SAN MIGUEL CORPORATION

December 19, 2013

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 with respect to the news article entitled "Tan, SMC to finalize PAL stake sale next year" posted in the abs-cbnnews.com on December 19, 2013. The article reported in part that:

> "MANILA, Philippines, Negotiations for the sale of the majority stake in flag carrier Philippine Airlines Inc. (PAL) with San Miguel Corp. (SMC) are expected to be finalized by next year.
>
> PAL chairman and chief executive officer Lucio Tan told reporters in a chance interview yesterday that his group is in talks with SMC for the sale of the 51-percent stake in the airline.
>
> He said he expects the negotiations for the sale to be completed "by early next year."
>
> Should Tan's group decided to sell its 51-percent stake to SMC, the carrier will become wholly-owned by SMC which currently holds a 49-percent share. Metro Pacific Investments Corp. and San Miguel Corp. will likely participate in the rebidding of the P64.9-billion Light Rail Transit Line."
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> .....

We advise that the Company and the group of Dr. Lucio C. Tan are discussing their respective equity interests in Philippine Airlines, Inc. An appropriate disclosure shall be made in the event an agreement is concluded with respect to the disposition of such interests.

Very truly yours,

Virgilio S. Jacinto
Corporate Secretary