We therefore respectfully request that the fine be withdrawn, and that the period for compliance be suspended while our request for reconsideration remains pending.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer