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.
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) 632-3000
Company Telephone Number

SEC FORM (2nd Qtr-2009)

1	2		3	1			1	7	-	Q						

Month Day 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

- - - - - - - - - - - - - - - - - -

S T A M P S

- - - - - - - - - - - - - - - - - -

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 **June 30, 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**
Address of issuer's principal office
1550
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 June 30, 2009)
Class "A" Common Shares	**1,922,859,594**
Class "B" Common Shares	**1,236,879,122**
Total	**3,159,738,716**
Debt Outstanding	

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 June 30, 2009 (with comparative figures as of December 31, 2008 and for the period ended June 30, 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	September 1, 2009
Signature and Title	**BELLA O. NAVARRA** Comptrollership Manager/Authorized Signatory
Date	September 1, 2009

ANNEX "A"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements
For the period ending June 30, 2009
(With comparative figures for 2008)

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and December 31, 2008
(Amounts in Millions)

ASSETS

	2009 Unaudited	2008 Audited
Current Assets		
Cash and cash equivalents (Notes 9 and 10)	₱ 159,591	₱ 116,939
Trade and other receivables - net (Notes 3, 9 and 10)	55,109	50,814
Inventories - net	29,505	27,710
Current portion of biological assets - net	3,229	2,932
Prepaid expenses and other current assets (Notes 9 and 10)	6,373	5,868
Total Current Assets	253,807	204,263
Noncurrent Assets		
Investments and advances - net (Notes 9 and 10)	33,771	32,253
Property, plant and equipment - net (Note 4)	67,136	68,313
Investment properties - net	1,884	1,838
Biological assets - net of current portion	1,823	1,814
Goodwill - net	5,234	5,201
Other intangible assets - net	3,839	3,812
Deferred tax assets	11,881	7,638
Other noncurrent assets - net (Notes 3, 9 and 10)	13,907	14,241
Total Noncurrent Assets	139,475	135,110
	₱ 393,282	₱ 339,373

LIABILITIES AND EQUITY

	2009 Unaudited	2008 Audited
Current Liabilities		
Drafts and loans payable (Notes 9 and 10)	₱ 50,742	₱ 48,560
Accounts payable and accrued expenses (Notes 3, 9 and 10)	27,195	23,292
Income and other taxes payable	3,402	4,429
Dividends payable	1,525	1,563
Current maturities of long-term debt - net of debt issue costs (Notes 9 and 10)	1,099	9,044
Total Current Liabilities	83,963	86,888
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 9 and 10)	44,087	40,719
Deferred tax liabilities	17,355	17,851
Other noncurrent liabilities (Notes 9 and 10)	18,505	25,691
Total Noncurrent Liabilities	79,947	84,261
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	16,126	16,112
Additional paid -in capital	31,329	31,183
Revaluation increment	18	18
Cumulative translation adjustments	4,715	4,837
Retained earnings:		
Appropriated for expansion projects	5,497	5,522
Unappropriated	149,738	96,298
Treasury stock	(4,053)	(4,053)
	203,370	149,917
Non-controlling interests	26,002	16,307
Total Equity	229,372	166,224
	₱ 393,282	₱ 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 June 30, 2009 and 2008 (Unaudited)
(Amounts in Millions, Except Earnings Per Share)

	2009	2008 (As Restated)	For the Quarter Ended 2009	For the Quarter Ended 2008 (As Restated)
SALES (Note 2)	P 84,853	P 79,590	P 42,932	P 40,614
COST OF SALES	61,585	58,005	31,074	29,518
GROSS PROFIT	23,268	21,585	11,858	11,096
SELLING AND ADMINISTRATIVE EXPENSES	(14,591)	(13,362)	(7,469)	(6,729)
INTEREST EXPENSE AND FINANCING CHARGES	(4,010)	(2,828)	(2,522)	(1,339)
INTEREST INCOME	2,468	3,750	1,397	2,359
EQUITY IN NET EARNINGS OF ASSOCIATES	897	41	669	38
GAIN ON SALE OF INVESTMENTS AND PROPERTY & EQUIP'T. AND OTHERS (Note 5)	50,245	9,347	50,980	5,130
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	58,277	18,533	54,913	10,565
INCOME TAX EXPENSE	2,031	4,063	1,228	1,621
INCOME FROM CONTINUING OPERATIONS	56,246	14,470	53,685	8,944
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS (Note 6)	-	5,660	-	(3)
NET INCOME	P 56,246	P 20,130	P 53,685	P 8,941
Net Income Attributable to :				
Equity holders of the Parent Company	P 55,625	P 19,732	P 52,923	P 8,697
Non-controlling interests	621	398	762	244
	P 56,246	P 20,130	P 53,685	P 8,941
Basic Earnings Per Share attributable to equity holders of the Parent Company (Note 7):				
From Continuing Operations	P 17.62	P 4.46	P 16.76	P 2.76
From Discontinued Operations	-	1.79	-	(0.01)
	P 17.62	P 6.25	P 16.76	P 2.75
Diluted Earnings Per Share attributable to equity holders of the Parent Company (Note 7):				
From Continuing Operations	P 17.55	P 4.45	P 16.69	P 2.75

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 COMPREHENSIVE INCOME
For the Period Ended June 30, 2009 and 2008 (Unaudited)
(Amounts in Millions)

	2009	2008	For the Quarter Ended 2009	For the Quarter Ended 2008
NET INCOME	P 56,246	P 20,130	P 53,685	P 8,941
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	(109)	1,199	(346)	2,326
NET GAIN ON CASH FLOW HEDGES	124	66	85	66
INCOME TAX	(37)	(20)	(25)	(20)
NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	17	(30)	17	(31)
INCOME TAX	(5)	9	(5)	9
OTHER COMPREHENSIVE INCOME FOR THE PERIOD - NET OF TAX	(10)	1,224	(274)	2,350
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - NET OF TAX	P 56,236	P 21,354	P 53,411	P 11,291
Comprehensive Income Attributable to :				
Equity holders of the Parent Company	P 55,503	P 20,432	P 52,603	P 10,603
Non-controlling interests	733	922	808	688
	P 56,236	P 21,354	P 53,411	P 11,291

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 CHANGES IN EQUITY
For the Period Ended June 30, 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				(221)						(221)	112	(109)
Effective portion of changes in fair value of cash flow hedges, net of tax					87					87		87
Net change in fair value of available-for-sale financial assets, net of tax						12				12		12
Total income and expense recognized directly in equity	-	-	-	(221)	87	12	-	-	-	(122)	112	(10)
Net income for the period								55,625		55,625	621	56,246
Total recognized income and expense				(221)	87	12	-	55,625	-	55,503	733	56,236
Issuances of capital stock	14	146								160	-	160
Addition in non-controling interests										-	7,343	7,343
Appropriations - net							(25)	25		-	-	-
Cash dividends (Note 6)							-	(2,210)		(2,210)	(381)	(2,591)
Balance at June 30, 2009 (Unaudited)	P 16,126	P 31,329	P 18	P 4,661	P (36)	P 90	P 5,497	P 149,738	P (4,053)	P 203,370	P 26,002	P 229,372
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				675						675	524	1,199
Effective portion of changes in fair value of cash flow hedges, net of tax					46					46		46
Net change in fair value of available-for-sale financial assets, net of tax						(21)				(21)	-	(21)
Total income and expense recognized directly in equity	-	-	-	675	46	(21)	-	-	-	700	524	1,224
Net income for the period								19,732		19,732	398	20,130
Total recognized income and expense	-	-	-	675	46	(21)	-	19,732	-	20,432	922	21,354
Issuances of capital stock	3	145								148	-	148
Addition in non-controlling interests										-	5,972	5,972
Appropriations -net							169	(169)		-	-	-
Cash dividends (Note 6)								(1,104)		(1,104)	(48)	(1,152)
Balance at June 30, 2008 (Unaudited)	P 16,112	P 31,075	P 18	P 5,373	P 46	P 152	P 6,203	P 99,314	P (4,053)	P 154,240	P 18,175	P 172,415

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended June 30, 2009 and 2008 (Unaudited)
(Amounts in Millions)

		2009		2008
				(As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations	P	58,277	P	18,533
Loss before income tax from discontinued operations		-		(8)
Income from disposal of discontinued operations		-		5,665
Income before income tax		58,277		24,190
Adjustments for :				
Depreciation, amortization and others - net		4,326		(7,195)
Interest expense and financing charges		4,010		2,828
Interest income		(2,468)		(3,750)
Equity in net earnings of associates		(897)		(41)
Gain from disposal of discontinued operations		-		(5,665)
Gain on sale of investments and property and equipment		(50,717)		(7,153)
Operating income before working capital changes		12,531		3,214
Changes in noncash current assets, certain current liabilities and others		(4,939)		4,629
Cash generated from operations		7,592		7,843
Interest paid		(2,823)		(2,646)
Income taxes paid		(3,464)		(1,147)
Net cash flows provided by operating activities		1,305		4,050
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to investments and advances		(450)		(1,249)
Additions to property, plant and equipment		(2,813)		(3,081)
Increase in other noncurrent assets and others		(1,355)		(1,340)
Advances to a related party - net		(7,366)		(5,533)
Proceeds from sale of investments and property and equipment		55,015		12,082
Proceeds from disposal of discontinued operation, net of cash disposed of		-		9,452
Interest received		2,067		3,608
Net cash flows provided by investing activities		45,098		13,939
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from :				
Short-term borrowings		354,422		282,109
Long-term borrowings		39,347		316
Payment of:				
Short-term borrowings		(352,193)		(285,230)
Long-term borrowings		(44,135)		(12,775)
Cash dividends paid		(2,188)		(2,256)
Issuances of capital stock		-		148
Dividends paid to non-controlling shareholders		(443)		(80)
Increase in (acquisition of) non-controlling interests		(277)		601
Net cash flows used in financing activities		(5,467)		(17,167)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,716		11,140
NET INCREASE IN CASH AND CASH EQUIVALENTS		42,652		11,962
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		116,939		93,281
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P	159,591	P	105,243

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 JUNE 30, 2009

		TOTAL	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	₱	331,817,608.66	331,817,608.66
ALLOW. FOR DOUBTFUL ACCOUNTS		(292,156,514.66)	
NET	₱	39,661,094.00	

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 June 30, 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.

<u>Inter-segment Transactions</u>

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 June 30, 2009 and 2008

	Beverage		Food		Packaging		Others		Eliminations		Consolidated	
	2009	2008*	**2009**	2008*	**2009**	2008*	**2009**	2008	**2009**	2008*	**2009**	2008*
Sales												
External sales	**₱40,209**	₱37,949	**₱37,206**	₱33,917	**₱7,438**	₱7,724	**₱–**	₱–	**₱–**	₱–	**₱84,853**	₱79,590
Inter-segment sales	**-**	–	**5**	7	**2,702**	2,267	**–**	–	**(2,707)**	(2,274)	**–**	–
Total Revenues from Continuing Operations	**₱40,209**	₱37,949	**₱37,211**	₱33,924	**₱10,140**	₱9,991	**₱–**	₱–	**(₱2,707)**	(₱2,274)	**₱84,853**	₱79,590
Result												
Segment result	**₱7,663**	₱6,828	**₱1,287**	₱888	**₱1,079**	₱741	**(₱1,757)**	(₱450)	**₱405**	₱216	**₱8,677**	₱8,223

**As restated – Note 6*

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 ₱13,967 and ₱6,323 as of June 30, 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 Manila Electric Company (Meralco) include the following:

	Purchases of Utilities	Included under "Trade and other receivables" account*	Included under "Accounts payable and accrued expenses" account
June 30, 2009	**₱742**	**₱160**	**₱57**
December 31, 2008	₱277**	₱168	P24

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

*** Transactions from October 27 to December 31, 2008.*

4. Property, Plant and Equipment

Property, plant and equipment consist of:

June 30, 2009

	Balance, January 1, 2009	Additions and Transfers	Disposals and Reclassifications	Currency Translation Differences	Balance, June 30, 2009
Cost:					
Land and land improvements	₱9,189	₱801	(₱81)	₱64	₱9,973
Buildings and improvements	23,973	182	(133)	199	24,221
Machinery and equipment	77,345	360	(92)	459	78,072
Transportation equipment	2,920	117	(200)	12	2,849
Tools and small equipment	1,854	58	(19)	(1)	1,892
Office equipment, furniture and fixtures	2,606	26	(43)	13	2,602
Molds	527	72	(61)	5	543
Leasehold improvements	840	56	(8)	1	889
Construction in progress	5,379	1,141	(225)	19	6,314
	124,633	2,813	(862)	771	127,355
Accumulated depreciation and amortization:					
Land improvements	1,054	40	(9)	7	1,092
Buildings and improvements	6,199	353	(35)	39	6,556
Machinery and equipment	38,076	1,825	(425)	147	39,623
Transportation equipment	2,027	111	(133)	8	2,013
Tools and small equipment	1,510	57	(34)	(2)	1,531
Office equipment, furniture and fixtures	2,157	81	(43)	10	2,205
Molds	403	86	(49)	2	442
Leasehold improvements	334	19	(4)	2	351
	51,760	2,572	(732)	213	53,813
Accumulated impairment losses:					
Buildings and improvements	1,090	1,134	-	15	2,239
Machinery and equipment	3,442	644	-	46	4,132
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	1,785	-	61	6,406
Net book value	₱ 68,313	(₱1,544)	(₱130)	₱497	₱67,136

June 30, 2008

	Balance, January 1, 2008	Additions and Transfers	Disposals and Reclassifications	Currency Translation Differences	Balance, June 30, 2008
Cost:					
Land and land improvements	₱8,881	₱305	(₱205)	₱145	₱9,126
Buildings and improvements	21,214	993	(115)	1,077	23,169
Machinery and equipment	68,696	3,272	11	2,614	74,593
Transportation equipment	2,701	244	(43)	35	2,937
Tools and small equipment	1,932	34	(166)	63	1,863
Office equipment, furniture and fixtures	2,451	29	25	50	2,555
Molds	395	62	39	9	505
Leasehold improvements	825	14	20	-	859
Construction in progress	7,461	(1,872)	(421)	398	5,566
	114,556	3,081	(855)	4,391	121,173
Accumulated depreciation and amortization:					
Land improvements	1,074	40	(76)	17	1,055
Buildings and improvements	5,279	309	(8)	243	5,823
Machinery and equipment	33,977	1,647	(98)	995	36,521
Transportation equipment	1,888	125	(44)	28	1,997
Tools and small equipment	1,559	59	(207)	56	1,467
Office equipment, furniture and fixtures	2,005	83	3	33	2,124
Molds	288	55	34	7	384
Leasehold improvements	309	20	(4)	-	325
	46,379	2,338	(400)	1,379	49,696
Accumulated impairment losses:					
Buildings and improvements	918	-	-	107	1,025
Machinery and equipment	2,884	-	-	356	3,240
Transportation equipment	1	-	-	-	1
Tools and small equipment	11	-	-	2	13
Office equipment, furniture and fixtures	6	-	-	13	19
Molds	2	-	-	-	2
	3,822	-	-	478	4,300
Net book value	₱64,355	₱743	(₱455)	₱2,534	₱67,177

Depreciation and amortization charged to operations amounted to ₱2,572 and ₱2,338 in June 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. As of June 30, 2009, the Group recognized impairment loss amounting to HK$290 (₱1,787) against these assets.

5. Gain on Sale of Investments and Property and Equipment and Others

This account consists of:

	2009	2008
Gain on sale of investments and property and equipment - net	**₱48,319**	₱7,154
Foreign exchange gains	**1,730**	8,785
Loss on derivatives - net	**(118)**	(6,431)
Others - net	**314**	(161)
	₱50,245	₱9,347

6. 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:

	June 30, 2008
Net sales	**₱180**
Cost of sales	**170**
Gross profit	**10**
Selling and administrative expenses	**(19)**
Other income	**1**
Loss before income tax	**(8)**
Income tax benefit	**(3)**
Loss from discontinued operations	**(5)**
Gain on sale of investment - net of tax	**5,665**
Net income from discontinued operations	**₱5,660**
Attributable to:	
Equity holders of the Parent Company	**₱5,660**
Non-controlling interests	**-**
	₱5,660

Cash flows provided by discontinued operations are presented below:

	June 30, 2008
Net cash provided by operating activities	**₱1,486**
Net cash provided by investing activities	**7,802**
Net cash provided by discontinued operations	**₱9,288**

7. 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:

	June 2009	June 2008
Net income from continuing operations attributable to equity holders of the Parent Company (a)	**₱55,625**	₱14,072
Net income from discontinued operations attributable to equity holders of the Parent Company (b)	**-**	5,660
Net income attributable to equity holders of the Parent Company	**55,625**	19,732
Weighted average number of shares outstanding (in millions) (c)	**3,158**	3,157
Effect of dilution (in millions)	**12**	6
Weighted average number of shares outstanding (in millions) - diluted (d)	**3,170**	3,163
Basic EPS from continuing operations (a/c)	**₱17.62**	₱4.46
Basic EPS from discontinued operations (b/c)	**-**	1.79
	₱17.62	₱6.25
Diluted EPS from continuing operations (a/d)	**₱17.55**	₱4.45
Diluted EPS from discontinued operations (b/d)	**-**	1.79
	₱17.55	₱6.24

8. Dividends

Cash dividends declared amounted to ₱0.70 per share in June 2009 and 2008.

9. 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 10.

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 ₱30 and ₱453 as of June 30, 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 June 30, 2009 and December 31, 2008, the Group’s long-term debt, presented by maturity profile, are as follows:

June 30, 2009	**<1 year**	**1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total**
Fixed rate							
Philippine peso	**₱ -**	**₱ -**	**₱14,545**	**₱ -**	**₱23,670**	**₱2,810**	**₱41,025**
Interest rate			**6.50% - 8.25%**		**7.25% - 8.875%**	**10.5%**	
Floating rate							
Philippine peso-denominated notes	**₱ -**	**₱ -**	**₱1,000**	**₱ -**	**₱ -**	**₱ -**	**₱1,000**
Interest rate			PDST – F for 3 months + margin				
Foreign currency-denominated notes (expressed in Philippine peso)	**₱1,099**	**₱1,136**	**₱881**	**₱371**	**₱121**	**₱ -**	**₱3,608**
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		
							₱45,633

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:

	June 30, 2009		December 31, 2008	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,827**	**₱87,951**	US$1,845	₱87,660
Accounts receivable	**76**	**3,648**	88	4,159
Noncurrent receivables	**100**	**4,833**	118	5,616
	2,003	**96,432**	2,051	97,435
Liabilities				
Drafts and loans payable	**60**	**2,889**	191	9,077
Accounts payable and accrued expenses	**91**	**4,364**	102	4,853
Long-term debt	**75**	**3,608**	1,009	47,961
	226	**10,861**	1,302	61,891
Net foreign currency-denominated monetary assets	**US$1,777**	**₱85,571**	US$749	₱35,544

The Group reported net foreign exchange gains (losses) amounting to ₱1,638 and (₱1,085) in June 30, 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
June 30, 2008	44.90
December 31, 2008	47.52
June 30, 2009	48.13

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 June 30, 2009 and December 31, 2008.

