COVER SHEET

P	W	-	2	7	7

S. E. C. Registration Number

S A N

M I G U E L

C O R P O R A T I O N

(Company's Full Name)

N o . 4 0 S a n M i g u e l

A v e n u e , M a n d a l u y o n G

C i t Y

(Business Address: No. Street City/Town/Province)

Contact Person

632-3000

Company Telephone Number

1	2

Month

3	1

Day

SEC FORM

17-Q (1st Qtr-2009)

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2009**

2. Commission identification number **PW00000227**

3. BIR Tax Identification No **041-000-060-741**

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

5. **Philippines**
   Province, country or other jurisdiction
   of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **No. 40 San Miguel Avenue,**
   Mandaluyong City — **1550**
   Address of issuer's principal office — Postal Code

8. **(632) 632-3000**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

	Number of shares of common stock and Debt outstanding (as of March 31, 2009)
Class "A" Common Shares	**1,921,277,855**
Class "B" Common Shares	**1,235,931,072**
Total	**3,157,208,927**
Debt Outstanding	**P171,837 million**

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [x] No [ ]

    If yes, state name of such Stock Exchange and the class/es of securities listed herein.
    Class "A" and Class "B" Common Shares - Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.
    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2009 (with comparative figures as of December 31, 2008 and for the period ended March 31, 2008) and Selected Notes to Consolidated Financial Statements is hereto attached as **Annex "A"**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as **Annex "B".**

PART II--OTHER INFORMATION

The Company may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

NONE

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **SAN MIGUEL CORPORATION**

Signature and Title **FERDINAND K. CONSTANTINO**
Senior Vice President and
Chief Finance Officer/Authorized Signatory

Date May 15, 2009

Signature and Title **B[illegible]. NAVARRA**
Comptrollership Manager/Authorized Signatory

Date May 15, 2009

Annex "A"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
for the period ending March 31, 2009
(with comparative figures for 2008)

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2009 and December 31, 2008
(Amounts in Millions)

ASSETS

	2009 Unaudited	2008 Audited
Current Assets		
Cash and cash equivalents (Notes 8 and 9)	₱ 117,999	₱ 116,939
Trade and other receivables - net (Notes 3, 8 and 9)	51,495	50,814
Inventories - net	29,255	27,710
Current portion of biological assets - net	3,299	2,932
Prepaid expenses and other current assets (Notes 8 and 9)	5,905	5,868
Total Current Assets	207,953	204,263
Noncurrent Assets		
Investments and advances - net (Notes 8 and 9)	32,479	32,253
Property, plant and equipment - net (Note 4)	66,383	68,313
Investment properties - net	1,837	1,838
Biological assets - net of current portion	1,797	1,814
Goodwill - net	5,195	5,201
Other intangible assets - net	3,779	3,812
Deferred tax assets	7,454	7,638
Other noncurrent assets - net (Notes 3, 8 and 9)	14,751	14,241
Total Noncurrent Assets	133,675	135,110
	₱ 341,628	₱ 339,373

LIABILITIES AND EQUITY

	2009 Unaudited	2008 Audited
Current Liabilities		
Drafts and loans payable (Notes 8 and 9)	₱ 51,302	₱ 48,560
Accounts payable and accrued expenses (Notes 3, 8 and 9)	20,372	23,292
Income and other taxes payable	4,968	4,429
Dividends payable	1,452	1,563
Current maturities of long-term debt - net of debt issue costs (Notes 8 and 9)	28,540	9,044
Total Current Liabilities	106,634	86,888
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 8 and 9)	22,560	40,719
Deferred tax liabilities	16,951	17,851
Other noncurrent liabilities (Notes 8 and 9)	25,692	25,691
Total Noncurrent Liabilities	65,203	84,261
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	16,113	16,112
Additional paid -in capital	31,192	31,183
Revaluation increment	18	18
Cumulative translation adjustments	5,035	4,837
Retained earnings:		
Appropriated for expansion projects	5,554	5,522
Unappropriated	97,863	96,298
Treasury stock	(4,053)	(4,053)
	151,722	149,917
Non-controlling interests	18,069	18,307
Total Equity	169,791	168,224
	₱ 341,628	₱ 339,373

Note: See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions, Except Earnings Per Share)

	2009 Unaudited	2008 Unaudited (As Restated)
SALES (Note 2)	₱ 41,921	₱ 38,976
COST OF SALES	30,511	28,487
GROSS PROFIT	11,410	10,489
SELLING AND ADMINISTRATIVE EXPENSES	(7,122)	(6,633)
INTEREST EXPENSE AND FINANCING CHARGES	(1,488)	(1,489)
INTEREST INCOME	1,071	1,381
EQUITY IN NET EARNINGS OF ASSOCIATES	228	3
GAIN ON SALE OF INVESTMENTS AND PROPERTY, PLANT & EQUIP'T.	243	1,435
OTHER INCOME (CHARGES) - Net	(978)	2,782
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,364	7,968
INCOME TAX EXPENSE	803	2,442
INCOME FROM CONTINUING OPERATIONS	2,561	5,526
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS (Note 5)	-	5,663
NET INCOME	₱ 2,561	₱ 11,189
Net Income Attributable to :		
Equity holders of the Parent Company	₱ 2,702	₱ 11,035
Non-controlling interests	(141)	154
	₱ 2,561	₱ 11,189
Basic Earnings Per Share attributable to equity (Note 6) holders of the Parent Company:		
From Continuing Operations	₱ 0.86	₱ 1.70
From Discontinued Operations	-	1.80
	₱ 0.86	₱ 3.50
Diluted Earnings Per Share attributable to equity (Note 6) holders of the Parent Company:		
From Continuing Operations	₱ 0.86	₱ 1.70

Note: See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

CERTIFIED CORRECT:

. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions, Except Earnings Per Share)

	2009	2008
	Unaudited	Unaudited
NET INCOME	₱ 2,561	₱ 11,189
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	237	(1,127)
NET GAIN ON CASH FLOW HEDGES	39	-
INCOME TAX	(12)	-
NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	1
INCOME TAX	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD - NET OF TAX	264	(1,126)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - NET OF TAX	₱ 2,825	₱ 10,063
Comprehensive Income Attributable to :		
Equity holders of the Parent Company	₱ 2,900	₱ 9,829
Non-controlling interests	(75)	234
	₱ 2,825	₱ 10,063

Note: See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

CERTIFIED CORRECT:

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions)

	Equity Attributable to Equity Holders of the Parent Company											
				Cumulative Translation Adjustments			Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Translation Reserve	Hedging Reserve	Fair Value Reserve	Appropriated	Unappropriated	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2009 (Audited)	**P 16,112**	**P 31,183**	**P 18**	**P 4,882**	**P (123)**	**P 78**	**P 5,522**	**P 96,298**	**P (4,053)**	**P 149,917**	**P 18,307**	**P 168,224**
Foreign currency translation differences	-	-	-	171	-	-	-	-	-	171	61	232
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	27	-	-	-	-	27	10	37
Total income and expense recognized directly in equity	-	-	-	171	27	-	-	-	-	198	71	269
Net income for the period	-	-	-	-	-	-	-	2,702	-	2,702	(141)	2,561
Total recognized income and expense	-	-	-	171	27	-	-	2,702	-	2,900	(70)	2,830
Issuances of capital stock	1	9	-	-	-	-	-	-	-	10	-	10
Appropriations - net	-	-	-	-	-	-	32	(32)	-	-	-	-
Cash dividends (Note 7)	-	-	-	-	-	-	-	(1,105)	-	(1,105)	(168)	(1,273)
Balance at March 31, 2009 (Unaudited)	**P 16,113**	**P 31,192**	**P 18**	**P 5,053**	**P (96)**	**P 78**	**P 5,554**	**P 97,863**	**P (4,053)**	**P 151,722**	**P 18,069**	**P 169,791**
Balance at January 1, 2008 (Audited)	P 16,109	P 30,930	P 18	P 4,698	P -	P 173	P 6,034	P 80,855	P (4,053)	P 134,764	P 11,329	P 146,093
Foreign currency translation differences	-	-	-	(1,207)	-	-	-	-	-	(1,207)	80	(1,127)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	-	1	-	-	-	1	-	1
Total income and expense recognized directly in equity	-	-	-	(1,207)	-	1	-	-	-	(1,206)	80	(1,126)
Net income for the period	-	-	-	-	-	-	-	11,035	-	11,035	154	11,189
Total recognized income and expense	-	-	-	(1,207)	-	1	-	11,035	-	9,829	234	10,063
Issuances of capital stock	3	57	-	-	-	-	-	-	-	60	-	60
Addition in non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,133	5,133
Appropriations -net	-	-	-	-	-	-	183	(183)	-	-	-	-
Cash dividends (Note 7)	-	-	-	-	-	-	-	(1,105)	-	(1,105)	(48)	(1,153)
Balance at March 31, 2008 (Unaudited)	P 16,112	P 30,987	P 18	P 3,491	P -	P 174	P 6,217	P 90,602	P (4,053)	P 143,548	P 13,648	P 160,196

CERTIFIED CORRECT:

BE[illegible] NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions)

	2009 Unaudited	2008 Unaudited (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	₱ 3,364	₱ 7,968
Loss before income tax from discontinued operations		(3)
Income from disposal of discontinued operations		5,665
Income before income tax	3,364	13,630
Adjustments for :		
Depreciation, amortization and others - net	2,152	1,122
Interest expense and financing charges	1,488	1,489
Interest income	(1,071)	(1,381)
Equity in net earnings of associates	(228)	(3)
Gain from disposal of discontinued operations	-	(5,665)
Gain on sale of investments and property and equipment	(243)	(1,435)
Operating income before working capital changes	5,462	7,757
Changes in noncash current assets, certain current liabilities and others	(2,369)	1,771
Cash generated from operations	3,093	9,528
Interest paid	(1,580)	(1,684)
Income taxes paid	(192)	(180)
Net cash flows provided by operating activities	1,321	7,664
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(955)	(1,475)
Increase in other noncurrent assets and others	(637)	(1,817)
Advances to a related party - net	(3,179)	(2,421)
Proceeds from sale of investments and property and equipment	355	5,985
Proceeds from disposal of discontinued operation, net of cash disposed of	-	9,452
Interest received	945	1,281
Net cash flows provided by (used in) investing activities	(3,471)	11,005
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from :		
Short-term borrowings	150,946	143,565
Long-term borrowings	989	1,590
Payment of:		
Short-term borrowings	(148,264)	(149,312)
Long-term borrowings	(451)	(6,094)
Cash dividends paid	(1,093)	(1,159)
Issuances of capital stock	-	60
Dividends paid to minority shareholders	(292)	(34)
Net cash flows provided by (used in) financing activities	1,835	(11,384)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,375	1,018
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,060	8,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	116,939	93,281
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱ 117,999	₱ 101,584

Note: See accompanying Management Discussion and Analysis and Selected Notes to Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2009

		TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	₱	2,260,698,717.60	883,427,348.59	955,513,882.04	109,003,573.51	312,753,913.46
ALLOW. FOR DOUBTFUL ACCOUNTS		(480,497,609.11)				
NET	₱	1,780,201,108.49				

SAN MIGUEL CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. **Summary of Significant Accounting and Financial Reporting Policies**

The Group prepared its consolidated interim financial statements as of and for the period ended March 31, 2009 and comparative financial statements for the same period in 2008 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The consolidated financial statements of the Group have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest million (₱000,000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent audited annual financial statements.

Adoption of New Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council (FRSC) approved the adoption of new or revised standards, amendments to standards, and interpretations as part of PFRS.

Amendments to Standard and Interpretations Adopted in 2009
Starting January 1, 2009, the Group adopted the following amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes,* becomes effective for financial years beginning on or after July 1, 2008. This interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. This interpretation did not have a significant effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 16, *Hedges of a Net investment in a Foreign Operation,* becomes effective for financial years beginning on or after October 1, 2008. This interpretation applies to all entities using net investment hedging for investments in foreign operations and clarifies that net investment hedging can be applied only when the net assets of the foreign operation are included in the financial statements of the entity. The requirements in the interpretation do not apply to other forms of hedge accounting under PAS 39 and cannot be applied by analogy. IFRIC 16 provides guidance on the following issues: a) nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated; b) where the hedging instrument can be held and assessing hedge effectiveness; and c) disposal of a foreign operation. This interpretation did not have an effect on the consolidated financial statements.

- PFRS 8, *Operating Segments*, becomes effective for financial years beginning on or after January 1, 2009 and replaces PAS 14, *Segment Reporting.* This standard introduces the "management approach" to segment reporting and requires a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the Group presents segment information in respect of its business segments (Note 2).

- Revised PAS 1, *Presentation of Financial Statements,* becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to introduce the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Group elected to present two separate statements.

- Revised PAS 23, *Borrowing Costs,* becomes effective for financial years beginning on or after January 1, 2009. The standard removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This revised standard did not have a material effect on the consolidated financial statements.

- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation,* becomes effective for financial years beginning on or after January 1, 2009. The standard has been amended to require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The adoption of these amendments did not have an effect on the consolidated financial statements.

- Amendment to PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations,* becomes effective for financial years beginning on or after January 1, 2009. The standard has been amended to clarify the definition of vesting conditions, introduce the concept of non-vesting conditions, require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations. The adoption of this amendment did not have a material effect on the consolidated financial statements.

- Amended PFRS 1 and PAS 27, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate,* becomes effective for financial years beginning on or after January 1, 2009. The amendments to PFRS 1 allow a first-time adopter, at its date of transition to IFRS in its separate financial statements, to use deemed cost to account for an investment in a subsidiary, jointly controlled entity or associate. The amendments to PAS 27 remove the definition of "cost method" currently set out in PAS 27, and instead require all dividend from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established. The adoption of these amendments did not have an effect on the consolidated financial statements.

- *Improvements to PFRS 2008* discusses 35 amendments and is divided into two parts: a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes ; and b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board expects to have either no or only minimal effects on accounting. These improvements did not have a material effect on the consolidated financial statements.

2. **Segment Information**

The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into three major business segments – beverage, food and packaging.

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

The food segment includes, among others, the breeding, hatching, processing and marketing of chicken; production and marketing of feeds and flour, dairy products, snack foods, coffee, oil and fresh, ready-to-cook and processed meats.

The packaging segment is involved in the production and marketing of the following packaging products, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene/kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, crate and plastic pallet leasing, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Financial information about business segments follow:

For the period ended March 31, 2009 and 2008

	Beverage		Food		Packaging		Others		Eliminations		Consolidated	
	2009	2008*	**2009**	2008*	**2009**	2008*	**2009**	2008	**2009**	2008*	**2009**	2008*
Sales												
External sales	**₱19,945**	₱18,545	**₱18,492**	₱16,708	**₱3,484**	₱3,723	**₱–**	₱–	**₱–**	₱–	**₱41,921**	₱38,976
Inter-segment sales	**-**	–	**1**	6	**1,521**	1,240	**–**	–	**(1,522)**	(1,246)	**–**	–
Total Revenues from Continuing Operations	**₱19,945**	₱18,545	**₱18,493**	₱16,714	**₱5,005**	₱4,963	**₱–**	₱–	**(₱1,522)**	(₱1,246)	**₱41,921**	₱38,976
Result												
Segment result	**₱4,015**	₱3,652	**₱535**	₱451	**₱562**	₱330	**(₱814)**	(₱565)	**(₱10)**	(₱12)	**₱4,288**	₱3,856

**As restated – Note 5*

3. Related Party Transactions

Transactions with related parties are made at normal market prices.

a. The Parent Company has outstanding advances (including interest) to San Miguel Corporation Retirement Plan amounting to ₱9,564 and ₱6,323 as of March 31, 2009 and December 31, 2008, respectively, subject to interest of 6.5% per annum, included as part of "Trade and other receivables" account.

b. The significant transactions of the Group and Meralco include the following:

	Purchases of Utilities	Included under "Trade and other receivables" account*	Included under "Accounts payable and accrued expenses" account
March 31, 2009	**₱255**	**₱180**	**₱54**
December 31, 2008	₱187	₱168	P24

* *Includes noncurrent portion of long-term receivables and deposits.*

4. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2009

	Balance, January 1, 2009	Additions and Transfers	Disposals and Reclassifications	Currency Translation Differences	Balance, March 31, 2009
Cost:					
Land and land improvements	₱9,189	₱73	(₱81)	(₱11)	₱9,170
Buildings and improvements	23,973	133	(125)	117	24,098
Machinery and equipment	77,345	262	(65)	135	77,677
Transportation equipment	2,920	10	(17)	-	2,913
Tools and small equipment	1,854	43	12	(8)	1,901
Office equipment, furniture and fixtures	2,606	8	(31)	1	2,584
Molds	527	36	(3)	-	560
Leasehold improvements	840	3	-	-	843
Construction in progress	5,379	387	(230)	20	5,556
	124,633	955	(540)	254	125,302
Accumulated depreciation and amortization:					
Land improvements	1,054	21	(7)	(3)	1,065
Buildings and improvements	6,199	177	(27)	23	6,372
Machinery and equipment	38,076	937	(264)	(5)	38,744
Transportation equipment	2,027	41	(26)	(1)	2,041
Tools and small equipment	1,510	29	(6)	(11)	1,522
Office equipment, furniture and fixtures	2,157	39	(13)	4	2,187
Molds	403	27	4	-	434
Leasehold improvements	334	10	(1)	(1)	342
	51,760	1,281	(340)	6	52,707
Accumulated impairment losses:					
Buildings and improvements	1,090	921	-	19	2,030
Machinery and equipment	3,442	647	-	58	4,147
Transportation equipment	1	3	-	-	4
Tools and small equipment	10	1	-	-	11
Office equipment, furniture and fixtures	15	3	-	-	18
Molds	2	-	-	-	2
	4,560	1,575	-	77	6,212
Net book value	₱ 68,313	(₱1,901)	(₱200)	₱171	₱66,383

March 31, 2008

	Balance, January 1, 2008	Additions and Transfers	Disposals and Reclassifications	Currency Translation Differences	Balance, March 31, 2008
Cost:					
Land and improvements	₱8,881	₱40	(₱470)	₱101	₱8,552
Buildings and improvements	21,214	77	(51)	344	21,584
Machinery and equipment	68,696	534	253	944	70,427
Transportation equipment	2,701	8	(27)	12	2,694
Tools and small equipment	1,932	8	89	21	2,050
Office equipment, furniture and fixtures	2,451	25	2	16	2,494
Molds	395	68	274	3	740
Leasehold improvements	825	14	(4)	-	835
Construction in progress	7,461	701	139	97	8,398
	114,556	1,475	205	1,538	117,774
Accumulated depreciation and amortization:					
Land improvements	1,074	18	(103)	6	995
Buildings and improvements	5,279	141	41	71	5,532
Machinery and equipment	33,977	799	389	352	35,517
Transportation equipment	1,888	51	(23)	9	1,925
Tools and small equipment	1,559	30	36	18	1,643
Office equipment, furniture and fixtures	2,005	43	(8)	11	2,051
Molds	288	29	279	2	598
Leasehold improvements	309	8	(4)	-	313
	46,379	1,119	607	469	48,574
Accumulated impairment losses:					
Land improvements	-	-	-	-	-
Buildings and improvements	918	-	(4)	32	946
Machinery and equipment	2,884	-	(49)	170	3,005
Transportation equipment	1	-	-	-	1
Tools and small equipment	11	-	-	-	11
Office equipment, furniture and fixtures	6	-	-	-	6
Molds	2	-	-	-	2
	3,822	-	(53)	202	3,971
Net book value	₱64,355	₱356	(₱349)	₱867	₱65,229

Depreciation and amortization charged to operations amounted to ₱1,281 and ₱1,119 in March 2009 and 2008, respectively.

The decline in demand for the products of San Miguel Guangdong Brewery Company Limited (SMGB) compared to forecasted growth in sales and operating losses indicated that certain noncurrent assets relating to SMGB operations comprising of fixed assets, intangible assets, other noncurrent assets and goodwill from the acquisition of an additional interest in SMGB may be impaired. In view of this, a cash flow projection was prepared to estimate the recoverable amount of these assets. The Group recognized impairment loss amounting to HK290 (₱1,787) against these assets for the period ending March 31, 2009.

5. Discontinued Operations

As required by PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the results of operations of Agribusiness Division in 2008 and the gain on the sale of the Parent Company, through San Miguel Beverages (L) Pte. Ltd. of its San Miguel Australia Holdings Ltd. shares including J. Boag & Son Pty. Ltd. in January 2008 were presented as a separate item under "Income after Income Tax from Discontinued Operations", in the consolidated statements of income.

