SAN MIGUEL CORPORATION

March 6, 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 March 6, 2012 with respect to the news article entitled: "Airphil sale in PAL-SMC talks," posted in the BusinessMirror (Internet Edition) on March 5, 2012. The article reported in part that:

> "THE ongoing negotiations between principal shareholders of Philippine Airlines (PAL) and San Miguel Corp. (SMC) Group also involve the sale of the former's budget carrier Airphil Express, an airline official confirmed yesterday.....
>
> At this point, Tan's group is close to sealing a deal with the SMC group. But nothing is final until the ink is dry," said another source.
>
> .....

Further to the response of the Company to the Exchange, dated February 28, 2012, we advise that an appropriate disclosure shall be made in the event a definitive agreement is executed and concluded with respect to the contemplated investment by the Company in Philippine Airlines, Inc. ("PAL").

Very truly yours,

Virgilio S. Jacinto
Corporate Secretary