June 30, 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	**(₱1,701)**	**(₱1,147)**	**₱1,701**	**₱1,147**
Trade and other receivables	**(8)**	**(72)**	**8**	**72**
Noncurrent receivables	**(100)**	**(60)**	**100**	**60**
	(1,809)	**(1,279)**	**1,809**	**1,279**
Drafts and loans payable	**9**	**56**	**(9)**	**(56)**
Accounts payable and accrued expenses	**6**	**88**	**(6)**	**(88)**
Long-term debt (including current maturities)	**-**	**75**	**-**	**(75)**
	15	**219**	**(15)**	**(219)**
	(₱1,794)	**(₱1,060)**	**₱1,794**	**₱1,060**

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 June 30, 2009 and December 31, 2008:

June 30, 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	**₱50,742**	**₱50,979**	**₱50,979**	**₱ -**	**₱ -**	**₱ -**
Accounts payable and accrued expenses	**26,779**	**26,779**	**26,779**	**-**	**-**	**-**
Long-term debt (including current maturities)	**45,186**	**62,249**	**3,916**	**4,885**	**22,987**	**30,461**
Other noncurrent liabilities	**18,505**	**18,505**	**-**	**357**	**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 June 30, 2009 and December 31, 2008, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	June 30, 2009	December 31, 2008
Cash and cash equivalents	**₱159,591**	₱116,939
Trade and other receivables - net	**55,109**	50,814
Derivative assets	**86**	191
Available-for-sale investments	**611**	590
Noncurrent receivables	**7,306**	7,439
	₱222,703	₱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.

10. **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 June 30, 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 June 30, 2009 and December 31, 2008:

	June 30, 2009		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱159,591**	**₱159,591**	₱116,939	₱116,939
Trade and other receivables - net	**55,109**	**55,109**	50,814	50,814
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position amounted to ₱85 and ₱190 in June 30, 2009 and December 31, 2008, respectively and "Other noncurrent assets" account in the consolidated statements of financial position amounted to ₱1 in June 30, 2009 and December 31, 2008.)	**86**	**86**	191	191
Available-for-sale investments (included under "Investments and advances" account in the consolidated statements of financial position)	**611**	**611**	590	590
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**7,306**	**7,306**	7,439	7,439

(forward)

	June 30, 2009		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Drafts and loans payable	**₱50,742**	**₱50,742**	₱48,560	₱48,560
Accounts payable and accrued expenses	**26,779**	**26,779**	20,939	20,939
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**416**	**416**	2,353	2,353
Long-term debt (including current maturities)	**45,186**	**50,148**	49,763	49,826
Other noncurrent liabilities	**18,505**	**16,397**	25,691	22,963

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

Cash and Cash Equivalents and Trade and Other Receivables. 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.

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 June 30, 2009 and December 31, 2008, discount rates used are from 4.6% to 8.1% and 5.7% to 6.9%, respectively. The carrying values of floating rate loans with quarterly repricing approximate fair value.

Noncurrent Receivables and Deposits and Other Noncurrent Liabilities. The fair value is based on the present value of expected future cash flows using the applicable discount rates.

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.

<u>Derivative Instruments Accounted for as Hedges</u>

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 June 30 and 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 June 30 and March 31, 2009 and December 31, 2008, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 6,000, 9,000 and 12,000 metric tons, respectively. These options can be exercised at various calculation dates in 2009 with specified quantities on each calculation date. The effective fair value change, net of tax, deferred under "Cumulative translation adjustments" account as of June 30 and March 31, 2009 and December 31, 2008 amounted to ₱36, ₱96 and ₱123, respectively.

Net Investment Hedge. As of June 30 and 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 June 30, 2009 and 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.

As of June 30, 2009, the Group has no outstanding short-term currency swap.

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 June 30, 2009 and December 31, 2008.

Commodity Swaps
As of June 30 and March 31, 2009 and December 31, 2008, the Group has outstanding swap agreement, covering its aluminum requirements, maturing in 2009, 2010 and 2011. 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 June 30 and March 31, 2009 and December 31, 2008 is 2,400, 1,500 and 450 metric tons, respectively. The positive fair value of these swaps amounted to ₱16 as of June 30, 2009 while the negative fair value as of March 31, 2009 and December 31, 2008 was ₱27 and ₱19, respectively.

Commodity Options
As of June 30 and March 31, 2009 and December 31, 2008, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 26,400, 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 June 30 and March 31, 2009 and December 31, 2008 amounted to ₱185, ₱557 and ₱920, respectively.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of June 30 and March 31, 2009 and December 31, 2008 of 24,494, 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 June 30, 2009, the net positive fair value of these options amounted to ₱11 while the net negative fair value as of March 31, 2009 and December 31, 2008 was ₱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 and options embedded in non-financial contracts.

Embedded Currency Forwards
As of June 30 and March 31, 2009 and December 31, 2008, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$112, 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 June 30 and March 31, 2009 and December 31, 2008, the net negative fair value of these embedded currency forwards amounted to ₱65, ₱66 and ₱26, respectively.

Embedded Currency Options
As of June 30 and March 31, 2009 and December 31, 2008, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$56, US$14 and US$15, respectively. These non-financial contracts consist mainly of sales agreements. As of June 30, 2009, the net negative fair value of these embedded currency options amounted to ₱51 while the net positive fair value as of March 31, 2009 and December 31, 2008 was ₱9 and ₱10, respectively.