The results of discontinued operations are presented below:

	March 31, 2008
Net sales	**₱180**
Cost of sales	**170**
Gross profit	**10**
Selling and administrative expenses	**(14)**
Other income	**1**
Income (loss) before income tax	**(3)**
Income tax expense (benefit)	**(1)**
Gain (loss) from discontinued operations	**(2)**
Gain on sale of investment - net of tax	**5,665**
Net income from discontinued operations	**₱5,663**
Attributable to:	
Equity holders of the Parent Company	**₱5,663**
Non-controlling interests	**-**
	₱5,663

Cash flows provided by discontinued operations are presented below:

	March 31, 2008
Net cash provided by operating activities	**₱1,300**
Net cash provided by investing activities	**7,967**
Net cash provided by discontinued operations	**₱9,267**

6. **Earnings Per Share**

Basic earnings per share is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of the shares issuable to employees and executives under the Parent Company's Employees Stock Purchase Plan and Long term Incentive Plan, respectively, which are assumed to be exercised at the date of grant.

Where the EPS effect of the assumed conversion of shares issuable to employees and executives under the Parent Company's stock purchase and option plans would be anti-dilutive, diluted EPS is not presented.

Basic and Diluted EPS is computed as follows:

	March	
	2009	2008
Net income from continuing operations attributable to equity holders of the Parent Company (a)	**₱2,702**	₱5,372
Net income from discontinued operations attributable to equity holders of the Parent Company (b)	-	5,663
Net income attributable to equity holders of the Parent Company	**2,702**	11,035
Weighted average number of shares outstanding (in millions) (c)	**3,157**	3,157
Effect of dilution (in millions)	**12**	6
Weighted average number of shares outstanding (in millions) - diluted (d)	**3,169**	3,163
Basic EPS from continuing operations (a/c)	**₱0.86**	₱1.70
Basic EPS from discontinued operations (b/c)	-	1.80
	₱0.86	₱3.50
Diluted EPS from continuing operations (a/d)	**₱0.86**	₱1.70
Diluted EPS from discontinued operations (b/d)	-	1.80
	₱0.86	₱3.50

7. Dividends

Cash dividends declared amounted to ₱0.35 per share in March 2009 and 2008.

8. Financial Risk Management Objectives and Policies

Objectives and Policies

The Group's principal financial instruments other than derivatives include cash and cash equivalents, available-for-sale investments, short-term and long-term loans. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, noncurrent receivables and deposit, accounts payable and accrued expenses and other noncurrent liabilities, which arise directly from its operations.

The Group also enters into derivative transactions such as commodity and currency options, forwards and swaps. The Group uses derivatives to manage its exposures to foreign currency, interest and commodity price risks arising from the Group's operations and financing activities.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk - interest rate risk, foreign currency risk and commodity price risk. The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's accounting policies in relation to derivatives are set out in Note 9.

Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's short-term and long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

In managing interest rate, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the long-term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by ₱477 and ₱485 as of March 31, 2009 and 2008, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. There is no impact on the Group's equity.

As of March 31, 2009 and December 31, 2008, the Group's long-term debt, presented by maturity profile, are as follows:

March 31, 2009	**<1 year**	**1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total**
Fixed rate							
Philippine peso	**₱ -**	**₱ -**	**₱ -**	**₱955**	**₱ -**	**₱1,270**	**₱2,225**
Interest rate				**6.50%**		**7.25%**	
Floating rate							
Philippine peso-denominated notes	**₱ -**	**₱ -**	**₱ -**	**₱1,000**	**₱ -**	**₱ -**	**₱1,000**
Interest rate				**6.437%**			
Foreign currency-denominated notes (expressed in Philippine peso)	**₱28,244**	**₱17,691**	**₱1,534**	**₱616**	**₱116**	**₱58**	**₱48,259**
Interest rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin	THBFIX +margin	THBFIX +margin	
							₱51,484

December 31, 2008	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso	₱ -	₱ -	₱ -	₱955	₱ -	₱1,270	₱2,225
Interest rate				6.50%		7.25%	
Floating rate							
Foreign currency-denominated notes (expressed in Philippine peso)	₱9,233	₱17,411	₱17,391	₱3,751	₱117	₱59	₱47,962
Interest rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin	THBFIX +margin	THBFIX +margin	
							₱50,187

Foreign Currency Risk

The Group's exposure to foreign currency risk results from its business transactions and financing arrangements denominated in foreign currency. The Group uses a combination of natural hedges and derivative hedges to manage its foreign currency exposure. It uses currency derivatives to reduce earnings volatility related to foreign exchange movements.

Short-term currency forward contracts (deliverable and non-deliverable) are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated debts.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	March 31, 2009		December 31, 2008	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,782**	**₱86,136**	US$1,845	₱87,660
Accounts receivable	**71**	**3,423**	88	4,159
Noncurrent receivables	**118**	**5,721**	118	5,616
	1,971	**95,280**	2,051	97,435
Liabilities				
Drafts and loans payable	**137**	**6,604**	191	9,077
Accounts payable and accrued expenses	**85**	**4,126**	102	4,853
Long-term debt	**999**	**48,292**	1,009	47,961
	1,221	**59,022**	1,302	61,891
Net foreign currency-denominated monetary assets	**US$750**	**₱36,258**	US$749	₱35,544

The Group reported net foreign exchange gains amounting to ₱525 and ₱488 in March 31, 2009 and 2008, respectively, with the translation of its foreign currency-denominated assets and liabilities. These resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2007	41.28
March 31, 2008	41.76
December 31, 2008	47.52
March 31, 2009	48.33

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of a foreign operations) as of March 31, 2009 and December 31, 2008.

March 31, 2009

	₱1 decrease in the US dollar exchange rate		**₱1 increase in the US dollar exchange rate**	
	Effect on Income before Income Tax	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(₱1,559)**	**(₱223)**	**₱1,559**	**₱223**
Trade and other receivables	**(9)**	**(62)**	**9**	**62**
Noncurrent receivables	**(99)**	**(18)**	**99**	**18**
	(1,667)	**(303)**	**1,667**	**303**
Drafts and loans payable	**84**	**52**	**(84)**	**(52)**
Accounts payable and accrued expenses	**7**	**78**	**(7)**	**(78)**
Long-term debt (including current maturities)	**923**	**76**	**(923)**	**(76)**
	1,014	**206**	**(1,014)**	**(206)**
	(₱653)	**(₱97)**	**₱653**	**₱97**

December 31, 2008

	₱1 decrease in the US dollar exchange rate		₱1 increase in the US dollar exchange rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(₱1,623)	(₱1,276)	₱1,623	₱1,276
Trade and other receivables	(12)	(83)	12	83
Noncurrent receivables	(99)	(82)	99	82
	(1,734)	(1,441)	1,734	1,441
Drafts and loans payable	140	142	(140)	(142)
Accounts payable and accrued expenses	6	100	(6)	(100)
Long-term debt (including current maturities)	923	686	(923)	(686)
	1,069	928	(1,069)	(928)
	(₱665)	(₱513)	₱665	₱513

Commodity Price Risk

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market positions is offset by the resulting lower physical raw material cost.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, aluminum, soybean meal, wheat, kraft paper and freight.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, as of March 31, 2009 and December 31, 2008:

