



SAN MIGUEL CORPORATION

February 21, 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 February 21, 2011 with respect to the news article entitled "SMC sets up P1-B power subsidiary," posted in BusinessMirror Online on February 20, 2011. The article reported in part that:

"CONGLOMERATE San Miguel Corp. (SMC) has obtained regulatory approval to create a new power subsidiary in line with its move away from its traditional foods and drinks businesses. The Securities and Exchange Commission has allowed the incorporation of San Miguel Electric Corp., which has an authorized capital of P1 billion, a quarter of which has been subscribed to by SMC. "The primary purpose of this corporation is to carry on the business of producing and generating electricity and processing alternative fuels for power generation," according to the Company's incorporation papers. The Company will also handle the "operation and energy supply base and the generation and cogeneration of electric power, as well as the supply and consolidation of the electric power demand of end users,"... In a previous interview, SMC President Ramon S. Ang said the Company may take its power unit public, either through an initial share sale or a backdoor listing, depending on which route will prove "faster."

We confirm that the Securities and Exchange Commission ("SEC") approved the incorporation of San Miguel Electric Corp. ("SM Electric Corp."), a wholly-owned subsidiary of the Company, and issued the certificate of registration of SM Electric Corp. on February 8, 2011. SM Electric Corp. shall, together with the other power generation subsidiaries of the Company, engage in the business of producing electricity and processing alternative fuels for power generation. We further advise that the Company may register and list the shares of its subsidiaries in the power business with the SEC and the Philippine Stock Exchange, respectively, at the appropriate time.

Very truly yours,


FERDINAND K. CONSTANTINO
Corporate Information Officer