For the period ended June 30 and March 31, 2009 and June 30 and March 31, 2008, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (₱118), ₱326, (₱6,431) and (₱1,169), respectively.

11. **Subsequent Events**

a. On July 8, 2009, the Parent Company, thru a wholly-owned subsidiary, Vega Telecom, Inc. acquired 579,111,669 shares in Liberty Telecoms Holdings, Inc. (LTHI) from LTHI's existing stockholders at a purchase price of ₱3.25 per share for a total consideration of ₱1,882. The acquisition covered approximately 32.7% of the outstanding capital stock of LTHI.

b. On July 23, 2009, the stockholders of the Parent Company approved the offer to exchange each common share with one (1) peso-denominated, perpetual, cumulative and non-voting Series "1" preferred share. The Series "1" preferred shares shall have an issue price of ₱75.00 per share and a dividend rate of 8% per annum computed in reference to the issue price. The offer is limited up to 1,104,000,000 common shares (representing approximately 35% of the issued and outstanding common stock of the Parent Company) and available to shareholders of record as of July 2, 2009.

c. On July 15, 2009, SMPI's Board of Directors approved SMPI's exercise of its pre-emptive rights to subscribe to the additional share issuance of BOC. SMPI will subscribe to 4,001,197 BOC shares at ₱173.54 per share for a total subscription price of approximately ₱694. The Board of Directors also authorized SMPI to increase its equity share in BOC up to 40% in the event that the other BOC shareholders will not exercise their pre-emptive rights.

12. **Other Matters**

d. 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.

e. 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.

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

g. 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.

h. 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 June 30, 2009. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

i. There were no material off-statements 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 June 30, 2009.

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

k. 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 June 30, 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

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 (collectively, the "Group") as of and for the period ended June 30, 2009 (with comparative figures as of December 31, 2008 and for the period ended June 30, 2008). All necessary adjustments to present fairly the consolidated financial position, results of operations, and cash flows of the Group as at June 30, 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 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.

  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 the Parent Company of certain parcels of land to BPI in exchange for BPI common shares and after San Miguel Brewery Retirement Plan (SMBRP) 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 ₱6,829 million. The sale of the Parent Company's interest in BPI to SMB was likewise approved by the Parent Company's BOD on the same date and will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

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

  On February 27, 2009, the SEC approved the transfer of the IP Rights by the Parent Company to IBI in exchange for 100,000,000 shares of IBI under a tax-free asset-for-share agreement.

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

- 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 subscription and issued Philippine peso-denominated fixed rate bonds with an aggregate principal amount of ₱38,800 million (Bonds). The Bonds were issued in three series: Series A, Series B and Series C. The Series A Bonds with an aggregate principal amount of ₱13,590 million have a term of 3 years beginning on April 3, 2009 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 have a term of 5 years and 1 day beginning on April 3, 2009 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 have a term of 10 years beginning on April 3, 2009 and ending on April 3, 2019, with a fixed interest rate of 10.5% per annum. Proceeds from the issuance of the Bonds were used to finance SMB's acquisition of the interests of the Parent Company in IBI and will be used to acquire the Parent Company's interests in BPI. The offering of the Bond was completed on April 3, 2009.

- On April 30, and May 22, 2009, the Parent Company sold its 2,185,402,491 and 4,479,621,199 common shares, respectively, representing 43.249% stake in SMB to Kirin Holdings Company, Limited (Kirin) at ₱8.841 per share for a total purchase price of ₱58,925 million .

  As of June 30, 2009, the Group recognized a gain of ₱50,537 million from the above sale of the Parent Company to Kirin.

- On March 6, 2009, the BOD of Thai San Miguel Liquor Co., Ltd. (TSML), a joint venture of the Ginebra San Miguel, Inc. (GSMI) with the Thai Life Group of Companies, approved the increase in the capital stock of TSML from THB 1 billion to THB 1.25 billion. On the same date, Ginebra San Miguel International Limited (GSMIL), a wholly-owned subsidiary of GSMI, subscribed to 40% of the said increase for a total subscription price of THB 100 million (₱134.6 million) to maintain its 40% stake in TSML. On March 9, 2009, GSMIL remitted to TSML THB 60 million (₱80.7 million) representing 60% of the subscription price as deposit for future stock subscription.

  On March 6, 2009, Siam Wine and Liquor Co. Ltd. (SWLCL) subscribed to 10% of the increase in capital stock of TSML for a total of THB 25 million (₱33.6 million) to retain its 10% stake in TSML. Siam Holdings Limited (SHL), a wholly-owned subsidiary of the GSMI, holds 49% of the outstanding capital stock of SWLCL. On March 9, 2009, SWLCL remitted to TSML THB15 million (₱20.2 million) representing 60% of the subscription as deposit for future stock subscription. With the subscriptions of GSMIL and SWLCL in TSML, the GSMI group's interests in TSML remained at 44.9%.

- In April 2009, Monterey Foods Corporation (Monterey), a subsidiary of San Miguel Pure Foods Company, Inc. (SMPFC), acquired the subscription rights of certain individuals in Highbreed Livestock Corporation (HLC), a Philippine company engaged in livestock farming, processing, selling meat products (mainly pork and beef) and leasing of properties for ₱6.25 million as consideration for the assignment of their subscription in HLC and assumed the unpaid subscription of such individuals in the amount of ₱18.75 million. As such, HLC became a subsidiary of Monterey and was consolidated into SMPFC through Monterey. The respective board and stockholders of Monterey and HLC on June 22, 2009 approved the merger of HLC into Monterey, with Monterey as the surviving corporation. The application for the approval of the merger is still pending with the Securities and Exchange Commission.

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

  Subsequently, on April 29, 2009, the Parent Company completed the acquisition of all the interests of Macondray Fibreboard Corporation in Mincorr for ₱27 million.

  The acquisitions of the said interests by the Parent Company resulted in Rengo and Mincorr becoming wholly-owned subsidiaries of the Parent Company.

- In March 2009, San Miguel Properties, Inc. (SMPI) sold to RMFPU Properties, Inc. its condominium unit located at 38th Floor, Tower 1, of the Enterprise Center, Ayala Avenue, Makati City, with an area of 1,100.38 square meters, for a total consideration of ₱123 million, inclusive of taxes.