March 31, 2009

Non-derivative financial liabilities	**Carrying Amount**	**Contractual cash flow**	**1year or less**	**> 1 year - 2 years**	**>2 years - 5 years**	**Over 5 years**
Drafts and loans payable	**₱51,302**	**₱51,736**	**₱51,736**	**₱ -**	**₱ -**	**₱ -**
Accounts payable and accrued expenses	**19,413**	**19,413**	**19,413**	**-**	**-**	**-**
Long-term debt (including current maturities)	**51,100**	**53,885**	**28,823**	**18,665**	**4,809**	**1,588**
Other noncurrent liabilities	**25,692**	**25,692**	**-**	**7,544**	**18,148**	**-**

December 31, 2008

Non-derivative financial liabilities	Carrying Amount	Contractual cash flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Drafts and loans payable	₱48,560	₱48,790	₱48,790	₱ -	₱ -	₱ -
Accounts payable and accrued expenses	20,939	20,939	20,939	-	-	-
Long-term debt (including current maturities)	49,763	53,241	10,151	18,402	23,127	1,561
Other noncurrent liabilities	25,691	25,691	-	7,543	18,148	-

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral or arranges master netting agreements.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any. Financial information on the Group's maximum exposure to credit risk as of March 31, 2009 and December 31, 2008, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2009	December 31, 2008
Cash and cash equivalents	**₱117,999**	₱116,939
Trade and other receivables - net	**51,495**	50,814
Derivative assets	**243**	191
Available-for-sale investments	**588**	590
Noncurrent receivables	**8,081**	7,439
	₱178,406	₱175,973

The Group has no significant concentration of credit risk with any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken and the related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases over which the Group has little control. The mitigating factors are listed below.

The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and government regulatory authorities. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken in all dressing plants and issue certificates accordingly. These authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at reasonable prices.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and cumulative translation adjustments are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the period.

The Group is not subject to externally imposed capital requirements.

9. Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, available-for-sale (AFS) investments, FVPL financial assets and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the statements of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

<u>Financial Assets</u>

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statements of income.

Financial assets may be designated by management at initial recognition at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group accounts for its derivative transactions (including embedded derivatives) under this category with fair value changes being reported directly to profit or loss, except when the derivative is treated as an effective accounting hedge, in which the fair value change is deferred in equity under "Cumulative translation adjustments" account.

The Group's derivative assets are classified under this category.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included in this category.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that is an integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group has no investments classified as HTM as of March 31, 2009 and December 31, 2008.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated statements of financial position. Changes in the fair value of such assets are reported in the equity section of the consolidated statements of financial position until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the consolidated statements of income. Interest earned on holding AFS investments are recognized in the consolidated statements of income using effective interest rate.

The Group's investments in equity securities included under "Investments and advances" account are classified under this category.

<u>Financial Liabilities</u>
Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

Included in this category are the Group's derivative financial instruments with negative fair values.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Group's drafts and loans payable, accounts payable and accrued expenses, long-term debt and other noncurrent liabilities.

Debt Issue Costs

Debt issue costs are shown as deduction against the related debt and are amortized over the terms of the related borrowings using the effective interest method.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial assets to another entity; or

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The table below presents a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of March 31, 2009 and December 31, 2008:

	March 31, 2009		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	₱117,999	₱117,999	₱116,939	₱116,939
Trade and other receivables - net	**51,495**	**51,495**	50,814	50,814
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position amounted to ₱243 and ₱190 in March 31, 2009 and December 31, 2008, respectively and "Other noncurrent assets" account in the consolidated statements of financial position amounted to ₱1 in December 31, 2008.)	**243**	**243**	191	191
Available-for-sale investments (included under "Investments and advances" account in the consolidated statements of financial position)	**588**	**588**	590	590
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**8,081**	**8,081**	7,439	7,439

(forward)

	March 31, 2009		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Drafts and loans payable	**₱51,302**	**₱51,302**	₱48,560	₱48,560
Accounts payable and accrued expenses	**19,413**	**19,413**	20,939	20,939
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**959**	**959**	2,353	2,353
Long-term debt (including current maturities)	**51,100**	**51,159**	49,763	49,826
Other noncurrent liabilities	**25,692**	**25,692**	25,691	25,691

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturity of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on prices obtained from the market and counterparties. Fair values are also based on standard valuation models.

Available-for-Sale Investments. The fair values of publicly traded instruments and similar investments are estimated based on the quoted market prices. For all other instruments with no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each investment.

Drafts and Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of drafts and loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturity of these financial instruments.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans as of the statements of financial position date. As of March 31, 2009 and December 31, 2008, discount rates used are from 4.7% to 6.7% and 5.7% to 6.9%, respectively. The carrying values of floating rate loans with quarterly repricing approximate fair value.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges are discussed below.

The Group enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options covering the Group's requirements on fuel oil, aluminum, soybean meal and wheat.

__Derivative Instruments Accounted for as Hedges__

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the consolidated statements of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

As of March 31, 2009 and December 31, 2008, the Group has no outstanding derivatives accounted for as fair value hedges.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are included in the consolidated statements of changes in equity under "Cumulative translation adjustments" account. The ineffective portion is immediately recognized in the consolidated statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from equity to net income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in the consolidated statements of income.

Commodity Options
As of March 31, 2009 and December 31, 2008, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 9,000 and 12,000 metric tons, respectively. These options can be exercised at various calculation dates in 2008 and 2009 with specified quantities on each calculation date. The effective fair value change, net of tax, deferred under "Cumulative translation adjustments" account as of March 31, 2009 and December 31, 2008 amounted to ₱96 and ₱123, respectively.

Net Investment Hedge. As of March 31, 2009 and December 31, 2008, the Group has no hedge of a net investment in a foreign operation.

Derivative Instruments Not Accounted for as Hedges
For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the period incurred. Details are as follows:

Freestanding Derivatives

Currency Forwards
As of March 31, 2009, the Group has outstanding forward contracts to sell US$ and buy PhP to hedge existing and anticipated US$-denominated receivables. These forwards have an aggregate notional amount of US$30 to mature in April 2009. As of March 31, 2009, the net positive fair value of these currency forwards amounted to ₱25.

There were no outstanding currency forward contracts as of December 31, 2008.

Short-term Currency Swaps
As of March 31, 2009 and December 31, 2008, the Group has outstanding short-term currency swap agreements with an aggregate notional amount of US$846 and US$881, respectively. The net positive fair value of these currency swaps as of March 31, 2009 amounted to ₱134 while the net negative fair value as of December 31, 2008 was ₱905.

Currency Options
As of March 31, 2009, the Group entered into US$ options to manage its foreign currency exposure on US$-denominated receivables and obligations. These options have an aggregate notional amount of US$30. As of March 31, 2009, the net negative fair value of these options amounted to ₱20.

The Group has no outstanding currency options as of December 31, 2008.

Commodity Swaps
As of March 31, 2009 and December 31, 2008, the Group has outstanding swap agreement, covering its aluminum requirements, maturing in 2009 and 2010. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps as of March 31, 2009 and December 31, 2008 is 1,500 and 450 metric tons, respectively. The negative fair value of these swaps amounted to ₱27 and ₱19 as of March 31, 2009 and December 31, 2008, respectively.

