SAN MIGUEL CORPORATION

January 31, 2011

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 refer to your letter dated January 31, 2011 with respect to the news article entitled "San Miguel acquires 310-MW Navotas gas turbine plants," published in the January 31, 2011 issue of the Manila Bulletin. The article reported in part that:

> "The energy unit of San Miguel Corporation reportedly bagged the 310 megawatts four-unit Navotas land-based gas turbine (LBGT) power facilities in an action undertaken recently by its host local government. The power facilities were turned over to state-run National Power Corporation in 2003 and 2005 by its independent power producer (IPP) contractor Mirant Corporation following the lapse of their build-operate-transfer (BOT) contracts. However, because of unsettled real property taxes (RPT), NPC's successor-company Power Sector Assets and Liabilities Management Corporation (PSALM), opted to have the facilities foreclosed by the local government of Navotas. To recover the cost of NPC's unpaid tax arrears, the city government offered the facilities to interested parties via a competitive auction. The assets ended into the hands of San Miguel Energy Corporation's power unit, according to sources from the host of LGU.."

We advise that the Company, its wholly-owned subsidiary, San Miguel Energy Corporation, and the other subsidiaries operating power-generating facilities, did not participate in the auction conducted and undertaken by Navotas City for the sale of the 310 megawatts land-based gas turbine power facilities, as reported in the aforementioned article.

We trust that the response we have made addresses the query of the Exchange.

Very truly yours,

FERDINAND K. CONSTANTINO
Corporate Information Officer