- In April 2009, SMPI fully paid the remaining balance of ₱450 million for its subscription to additional common shares of Bank of Commerce (BOC) from the increase in the authorized capital stock of BOC for ₱600 million. The additional subscription was made to maintain SMPI's 30% ownership interest in BOC relative to San Miguel Corporation Retirement Plan's (SMCRP) additional subscription which will increase SMCRP's ownership in BOC from 4% to 21%.

- In April 2009, SMPI entered into an Asset Purchase Agreement with Puka Beach Holdings, Corp. to acquire certain parcels of land at Boracay Island, Brgy. Yapak, Malay, Aklan, with a total area of 38,714 square meters, more or less, for ₱246 million. As of June 30, 2009, the total deposit made for this transaction amounted to ₱222 million.

- In 2009, SMPI fully paid the balance of the purchase price for the acquisition of shares of stock of Maison 17 Properties, Inc. (MPI) amounting to ₱155 million (net of ₱154 million advanced in 2008). In May 2009, SMPI executed the Deed of Absolute Sale completing the purchase of all the interests of Wallmasters, Inc. and certain individuals in MPI for a total purchase price of ₱309 million, including related taxes. As a result, MPI became a wholly-owned subsidiary of SMPI.

- In June 2009, SMPI Entered into a Joint Venture Agreement with certain individuals and companies for the development of certain real properties located in Barrio Diezmo, Cabuyao Laguna, including the operation thereof, into a mixed commercial and residential estate in the manner contemplated and determined by the parties. As of June 2009, the total advance payment made by SMPI for this joint venture amounted to ₱242 million.

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

- On June 3, 2009, the Parent Company paid off its US$923 million long-term debt.

II. RESULTS OF OPERATIONS

2009 vs. 2008

The Group's 2009 first semester consolidated sales revenue amounted to ₱84,853 million, 7% above last year. Most businesses showed sustained revenue growth despite the slowdown in the economy. Hard liquor continued to post strong double-digit volume growth while the food and packaging group posted slight increase in volume versus the same period last year.

With the sustained sales performance and managed fixed costs, consolidated operating income reached ₱8,677 million, 6% above last year.

Equity in net earnings of associates represents the Group's share in income of Manila Electric Company (Meralco) and BOC.

Higher interest expenses were partly offset by interest income in the Group's cash balance.

The Group also recognized gain on sale of investments and property and equipment and others amounting to ₱50,245 million, bulk of which pertains to the gain from the sale of the 43.249% stake of the Parent Company in SMB to Kirin in May 2009.

Consolidated net income as of June 2009 reached ₱55,625 million, significantly higher than last year.

2008 vs. 2007

The results of operations of Agribusiness Division in 2008 and the gain on sale of San Miguel Australia Holdings Ltd., including its subsidiary, J. Boag & Son Pty Ltd (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".

The Group's first semester, 2008 consolidated sales revenue amounted to ₱79,590 million, 13% above 2007. Most businesses registered revenue growth versus 2007.

With higher sales performance and managed fixed costs, together with increasing input costs, consolidated operating income rose to ₱8,223 million, 30% higher than 2007.

The Group's net financing income, on the other hand, reached ₱922 million as of June 2008 with the interest income on our cash balance.

Gain on sale of investments and property and equipment and others of ₱9,347 million in 2008 pertains to gain from the initial public offering of SMB and sale of the Parent Company's 5.249% ownership in SMB shares, 35% stake in the domestic and regional packaging businesses to Nihon Yamamura Glass (NYG) and sale of SMPI's 354,862 common shares (equivalent to 29.38% ownership) in KSA Realty Corporation (KSA). It also includes foreign exchange gains, which were partly offset by marked-to-market loss on foreign currency hedges. All these, brought in profit from continuing operations to ₱14,470 million, significantly higher than 2007.

Coupled with the income from discontinued operations of ₱ 5,660 million, June 2008 consolidated net income amounted to ₱20,130 million. Net income attributable to the Parent Company amounting to ₱19,732 million is 199% higher than 2007.

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

1. BEVERAGES

<u>2009 vs. 2008</u>

a. Beer

San Miguel Brewery Inc. (SMB) SMB's revenue for the first half of 2009 registered at ₱24,819 million, 4% higher than last year, with equivalent sales volume of about 86 million cases, slightly below last year. Increase in net sales revenue is brought about by higher selling prices while sales volume exhibited a recovery in the second quarter, which narrowed the volume shortfall in the first quarter of the year.

Despite the minimal volume shortfall and 8% hike in excise tax effective January 1, 2009, SMB achieved an operating income of ₱7,563 million.

San Miguel Beer International (SMBIL) Beer International's consolidated revenue for the first semester is $128 million, below last year's level by 6%. This was on sales volume of more than 21 million cases, 13% lower than last year. Beer International's consolidated operating loss for the first semester was US$ 26 thousand. This was better than the reported loss in the same period last year due to exports and cost management measures in Indonesia, South China and Thailand.

b. Ginebra San Miguel, Inc. (GSMI)

GSMI continued to exhibit strong results in the first semester with consolidated revenues of ₱9,344 million, higher than last year's level by 26%. This was driven by strong domestic hard liquor sales volume of about 18 million cases, 15% above last year.

Sustained improvements in alcohol production and product distribution costs resulted to higher margins and generated operating income of ₱617 million, 45% higher than last year.

2008 vs. 2007

a. Beer

San Miguel Brewery Inc. (SMB) SMB's revenue of ₱23,821 million is 9% higher than 2007 driven by volume growth in Red Horse, San Mig Light and Gold Eagle and the increase in selling prices implemented in April 1, 2008.

Due to continued efforts to improve on cost efficiencies and fixed costs management, operating income for the first semester reached ₱7,158 million, 25% higher than 2007.

San Miguel Beer International (SMBIL) Beer International ended the first half with a 4% improvement in volumes with corresponding revenue of $136 million up by 30%. This was led by the strong performance of Indonesia, Thailand and Exports partly offset by weak volumes from China and Vietnam. As a result, the first semester operating losses stood at $2.1 million, an improvement of 64% over the same period in 2007, with all units posting favorable results, except for the operations in South China.

b. Ginebra San Miguel, Inc. (GSMI)

GSMI's volume grew by 16%, which resulted to sales revenue for the first semester of ₱7,392 million, 17% higher than 2007.