Commodity Options
As of March 31, 2009 and December 31, 2008, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 39,600 and 58,800 metric tons, respectively. These options can be exercised at various calculation dates in 2009 with specified quantities on each calculation date. The net negative fair value of these options as of March 31, 2009 and December 31, 2008 amounted to ₱557 and ₱920, respectively.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of March 31, 2009 and December 31, 2008 of 47,355 and 34,292 metric tons, respectively. These options can be exercised at various calculation dates in 2009 with specified quantities on each calculation date. As of March 31, 2009 and December 31, 2008, the net negative fair value of these options amounted to ₱62 and ₱94, respectively.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards
As of March 31, 2009 and December 31, 2008, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$92 and US$73, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. As of March 31, 2009 and December 31, 2008, the net negative fair value of these embedded currency forwards amounted to ₱66 and ₱26, respectively.

Embedded Currency Options
As of March 31, 2009 and December 31, 2008, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$14 and US$15, respectively. These non-financial contracts consist mainly of sale agreements. As of March 31, 2009 and December 31, 2008, the net positive fair value of these embedded currency options amounted to ₱9 and ₱10, respectively.

For the period ended March 31, 2009 and December 31, 2008, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to ₱326 and (₱10,718), respectively.

10. **Subsequent Events**

a. On April 3, 2009, SMB issued Philippine peso-denominated fixed rate bonds withan aggregate principal amount of ₱38,800. Proceeds will be used to finance SMB's acquisition of the interests of the Parent Company in IBI and BPI.

   On April 29, 2009, the Parent Company sold its 100% interest in IBI to SMB for a purchase price of ₱32,000.

b. On April 17, 2009, the Parent Company completed the buyout of Rengo Co. Ltd's. 30% and 20% stake in San Miguel Rengo Packaging Corporation and Mindanao Corrugated Fibreboard, Inc. (Mincorr), respectively, for a total purchase price of ₱250.

   Subsequently, on April 29, 2009, the Parent Company acquired all the interests of Macondray Fibreboard Corporation in Mincorr for ₱27, making the two carton manufacturing companies its wholly-owned subsidiaries.

11. **Other Matters**

a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

b. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual statements of financial position date, except for Note 21 (c) of the 2008 Audited Consolidated Financial Statements that remain outstanding as of March 31, 2009. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period ended March 31, 2009.

g. The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of end of March 31, 2009. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

SAN MIGUEL CORPORATION

ANNEX "B"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation (the "Parent Company") and subsidiaries (the "Group") as of and for the period ended March 31, 2009 (with comparative figures as of December 31, 2008 and for the period ended March 31, 2008). All necessary adjustments to present fairly the consolidated financial position, results of operations, and cash flows of the Group as at March 31, 2009, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. 2009 TRANSACTIONS

- On January 27, 2009, the Parent Company's Board of Directors (BOD) approved the sale of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to San Miguel Brewery Inc. (SMB), through the sale of all its interests in Iconic Beverages, Inc. (IBI), to which the Parent Company transferred the IP Rights pursuant to a Deed of Assignment of Domestic Intellectual Property Rights dated December 16, 2008 as supplemented executed between IBI and the Parent Company, in exchange for common shares in IBI to SMB. The BOD of SMB approved on the same date, the purchase of the IP Rights through the purchase of all of the Parent Company's interests in IBI after the completion of such transfer to IBI by the Parent Company of the IP Rights to IBI. On April 29, 2009, the Parent Company sold its 100% interest in IBI to SMB for a total purchase price of P32,000 million.

  SMB's BOD also approved on January 27, 2009, the purchase of all the interests of the Parent Company in Brewery Properties, Inc. (BPI) after completion of the transfer by Parent Company of certain parcels of land to BPI in exchange for BPI common shares and after San Miguel Brewery Retirement Plan has transferred its shares in Brewery Landholdings, Inc. (BLI) to BPI in exchange for BPI preferred shares. The purchase price will be at the appraised value of the land transferred by the Parent Company to BPI amounting to P6,829 million. The sale of the Parent Company's interest in BPI to SMB will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

- On February 20, 2009, the Parent Company and Kirin Holdings Company Limited (Kirin) signed a share purchase agreement for the acquisition by Kirin of f the Parent Company's shares in SMB equivalent to a 43.249% stake in SMB. On April 30, 2009, the Parent Company sold 2,185,402,491 shares in SMB, which comprise a portion of the said 43.249% stake in the Company, and Kirin paid for such shares amounting to ₱19,321 million.

- On February 17, 2009, the Parent Company issued ₱1,000 million -floating rate corporate note, to be used for general financing and corporate requirements.

- On February 25, 2009, the Parent Company sold certain parcels of land to BLI for a total consideration of ₱239 million and recognized a gain of ₱232 million.

- On February 27, 2009, the SEC approved the assignment of 100,000,000 shares of IBI to the Parent Company under a tax-free asset-for-share agreement in exchange for certain domestic beer brands and related intellectual property rights and know-how of the Parent Company.

- Pursuant to an order by the SEC rendering SMB's registration statement effective and the permit to offer securities for sale issued by the SEC, both dated March 17, 2009, SMB offered for sale and subscription to the public Philippine peso-denominated fixed rate bonds in the aggregate principal amount of ₱38,800 million (Bonds) Series A Bonds with an aggregate principal amount of ₱13,590 million having a term of 3 years beginning on Issue Date and ending on April 3, 2012, with a fixed interest rate of 8.25% per annum; Series B Bonds with an aggregate principal amount of ₱22,400 million having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate principal amount of ₱2,810 million having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.5% per annum. Proceeds from the issuance of the bonds will be used to finance SMB's acquisition of the interests of the Parent Company in IBI and BPI.

II. RESULTS OF OPERATIONS

<u>2009 vs. 2008</u>

San Miguel Corporation's 2009 consolidated sales revenue amounted to ₱41,921 million, 8% above last year as most businesses ended the first quarter of 2009 with strong revenue growth versus 2008.

This resulted to a consolidated operating income of ₱4,288 million, 11% higher than last year. Hard liquor generated strong volumes. Beer and Packaging businesses were helped by cost containment efforts. While most of the food business benefited from favorable selling prices.

Net financing charges for the period is higher by ₱309 million.

Equity in net earning of associates represents the Group's share in income of Meralco and Bank of Commerce.

Gain on sale of investments and property, plant and equipment represents mainly the sale of land to BLI while the balance in 2008 represents the gain from sale of shares of stock in KSA Realty Corporation (KSA) and from the restructuring of the packaging group.

Other charges represents mainly the impairment losses on San Miguel Guangdong Brewery in China while other income in 2008 pertains to foreign exchange gains of ₱4,128 million partially offset by losses on derivatives amounting to ₱1,169 million.

Last year's net income includes gain from sale of shares of stock in J. Boag amounting to ₱5,665 million.

With this, income from continuing operations and consolidated net income attributable to equity holders of the Parent Company for the first quarter of 2009 totaled ₱ 2,561 million and ₱ 2,702 million, respectively, both lower than last year.

Without one-off items, net income should have been ₱ 3,355 million, 18% lower than the comparable amount of ₱ 4,114 million last year. Excluding the effect of net - foreign exchange gains in 2009, net income is 25% higher than last year.

2008 vs. 2007

The results of operations of Agribusiness Division in 2008 and the gain on sale of J. Boag in January 2008 were presented as a separate item in the consolidated statements of income under “Income after Income Tax from Discontinued Operations”.

