



SAN MIGUEL CORPORATION

December 28, 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 December 28, 2011 with respect to the news article entitled: "PAL soars on \$1-B 'buy-in' talks" posted in the BusinessMirror (Internet Edition) on December 27, 2011. The article reported in part that:

"PAL Holdings Inc., the listed operator of Philippine Airlines, surged 15.8 percent to close at P6.97 each on Tuesday.

Stock-market traders also noted that PAL Holdings was trading at unusually higher volumes on Tuesday.

That activity, they said, was partly driven by unverified talk of a \$1-billion "buy-in" into PAL Holdings, valuing the company's shares at P8 each, or a 14.8-percent premium to its closing price on Tuesday.

A report by abs-cbnNews.com later in the day said diversifying conglomerate San Miguel Corp. (SMC) was in talks for a "possible investment" in PAL.

The same report said SMC officials signed a memorandum of understanding on Friday to undertake a due diligence process on PAL until January 31."

We confirm that the Company was invited by Mr. Lucio Tan, the controlling stockholder of PAL Holdings, Inc., to participate and assist in the re-fleeting and modernization of the aircrafts of Philippine Airlines in preparation for the projected heavy influx of tourists in the coming years which will be beneficial to the tourism industry of the country. In the event a definitive agreement is concluded, an appropriate disclosure shall be made to the Exchange.

Very truly yours,


FERDINAND K. CONSTANTINO
Corporate Information Officer 