



SAN MIGUEL CORPORATION

April 3, 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 April 3, 2012 with respect to the following news articles:

1. "SMC acquires 49% PAL Holdings," posted in the April 2, 2012 issue of the Inquirer.net. The article reported in part that:

San Miguel Corp. has firmed up a deal to acquire 49 percent of tycoon Lucio Tan's PAL Holdings Inc. for about \$500 million, thereby obtaining a significant foothold in national flag carrier Philippine Airlines.

Inquirer sources said SMC and the group of Lucio Tan agreed in principle for the former to buy into PAL's parent company before the SMC's exclusivity period lapsed in end-March.

An emergency board meeting was convened by PAL Holdings on Monday afternoon to discuss the deal with SMC, which had been in the works for the last three months.

The sources said that under the arrangement, SMC would buy 49 percent of PAL Holdings, a publicly listed entity. The structure of the deal is described by sources as complex but in the end, SMC's entry in PAL's parent company is seen giving an effective 40-percent control of the airline. As expected, SMC will have management control of the airline.

The purchase price was in line with PAL Holdings' current valuation at the stock market. As of Monday, its shares were up 0.49 percent at P8.18 a share, giving it a market capitalization of P44.13 billion.

2. "PAL board okays buy-in talks with SMC," posted in the April 3, 2012 issue of the philSTAR.com. The article reported in part that:

MANILA, Philippines – The board of directors of flag carrier Philippine Airlines (PAL) authorized yesterday company chairman Lucio Tan and vice-chairman Harry Tan to negotiate with potential investors for the sale of a stake in the company.

STAR sources revealed that the PAL board held a special meeting yesterday solely for the purpose of authorizing the company's top two officials to proceed with the negotiations with San Miguel Corp. (SMC), which has offered to reportedly acquire a 46-percent stake in the carrier.

Sources also disclosed that while business tycoon Lucio Tan and SMC president Ramon Ang are close to clinching a deal, a number of issues are still being ironed out as of yesterday.

PAL is over 90 percent owned by publicly-listed PAL Holdings which, in turn is controlled by Tan.

Tan has been in negotiations with Ang for sometime now but it was only yesterday that the former got the go-signal from the board to close a deal. The board reportedly discussed Ang's offer yesterday.

PAL sources revealed that the sale of at least a 40 percent stake and assumption by the SMC group of management control of PAL will be finalized anytime now. As part of the proposed deal, Tan will retain majority ownership of PAL but the SMC group will be running it.

Further to our previous disclosures relating to the above-captioned subject, and by way of response to the Exchange, we advise that the Company is in talks with the controlling stockholders of Philippine Airlines Inc. ("PAL") and Air Philippines Corporation ("Air Philippines") with respect to the possible investment by the Company in PAL and Air Philippines. An appropriate disclosure shall be made to the Exchange in the event definitive agreements are concluded by the parties.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Virgilio S. Jacinto', with a stylized flourish at the end.

Virgilio S. Jacinto
Corporate Secretary