For the first quarter of 2008, the Group generated consolidated sales revenue of ₱38,976 million, 13% above 2007. All businesses registered revenue growth versus 2007.

With the increased sales and managed fixed costs, consolidated operating income is at ₱ 3,856 million, 41% higher than 2007.

The Company’s net financing charges, on the other hand, amounted to ₱108 million for the first quarter of 2008.

Equity in net earnings of associates significantly decreased, as a result of the sale of investment in shares of stock of Del Monte Pacific Ltd. and KSA.

Gain on sale of investments and property plant and equipment represents the gain from sale of shares of stock in KSA and due to restructuring of the packaging group.

Other income includes foreign exchange gain, net of losses on foreign exchange swaps.

With these, profit from continuing operations for the first quarter amounted to ₱5,526 million, significantly higher than 2007.

Gain from discontinued operations of ₱ 5,663 million represents the gain on sale of the investment in J. Boag and results of operations of Agribusiness Division.

This resulted to a consolidated net income attributable to equity holders of the Parent Company of ₱11,035 million, significantly higher than 2007’s ₱2,389 million.

The following are the highlights of the performance of the individual business segments:

1. BEVERAGES

2009 vs. 2008

a. Beer

San Miguel Brewery Inc.(SMB) San Miguel Brewery Inc.'s first quarter revenues ended at ₱12,426 million, slightly higher than last year with 9% decline in volume due to economic slow down . However, SMB generated operating income of ₱3,873 million, greater by 3% than last year due to cost control efforts.

San Miguel Beer International (SMBIL) Beer International consolidated revenues for the first quarter stood at US$57 million, below last year's level by 10%. This was due to lower sales volume.

b. Ginebra San Miguel, Inc. (GSMI)

Ginebra San Miguel, Inc. posted consolidated revenues of ₱4,560 million for the first three months, higher by 35% than last year's level. Gross contribution margins also grew with sustained improvements in alcohol production and product distribution costs. This brought in GSMI's operating income of ₱417 million, significantly higher than last year.

2008 vs. 2007

a. Beer

San Miguel Brewery Inc.(SMB) Domestic Beer operations' operating income for the first quarter of 2008 reached ₱3,748 million, 39% above 2007. This is attributed mainly to improved sales volume and lower fixed operating costs. March 2008 volume reached 47.3 million cases that brought in revenues of ₱12,257 million, 13% higher than 2007. Red Horse, Gold Eagle and San Mig Light were the growth drivers surpassing 2007's volumes by large margins.

San Miguel Beer International (SMBIL) Beer International operations staged a good start with achieved first quarter sales volume of over 10.2 million cases, 9% up than 2007. Corresponding sales revenue of US$63.1 million was 40% above 2007.

Beer International consolidated operating loss as of March 2008 was US$ 864 thousand. This was significantly better than the reported loss in the same period in 2007 due to strong volumes of Indonesia, Exports and Thailand as well as improved contribution margin and a more profitable sales mix in North China, Thailand and Hong Kong.

b. Ginebra San Miguel, Inc. (GSMI)

GSMI's first quarter revenue was up to ₱3,389 million, increased by 14% versus same quarter in 2007. This is a result of the 8% and 25% volume growth of gin and brandy segments, respectively. The impact of high cost of packaging materials was cushioned by lower direct materials and conversion cost which translated to a better-than-2007 contribution margin. These resulted to first quarter operating income of ₱200 million, a 52% increase versus 2007.

2. PACKAGING

2009 vs. 2008

The Packaging group started off positively in the beginning of 2009 garnering total sales revenue of ₱5,005 million for the first quarter, slightly higher than last year. Operating income for the quarter is ₱562 million, significantly higher than last year.

2008 vs. 2007

The Packaging group's sales performance for the 2008 first quarter was up by 8% versus 2007 at ₱4,963 million. This is mainly due to higher sales revenue of the glass business on account of strong sales by both domestic and offshore operations and plastics business' revenue growth due to sales from pallet leasing, Beer Grande crates, food trays and SMFI crates. With this, operating income of ₱330 million was significantly above 2007's level.

3. FOOD

2009 vs. 2008

San Miguel Food Group's consolidated revenues for the first quarter of 2009 reached ₱18,493 million, an 11% growth vs. last year. Poultry, feeds, and fresh meats businesses showed strong performance posting double-digit growth rates driven by price increases and volume growth. Value-added meats business sustained its revenue growth due to the effect of price increases in the last quarter of 2008. Dairy business was helped by ice cream business' 22% volume growth and price adjustments across all product lines. With better prices, food group consolidated 2009 first quarter operating income was ₱535 million, 19% higher than last year.

Details of the businesses that comprise the Food Group are as follows.

a. Agro-Industrial

The Agro-industrial cluster delivered consolidated revenues of ₱13,062 million, 18% higher than last year mainly due to better selling prices and higher volume of poultry and feeds.

b. Value-Added Meats

Value-added meats business posted first quarter revenue of ₱2,441 million, 6% above last year due to the effect of price increases in the last quarter of 2008.

c. Flour Milling

The milling cluster posted a three-month revenue of ₱2,043 million, 4% lower than last year.

d. Magnolia Inc.

Magnolia Inc. contributed revenues at ₱1,181 million, 5% higher than last year, helped by ice cream business' 22% volume growth and price adjustments across all product lines.

2008 vs. 2007

The San Miguel Food Group's consolidated revenues reached ₱16,714 million, exceeding 2007's level as most of the businesses registered higher volume and favorable selling prices. However, with higher cost to produce hogs and increase in prices of raw materials, specifically, wheat and vegetable oils, consolidated operating income ended at ₱451 million.

Details of the businesses that comprise the Food Group are as follows.

a. Agro-Industrial

The Agro-industrial cluster delivered consolidated revenues of ₱11,061 million, 15% higher than 2007 mainly due to better selling prices and higher volume of poultry and feeds.

b. Value-Added Meats

Value-added meats business posted first quarter revenue of ₱2,312 million, 12% above 2007 and operating income of ₱82 million, 8% better than 2007 due to favorable average selling prices.

c. Flour Milling

The milling cluster posted a three-month revenue of ₱2,121 million, 39% higher than 2007, due to higher flour selling prices.

d. Magnolia Inc.

Magnolia Inc. contributed revenues at ₱1,123 million, 6% higher than 2007, due to higher selling prices and volume growth of butter, margarine, ice cream and salad aids.

III. FINANCIAL CONDITIONS

2009 vs. 2008

The increase in inventories of ₱1,545 million from ₱27,710 million in 2008 is attributed to the increasing costs of major raw materials, purchase of soy bean meal and increase in production volume of the hard liquors business.

Current biological assets increased by 13% to ₱3,299 million in 2009 due to increase in volume and growing capacity of poultry livestock and hogs and increase in average cost per kilogram of goods in process.

Drafts and loans payable increased by 6% from ₱48,560 million in 2008 mainly due to net availments and translation adjustments.

