SAN MIGUEL CORPORATION

February 28, 2012

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 28, 2012 with respect to the news article entitled: "San Miguel completes due diligence on PAL," posted in the BusinessWorld Online on February 27, 2012. The article reported in part that:

> "SAN MIGUEL Corp. has finished its due diligence on Philippine Airlines, Inc. (PAL) and a deal to add the flag carrier to its business portfolio via $500-million acquisition is almost certain, sources yesterday said.
>
> San Miguel, which has aggressively expanded into capital-intensive sectors such as infrastructure, power, mining, and telecoms in less than four years, has offered to buy a 49% stake in PAL for $500 million, said one source with knowledge on the talks. The deal also gives San Miguel Management control of the airline.
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> "The due diligence is finished," a second source told Reuters..."

By way of response to the Exchange, we advise that the Company is still in talks with Philippine Airlines, Inc. as previously disclosed on January 6, 2012.

Very truly yours,

FERDINAND K. CONSTANTINO
Corporate Information Officer