Improved conversion efficiencies and lower alcohol costs offset by higher packaging materials and distribution costs resulted in a first semester income from operations of ₱426 million, higher by 12% versus 2007.

2. PACKAGING

2009 vs. 2008

Consolidated June year-to-date sales revenue for the Packaging Group is ₱10,140 million, slightly higher than last year. This was achieved through the overall improved performance of glass, plastic, metal and PET businesses during the first semester. Higher sales volume, cheaper raw materials and lower production costs all contributed to garner a consolidated operating income of ₱1,089 million as of June 2009. This is 44% higher than last year's performance.

2008 vs. 2007

The Packaging Group's sales revenue increased by 8% to ₱10,055 million, due to strong performance of the glass and plastics businesses.

With higher volumes backed by efforts on improving efficiencies and better management of working capital, operating profit grew by 156% to ₱758 million.

3. FOOD

2009 vs. 2008

The San Miguel Food Group generated consolidated revenues of ₱37,515 million, an 11% increase from last year's level as most business units posted higher average selling prices supported by volume improvements from poultry, feeds, basic meats, flour, milk and ice cream businesses. The business delivered a consolidated operating income of ₱1,366 million, surpassing last year's level by 8%. Driving the group's favorable results are lower direct materials of flour and dairy businesses and higher selling prices for feeds, poultry and value added meats.

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

a. Agro-Industrial

The Agro-industrial cluster posted revenues of ₱25,980 million - 15% increase from last year, driven by volume growth and better selling prices in our poultry, feeds and basic meats segments. With easing raw material costs, operating income ended higher than last year.

b. Value-Added Meats

Despite soft market demand and tight competition affecting volumes, the Value-added business' innovation efforts brought sales revenue growth of 7% to ₱5,215 million and resulted to significant improvement in operating income.

c. Milling Cluster

With the cost of wheat beginning to stabilize, the Milling operations have started to recover, with volumes ending 12% higher compared to the same period last year, and revenue rising 2% to reach ₱4,143 million.

d. Magnolia Inc.

Magnolia Inc.'s revenue growth was relatively flat at ₱2,317 million as volumes from our butter, margarine and cheese, and ready-to-drink milk categories remained weak, with only ice cream doing well and posting a 24% increase.

2008 vs. 2007

Food Group delivered higher volumes and brought in consolidated revenue of ₱33,723 million, up by 16% mainly coming from poultry, flour, processed meats and feeds.

Income from operations ended at ₱1,263 million, 7% higher than 2007 on account of stronger volumes and higher average selling prices resulting to improved margins and contained fixed operating expenses.

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

a. Agro-Industrial

Feeds and poultry sustained its growth momentum with stable selling prices, operating efficiencies and production overhead in check. Industry supply tightened due to low broiler weight and typhoon-related mortalities in May 2008. First semester revenue was ₱22,537 million, 14% higher than 2007.

b. Value-Added Meats

Value-Added business volumes for the first semester grew by 4% bringing in revenue of ₱4,861 million, up by 11%. This was driven by growth in hotdogs, luncheon meat, exports (Dubai and Saudi Arabia) and the food service business. Operating income was however weighed down by the rising costs of raw materials.

c. Milling Cluster

The milling operation's revenue reached ₱4,049 million, up by 29% from 2007 brought in by price increases and expansion of the value-added flour business.

However, despite efforts on improving operational efficiency and cost cutting activities, operating income was lower than 2007 brought about by the considerable raw material price increases.

d. Magnolia Inc.

Magnolia's performance has been weighed down by the effect of rising raw materials, thus revenue dropped by 2% over 2007.

III. FINANCIAL CONDITIONS

2009 vs. 2008

Cash and cash equivalents increased by 36% from ₱116,939 million in 2008 to ₱159,591 million in 2009 mainly due to proceeds from sale by the Parent Company of its shares in SMB, proceeds from issuance of bonds by SMB and foreign exchange restatement, net of loan payments by the Parent Company, additional advances to a related party, dividends paid, additional investment in BOC shares of stock, payment of accounts payable, annual and first quarter income tax and purchase of raw materials.

Receivables increased by ₱4,295 million from ₱50,814 million in 2008 due to additional advances to a related party net of collection of trade receivables.

The increase in inventories of ₱1,795 million from ₱27,710 million in 2008 is attributed to the build-up of inventory of corn and wheat of the Food Group and increase in production volume of local liquor.

Current biological assets increased by 10% to ₱3,229 million in 2009 due to increase in volume of poultry livestock and hogs and higher feed costs of broilers and hogs.

Prepaid expenses and other current assets increased by ₱505 million mainly due to full payment by SMPI for the Cauayan property and its acquisition of Makati and Bel-Air properties.

Investments increased from ₱32,253 million to ₱33,771 million in 2009 mainly due to SMPI's additional investment in the shares of stock of BOC and the Group's equity in current earnings of Meralco, BOC and NorthPine Land, Inc.

Deferred tax assets increased by 56% from ₱7,638 million in 2008 to ₱11,881 million in 2009 due to the effect of recognition of additional deferred tax on the Net Operating Loss Carry Over (NOLCO) of the Parent Company and unrealized gross profit mainly from the sale of IBI to SMB, net of the effect of recognition of unrealized foreign exchange gain.

Accounts payable and accrued expenses increased by 17% from ₱23,292 million in 2008 mainly due to the reclassification to current liabilities of the unpaid balance due next year related to the acquisition of the Meralco shares of stock, net of payment of trade payables and the decrease in derivative liabilities of the Parent Company which is attributable to the maturity of currency and commodity derivatives, as well as in the increase in market price of fuel.

Income and other taxes payable decreased by 23% from ₱4,429 million in 2008 due to the payment of annual and first quarter income tax.

Long-term debt decreased by ₱4,577 million from ₱49,763 million in 2008 mainly due to payments made by the Parent Company, San Miguel International Limited Group and GSMI, translation adjustments and net addition of debt issue costs, net of issuance of bonds by SMB and of floating rate corporate notes by the Parent Company.

Other noncurrent liabilities decreased by 28% from ₱25,691 million in 2008 mainly due to reclassification to current liabilities of the unpaid balance due next year related to the acquisition of Meralco shares of stock.

Non-controlling interests increased by 42% from ₱18,307 million in 2008, mainly due to the recognition of additional non-controlling interests as a result of the sale of 43.249% stake in SMB to Kirin, income attributable to non-controlling interests and translation adjustments, net of the effect of the acquisition by the Parent Company of the remaining non-controlling interests in Rengo and Mincorr.

2008 vs. 2007

Cash and cash equivalents increased by 13% from ₱93,281 million in 2007 to ₱105,243 million in 2008 mainly due to foreign exchange restatement, proceeds from sale of J. Boag, SMB shares and 35% stake in packaging business, net of loan payments and additional advances to a related party.

Receivables increased by ₱2,122 million from ₱61,879 million in 2007 due to additional advances to a related party and increase in interest receivable, net of collection of December trade receivables.

The increase in inventories of ₱5,433 million from ₱23,852 million in 2007 is attributed to the increase in importation of soy bean meal and higher costs of oil and wheat and build up of inventory particularly corn for the peak season of SMPFC, increase in malt purchases of SMB and higher production volume of GSMI.

Current biological assets increased by 15% to ₱2,681 million due to increase in volume of poultry breeders coupled with higher feed costs of broilers and hogs.

Prepaid expenses and other current assets increased by ₱1,381 million mainly due to SMPI's acquisition of Boracay property and SMB's advance deposit of excise taxes.

Investments increased from ₱771 million to ₱2,571 million in 2008 mainly due to the investment in BOC.

Investment properties increased by 6% from ₱1,648 million in 2007 to ₱1,741 million in 2008 mainly due to increase in SMBIL balance as a result of translation adjustments, net of amortization for the period.

Noncurrent biological assets increased by 18% to ₱1,558 million due to increase in Monterey's breeding stocks and increase in growing capacity of poultry breeders coupled with higher growing costs.

Other intangible assets increased by ₱ 498 million from ₱ 3,202 million in 2007 due to reclassification of certain land and land improvements to land use rights by San Miguel Yamamura Packaging International Limited and San Miguel Foods & Beverages International Ltd., additional Le Gourmet trademarks and increase in translation adjustments, net of amortization for the period.

Deferred tax assets decreased by 8% from ₱4,973 million in 2007 to ₱4,571 million in 2008 due to the effect of the recognition of foreign exchange gains, marked-to-market losses and additional set up of NOLCO for the period.

Drafts and loans payable decreased by 7% to ₱41,321 million in 2008 due to net payment as of the second quarter of 2008.

Accounts payable and accrued expenses increased by 28% from ₱20,311 million in 2007 mainly due to increase in currency derivatives, representing movements in valuation of currency instruments (forwards, swaps and options) availed during the period by the Parent Company and increase in trade payables mostly on imported raw materials in support of higher sales volume.

Dividends payable decreased by 78% from ₱1,494 million in 2007 to ₱335 million in 2008 due to payment of dividends declared in 2007.

Long-term debt decreased by 15% from ₱55,834 million in 2007 to ₱47,710 million in 2008 mainly due to partial payments during the period.

Deferred tax liabilities increased by 34% from ₱12,721 million in 2007 to ₱16,984 million in 2008 mainly due to set up of deferred income tax on the gain on sale of J. Boag.

Other noncurrent liabilities decreased by ₱101 million to ₱355 million in 2008 mainly due to the amortization of unearned income on pallet leasing by San Miguel Yamamura Packaging Corporation.

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 J. Boag and KSA in January 2008.

Cumulative translation adjustments increased by 15% from ₱4,834 million in 2007 due to translation of foreign subsidiaries' net assets.

Non-controlling interests increased by 60% mainly due to the recognition of additional non-controlling interests as a result of the sale of 35% stake in the domestic and regional packaging businesses to NYG and 5.75% stake in SMB.

Equity

The increase in equity is due to:

(In millions)	**June 30**	
	2009	**2008**
Income during the period	**₱56,246**	₱20,130
Increase in non-controlling interests	**7,343**	5,972
Issuance of capital stock	**160**	148
Effect of translation adjustments	**(109)**	1,199
Changes in fair value of cash flow hedges	**87**	46
Changes in fair value of available-for-sale financial assets	**12**	(21)
Cash dividends	**(2,591)**	(1,152)
	₱61,148	₱26,322

Current ratio was 3.02 in 2009 and 2.35 in 2008. Debt to equity ratio was 0.71 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)	**June 30**	
	2009	**2008**
Net cash flows provided by operating activities	**₱1,305**	₱4,050
Net cash flows provided by investing activities	**45,098**	13,939
Net cash flows used in financing activities	**(5,467)**	(17,167)

Net cash flows from operations 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)	June 30	
	2009	**2008**
Additions to investments and advances	**(₱450)**	(₱1,249)
Additions to property, plant and equipment	**(2,813)**	(3,081)
Proceeds from sale of investments and property and equipment	**55,015**	12,082
Proceeds from sale of discontinued operation, net of cash disposed of	**-**	9,452
Interest received	**2,067**	3,608
Advances to a related party	**(7,366)**	(5,533)
Increase in other noncurrent assets and others	**(1,355)**	(1,340)

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

(In millions)	June 30	
	2009	**2008**
Proceeds from (payments of) short-term loan - net	**₱2,229**	(₱3,121)
Payments of long-term debt - net	**(4,788)**	(12,459)
Payments of dividends	**(2,631)**	(2,336)
Other financing activities	**(277)**	749

The effect of exchange rate changes on cash and cash equivalents amounted to ₱1,716 million and ₱11,140 million in June 30, 2009 and 2008, respectively. The exchange rates used for net assets in June 30, 2009 are ₱48.13 to US$1 (₱47.52 in December 31, 2008) and ₱47.87 to US$1 as of June 30, 2009 (₱43.03 as of June 30, 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 this Management's Discussion and Analysis for the discussion of the computed certain Key Performance Indicators.

	June 2009	**December 2008**
Liquidity:		
Current Ratio	**3.02**	2.35
Solvency:		
Debt to Equity Ratio	**0.71**	1.02
Profitability:		
Return on Average Equity	**34.96%**	13.59%

	Period Ended June 30	
	2009	**2008**
Operating Efficiency:		
Volume Growth	**1%**	7%
Revenue Growth	**7%**	13%
Operating Margin	**10.23%**	10.33%

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

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