Accounts payable and accrued expenses decreased by 13% from ₱23,292 million in 2008 mainly due to decrease in derivative liabilities which is attributable to the depreciation of foreign exchange rate relative to strike prices and the increase in market price of fuel and net payment of payables outstanding as of December 31, 2008.

The increase in income and other taxes payable of ₱539 million from ₱4,429 million in 2008 to ₱4,968 million in 2009, represents the net income tax due for the first quarter of 2009.

Dividends payable decreased by 7% mainly due to the lower amount of declaration, net payments for the period.

Long-term debt increased by ₱1,337 million from ₱49,763 million in 2008 mainly due to the issuance of floating rate corporate note by the Parent Company, translation adjustments and amortization of debt issue costs, net of partial payments.

Deferred tax liabilities decreased by 5% mainly due to decrease of deferred income tax on the undistributed net earnings of foreign subsidiaries and unrealized foreign exchange gains.

2008 vs. 2007

Cash and cash equivalents increased by 9% from ₱93,281 million in 2007 to ₱101,584 million in 2008 mainly due to proceeds from sale of J. Boag, KSA, and 35% stake in San Miguel Yamamura Packaging Corporation (SMYPC, formerly San Miguel Packaging Specialists, Inc.) and San Miguel Yamamura Packaging International Limited (SMYPIL, formerly San Miguel Packaging International Limited) shares.

Receivables decreased by ₱858 million from ₱61,879 million in 2007 due to collection of December trade receivables of San Miguel Pure Foods Company, Inc. (SMPFC), Centralized Key Account Group, Agribusiness, and SMYPC net of advances to SMC Retirement Plan.

The increase in inventories of ₱1,454 million from ₱23,852 million in 2007 pertains to increase in importation of soy bean meal and higher costs of wheat shipments.

Current biological assets increased by 9% to ₱2,539 million due to increase in volume of poultry coupled with higher feed costs of broiler and hogs.

Prepaid expenses and other current assets increased by ₱598 million mainly due to the increase in currency derivatives of the Parent Company.

Property, plant and equipment increased by ₱874 million from ₱64,355 million in 2007 due to various capital expenditures and cumulative translation adjustments for the period, net of depreciation charges.

Noncurrent biological assets increased by 5% to ₱1,389 million in 2008 mainly due to higher inventory of breeding stocks and increase in capacity of poultry's breeders.

Other intangible assets increased by ₱404 million from ₱3,202 million in 2007 due to reclassification of certain land and land improvements to land used rights by SMPIL and San Miguel Food & Beverage International Ltd., and increase in translation adjustment of San Miguel Beer Thailand's exclusive license to operate.

Other noncurrent assets increased by 10% from ₱13,688 million in 2007 to ₱15,082 million in 2008 due to the additional payment by SMPI on its subscription to the unissued shares of Bank of Commerce amounting to ₱1,000 million.

Drafts and loans payable decreased by 13% to ₱38,555 million in 2008 due to net payment for the first quarter of 2008.

Accounts payable and accrued expenses increased by 5% from ₱20,311 million in 2007 mainly due to increase in currency and commodity derivatives of the Parent Company as a result of change in exchange rates and the recognition of corresponding payable for the ₱500 million additional subscription to Bank of Commerce shares.

Income and other taxes payable increased by 60% to ₱5,309 million in 2008 mainly due to the amount of income taxes payable for the first quarter.

Long-term debt decreased by 9% from ₱55,834 million in 2007 to ₱50,536 million in 2008 mainly due to net payments during the period.

Deferred tax liabilities increased by 35% from ₱12,721 million in 2007 to ₱17,191 million in 2008 mainly due to set up of deferred income tax on foreign income resulting from the gain on the sale of J. Boag.

Other noncurrent liabilities decreased by ₱155 million to ₱301 million in 2008 mainly due to the amortization of unearned income on pallet leasing by SMYPC.

Assets held for sale, liabilities directly associated with assets held for sale and amounts recognized directly in equity relating to assets held for sale were reversed as a result of the completion of the sale of investment in shares of stock of J. Boag and KSA in January 2008.

Minority interests increased by 47% mainly due to the sale of 35% stake in our domestic and regional packaging businesses to Nihon Yamamura Glass.

Equity

The increase in equity is due to:

(In millions)	March 31	
	2009	**2008**
Income during the period	**₱2,561**	₱11,189
Increase in non-controlling interests	**-**	5,133
Issuance of capital stock	**10**	60
Effect of translation adjustments	**232**	(1,127)
Changes in fair value of cash flow hedges	**37**	1
Cash dividends	**(1,273)**	(1,153)
	₱1,567	₱14,103

Current ratio was 1.95 in 2009 and 2.35 in 2008. Debt to equity ratio was 1.01 and 1.02 as of 2009 and 2008, respectively.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	March 31	
	2009	**2008**
Net cash flows provided by operating activities	**₱1,321**	₱7,664
Net cash flows provided by (used in) investing activities	**(3,471)**	11,005
Net cash flows provided by (used in) financing activities	**1,835**	(11,384)

Net cash flows from operations for the year basically consists of income for the period less changes in noncash current assets, certain current liabilities and others, which include decreases in inventory level.

Net cash flows provided by (used in) investing activities included the following:

(In millions)	March 31	
	2009	**2008**
Additions to property, plant and equipment	**(₱955)**	(₱1,475)
Proceeds from sale of investments and property and equipment	**355**	5,985
Proceeds from sale of discontinued operation, net of cash disposed of	**-**	9,452
Interest received	**945**	1,281
Advances to a related party	**(3,179)**	(2,421)
Increase in other noncurrent assets and others	**(637)**	(1,817)

Major components of net cash flows provided by (used in) financing activities are as follows:

(In millions)	March 31	
	2009	**2008**
Proceeds from (payments of) short-term loan - net	**₱2,682**	(₱5,747)
Proceeds from (payments of) long-term debt - net	**538**	(4,504)
Payments of dividends	**(1,385)**	(1,193)
Other financing activities	-	60

The effect of exchange rate changes on cash and cash equivalents amounted to ₱1,375 million and ₱1,018 million in March 31, 2009 and 2008, respectively. The exchange rates used for net assets in March 31, 2009 are ₱48.33 to US$1 (₱47.52 in December 31, 2008) and ₱47.79 to US$1 as of March 31, 2009 (₱40.95 as of March 31, 2008) for income and expense items.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Company uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Results of Operations" of the MD&A for the discussion of the computed certain Key Performance Indicators.

	March 2009	**December 2008**
Liquidity:		
Current Ratio	**1.95**	2.35
Solvency:		
Debt to Equity Ratio	**1.01**	1.02
Profitability:		
Return on Average Equity	**1.79%**	13.59%

	Period Ended March 31	
	2009	**2008**
Operating Efficiency:		
Volume Growth (Decline)	**(1%)**	9%
Revenue Growth	**8%**	13%
Operating Margin	**10.23%**	9.89%

The manner by which the Company calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity	$\frac{\text{Net Income*}}{\text{Average Equity}}$

Volume Growth	$\left(\dfrac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior period Net Sales}}\right) -1$
Revenue Growth	$\left(\dfrac{\text{Current period Net Sales}}{\text{Prior Period Net Sales}}\right) -1$
Operating Margin	$\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting*