SAN MIGUEL CORPORATION

February 1, 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 1, 2012 with respect to the news article entitled: "San Miguel still in talks to buy PAL," posted in ABS-CBNnews.com on January 31, 2012. The article reported in part that:

> "MANILA, Philippines – San Miguel Corp. (SMC) is continuing its negotiations to buy flag carrier Philippine Airlines (PAL).
>
> In a mobile message to ABS-CBN News, San Miguel president Ramon S. Ang said the company was "still in talks" to acquire PAL. Ang was asked whether SMC has decided to buy PAL, extend the due diligence period or continue talks.
>
> A separate source said that SMC was in "advanced" stage of negotiations for PAL.
>
> Last December, ABS-CBN.com reported SMC was in talks with PAL officials for "a possible investment in the company. SMC inked a memorandum of understanding with PAL to do "due diligence" work on the flag carrier. The due diligence was slated until January 31.
>
> The same source said the due diligence was being finalized, adding that some PAL officials are likely to be retained after the takeover…."

We confirm that the statements of Mr. Ramon S. Ang, President and Chief Operating Officer of the Company, relating to the Company's potential investment in Philippine Airlines, Inc., as reported in the aforementioned article, are accurate.

Very truly yours,

FERDINAND K. CONSTANTINO
Corporate Information Officer