



SAN MIGUEL CORPORATION

November 14, 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 reply to your request for clarification of the news article entitled "San Miguel in talks with Cayman Airways" posted in the philSTAR.com on November 14, 2012. The article reported in part that:

"MANILA, Philippines – Southeast Asia's largest conglomerate San Miguel Corp. is in talks with the Cayman Islands government for a possible investment in the latter's flag carrier Cayman Airways.

The Cayman News Service reported that San Miguel offered to acquire a substantial stake in Cayman Airways worth around \$25 million. It cited a statement issued by Premier McKeeva Bush to the Legislative Assembly, which said that Cayman Airways and San Miguel are jointly exploring potential collaboration on several areas including the ability to code share and provide aircraft operations.

The investment being discussed involves the purchase of preferred shares of Cayman Airways by San Miguel, which owns a controlling 49 percent equity stake in loss-making Philippine Airlines (PAL). The transaction would reportedly result in San Miguel acquiring as much as 49 percent of Cayman Airways.

PAL president and chief operating officer Ramon S. Ang in a text message sent through a spokesperson confirmed ongoing talks with Cayman Airways and the Cayman Islands government.

"Yes we are currently in talks with Cayman and Cayman Island government for a number of investment opportunities," Ang said in the text message.

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"There are some airline(s) in the region being offered to us for joint venture or an acquisition so we are at the moment evaluating their offers," San Miguel Corp. president Ramon Ang told reporters at the sidelines of the conglomerate's annual stockholders meeting on June 14.

"We are not resting and we are evaluating all these opportunities being offered to us," he previously told the company's stockholders.

We confirm that the Company is in talks with the Government of the Cayman Islands for a possible investment in Cayman Airways with the end in view of jointly pursuing potential areas of collaboration in aircraft operations, as reported in the aforementioned article. An appropriate disclosure shall be made in the event the parties reach and conclude definitive agreement.

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer