COVER SHEET

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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)

	(632) 632-3000
Contact Person	Company Telephone Number

SEC FORM

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

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

1. For the quarterly period ended **March 31, 2010**

2. Commission identification number **PW00000227**

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

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

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

6. Industry Classification Code: [ ] (SEC Use Only)

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

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

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

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

	Number of shares of common stock and Debt outstanding (as of March 31, 2010)
Class "A" Common Shares	
Class "B" Common Shares	
Series "1" Preferred Shares	
Total	
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 March 31, 2010 (with comparative figures as of December 31, 2009 and for the period ended March 31, 2009) and Selected Notes to Consolidated Financial Statements is hereto attached as **Annex "A"**.

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

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

PART II--OTHER INFORMATION

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

NONE

SIGNATURES

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

Issuer **SAN MIGUEL CORPORATION**

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

Date May 17, 2010

Signature and Title **BELLA O. NAVARRA**
Comptrollership Manager/Authorized Signatory

Date May 17, 2010

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

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its consolidated interim financial statements as of and for the period ended March 31, 2010 and comparative financial statements for the same period in 2009 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 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 annual audited 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 2010
Starting January 1, 2010, the Group adopted the following amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- Revised PFRS 3, *Business Combinations* (2008), effective for annual periods beginning on or after July 1, 2009, incorporates the following changes that are likely to be relevant to the Group's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised PFRS 3, which became mandatory for the 2010 consolidated financial statements, was applied prospectively.

- Revised PAS 27, *Consolidated and Separate Financial Statements* (2008), effective for annual periods beginning on or after July 1, 2009, requires accounting for changes in ownership interests by the Parent Company in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Parent Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in consolidated statements of income. Revised PAS 27 became mandatory for the 2010 consolidated

financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items,* provide for the following: a) new application guidance to clarify the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedge relationship; and b) additional application guidance on qualifying items, assessing hedge effectiveness, and designation of financial items as hedged items. The amendments are effective for annual periods beginning on or after July 1, 2009. Amendments to PAS 39 became mandatory for the 2010 consolidated financial statements.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners,* provides guidance on the accounting for non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the non-cash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. The interpretation is effective for annual periods beginning on or after July 1, 2009.

- *Improvements to PFRS 2008* - Amendments to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of PFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary. Disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. The amendments are effective for annual periods beginning on or after July 1, 2009.

- Amendments to PFRS 2, *Share-based Payment*: *Group Cash-settled Share-based Payment Transactions*, clarify the scope of PFRS 2, that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and regardless of whether the transaction is equity-settled or cash-settled; and the interaction of PFRS 2 and other standards, that in PFRS 2, a "group" has the same meaning as in PAS 27, *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2010.

- *Improvements to PFRS 2009,* include 15 amendments to 12 standards. Some of these amendments may have significant implications for current practice, in particular the amendments to PAS 17, *Leases,* may affect the classification of leases of land and buildings, particularly in jurisdictions in which such leases often are for a long period of time. The improvements are generally effective for annual periods beginning on or after January 1, 2010.

The adoption of these foregoing new or revised standards, amendments to standards and Philippine Interpretations of IFRIC did not have a material effect on the interim consolidated financial statements.

2. Segment Information

Operating Segments

The reporting format of the Group’s operating segments is determined by the Group’s risks and rates of return which 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 has three reportable segments, namely, beverage, food and packaging.

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

The food segment includes, among others, poultry, feeds production and selling, livestock farming, processing and selling of basic meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of flour product, premixes and flour-based products, dairy-based products, breadfill, desserts, cooking oil, importation and marketing coffee and coffee-related products and processed meats.

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

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating 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 reportable segments follow:

For the period ended March 31, 2010 and 2009

	Beverage		Food		Packaging		Others		Eliminations		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Sales												
External sales	**₱21,533**	₱19,945	**₱18,726**	₱18,492	**₱4,400**	₱3,484	**₱ –**	₱ –	**₱ –**	₱ –	**₱44,659**	₱41,921
Inter-segment sales	**123**	–	**–**	1	**1,179**	1,521	**–**	–	**(1,302)**	(1,522)	**–**	–
Total sales	**₱21,656**	₱19,945	**₱18,726**	₱18,493	**₱5,579**	₱5,005	**₱ –**	₱ –	**(₱1,302)**	(₱1,522)	**₱44,659**	₱41,921
Results												
Segment results	**₱4,859**	₱4,015	**₱1,357**	₱535	**₱502**	₱562	**(₱1,016)**	(₱814)	**₱84**	(₱10)	**₱5,786**	₱4,288

3. Related Party Transactions

Transactions with related parties are made at normal market prices.

a. The Parent Company has advances to San Miguel Corporation Retirement Plan amounting to P3,204 and P2,785 as of March 31, 2010 and December 31, 2009, 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 the Manila Electric Company include the following:

Year	Purchases of utilities	Included under "Trade and other receivables" account	Included under "Noncurrent receivables and deposits" account	Included under "Accounts payable and accrued expenses" account
March 2010	**P144**	**P60**	**P66**	**P96**
December 2009	P692	P72	P68	P32

c. The significant transactions of the Group and San Miguel Energy Corporation include the following:

Year	Included under "Trade and other receivables" account	Included under "Noncurrent receivables and deposits" account
March 2010	**P2,995**	**P2**
December 2009	P313	P2

4. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2010

	January 1, 2010	Additions and Transfers	Disposals and Reclassifications	Currency Translation Adjustments	March 31, 2010
Cost:					
Land and land improvements	**₱10,627**	**₱24**	**(₱10)**	**(₱12)**	**₱10,629**
Buildings and improvements	**24,406**	**693**	**169**	**(396)**	**24,872**
Machinery and equipment	**78,891**	**634**	**370**	**(898)**	**78,997**
Transportation equipment	**3,305**	**458**	**-**	**(11)**	**3,752**
Tools and small equipment	**2,354**	**39**	**(1)**	**(31)**	**2,361**
Office equipment, furniture and fixtures	**2,542**	**15**	**7**	**(15)**	**2,549**
Molds	**657**	**39**	**(120)**	**(3)**	**573**
Leasehold improvements	**921**	**30**	**17**	**(1)**	**967**
Construction in progress	**5,674**	**(766)**	**31**	**(21)**	**4,918**
	129,377	**1,166**	**463**	**(1,388)**	**129,618**

forward

	January 1, 2010	Additions and Transfers	Disposals and Reclassifications	Currency Translation Adjustments	March 31, 2010
Accumulated depreciation and amortization:					
Land improvements	**₱1,154**	**₱24**	**(₱8)**	**(₱2)**	**₱1,168**
Buildings and improvements	**6,731**	**243**	**40**	**(93)**	**6,921**
Machinery and equipment	**40,884**	**871**	**105**	**(327)**	**41,533**
Transportation equipment	**1,987**	**51**	**(10)**	**(8)**	**2,020**
Tools and small equipment	**1,668**	**48**	**(6)**	**(6)**	**1,704**
Office equipment, furniture and fixtures	**2,178**	**41**	**(1)**	**(10)**	**2,208**
Molds	**511**	**23**	**(73)**	**(2)**	**459**
Leasehold improvements	**372**	**12**	**18**	**-**	**402**
	55,485	**1,313**	**65**	**(448)**	**56,415**
Accumulated impairment losses:					
Land improvements	**208**	**-**	**124**	**-**	**332**
Buildings and improvements	**2,313**	**-**	**61**	**(102)**	**2,272**
Machinery and equipment	**5,410**	**-**	**103**	**(229)**	**5,284**
Transportation equipment	**6**	**-**	**-**	**-**	**6**
Tools and small equipment	**13**	**-**	**1**	**(1)**	**13**
Office equipment, furniture and fixtures	**20**	**-**	**-**	**(1)**	**19**
Molds	**3**	**-**	**(3)**	**-**	**-**
	7,973	**-**	**286**	**(333)**	**7,926**
Net book value	**₱ 65,919**	**(₱147)**	**₱112**	**(₱607)**	**₱65,277**

March 31, 2009

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

Depreciation and amortization charged to operations amounted to ₱1,313 and ₱1,281 in March 2010 and 2009, respectively.

5. **Assets Held for Sale**

On February 15, 2010, San Miguel Properties, Inc.'s (SMPI) Board of Directors authorized the divestment of SMPI's 31.23% interest in Bank of Commerce. The carrying amount of the investment as of March 31, 2010 of P2,786 representing 16,396,689 common shares is presented as "Assets held for sale" in the consolidated statements of financial position.

6. **Earnings Per Share**

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

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

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

Basic and Diluted EPS is computed as follows:

	March	
	2010	2009
Income attributable to equity holders of the Parent Company	**P2,896**	P2,702
Less dividends on preferred shares for the period (a)	**1,456**	**-**
Net income attributable to common shareholders of the Parent Company (b)	**P1,440**	P2,702
Weighted average number of common shares outstanding (in millions) - basic (c)	**2,299**	3,157
Effect of dilution - common	**17**	12
Weighted average number of common shares outstanding (in millions) - diluted (d)	**2,316**	3,169
Weighted average number of preferred shares outstanding (in millions) (e)	**971**	-
Common:		
Basic EPS (b/c)	**P0.63**	P0.86
Diluted EPS (b/d)	**P0.62**	P0.86
Preferred:		
Basic/Diluted EPS (a/e)	**P1.50**	P -

7. **Dividends**

Cash dividends declared by the Parent Company's Board of Director (BOD) to common shareholders amounted to P1.05 per share in March 2010 and P0.35 per share in March 2009.

On January 6, 2010, the Parent Company's BOD declared cash dividend of P1.50 per share to preferred shareholders of record as of October 5, 2009 (issue date). For preferred shareholders of record after issue date, dividend rate was adjusted proportionately. These dividends were paid on February 15, 2010 to all preferred stockholders of record as of January 22, 2010.

On April 14, 2010, the Parent Company's BOD declared cash dividend of P1.50 per share to preferred shareholders of record as of April 28, 2010, payable on May 11, 2010.

8. Financial Risk Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest rate risk
- Foreign currency risk
- Commodity price risk
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the foregoing risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital.

The Group's principal non-trade related financial instruments include cash and cash equivalents, available-for-sale (AFS) financial assets, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The Group's outstanding derivative instruments such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the Group's operating and financing activities.

The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the BOD on its activities.

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, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit

Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's long-term borrowings and investment securities. Investment acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the Group's operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

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

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

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 P464 and P477 in March 31, 2010 and 2009, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

As at March 31, 2010 and December 31, 2009, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2010	**<1 year**	**1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total**
Fixed rate							
Philippine peso-denominated	**P -**	**P 955**	**P13,590**	**P1,270**	**P22,400**	**P2,810**	**P41,025**
Interest rate		**6.50%**	**8.25%**	**7.25%**	8.875%	10.50%	
Floating rate							
Philippine peso-denominated	**-**	**1,400**	**400**	**400**	**800**	**-**	**3,000**
Interest rate		PDST-F for 3 months +margin	PDST-F for 3 months +margin	PDST-F for 3 months +margin	PDST-F for 3 months +margin		
Foreign currency-denominated (expressed in Philippine peso)	**1,060**	**838**	**27,530**	**119**	**13,839**	**-**	**43,386**
Interest rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin	THBFIX +margin	LIBOR +margin		
							P87,411

December 31, 2009	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso-denominated	P -	P -	P14,545	P -	P23,670	P2,810	P41,025
Interest rate			6.50% - 8.25%		7.25% - 8.875%	10.50%	
Floating rate							
Philippine peso-denominated	-	400	1,400	400	800	-	3,000
Interest rate		PDST-F for 3 months +margin	PDST-F for 3 months +margin	PDST-F for 3 months +margin	PDST-F for 3 months +margin		
Foreign currency-denominated (expressed in Philippine peso)	1,081	1,081	28,335	119	59	-	30,675
Interest rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin	THBFIX +margin	THBFIX +margin		
							P74,700

Foreign Currency Risk

The Group's exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards or swaps to manage its foreign currency risk exposure.

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 borrowings.

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

	March 31, 2010		December 31, 2009	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$947**	**P42,762**	US$2,817	P130,134
Trade and other receivables	**54**	**2,431**	96	4,413
Noncurrent receivables	**100**	**4,534**	101	4,656
	1,101	**49,727**	3,014	139,203
Liabilities				
Drafts and loans payable	**117**	**6,953**	137	6,332
Accounts payable and accrued expenses	**48**	**2,169**	98	4,528
Long-term debt (including current maturities)	**961**	**43,386**	664	30,674
	1,126	**52,508**	899	41,534
Net foreign currency-denominated monetary assets	**(US$25)**	**(P2,781)**	US$2,115	P97,669

The Group reported net foreign exchange gains (losses) amounting to (P244) and P525 in March 31, 2010 and 2009, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2008	47.52
March 31, 2009	48.33
December 31, 2009	46.20
March 31, 2010	45.17

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.

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 foreign operations) as of March 31, 2010 and December 31, 2009:

March 31, 2010	**P1 decrease in the US dollar exchange rate**		**P1 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	**(P922)**	**(P578)**	**P922**	**P578**
Trade and other receivables	**(6)**	**(52)**	**6**	**52**
Noncurrent receivables	**(100)**	**(60)**	**100**	**60**
	(1,028)	**(690)**	**1,028**	**690**
Drafts and loans payable	**85**	**120**	**(85)**	**(120)**
Accounts payable and accrued expenses	**8**	**45**	**(8)**	**(45)**
Long-term debt (including current maturities)	**906**	**598**	**(906)**	**(598)**
	999	**763**	**(999)**	**(763)**
	(P29)	**P73**	**P29**	**(P73)**

December 31, 2009	P1 decrease in the US dollar exchange rate		P1 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	(P2,685)	(P1,743)	P2,685	P1,743
Trade and other receivables	(7)	(93)	7	93
Noncurrent receivables	(100)	(61)	100	61
	(2,792)	(1,897)	2,792	1,897
Drafts and loans payable	69	109	(69)	(109)
Accounts payable and accrued expenses	8	95	(8)	(95)
Long-term debt (including current maturities)	600	424	(600)	(424)
	677	628	(677)	(628)
	(P2,115)	(P1,269)	P2,115	P1,269

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. 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 position is offset by the resulting lower physical raw material cost.

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries and affiliates to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

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 pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives to manage its liquidity risk are as follows: 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 Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of March 31, 2010 and December 31, 2009.

March 31, 2010

	Carrying Amount	Contractual Cash Flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	**P121,074**	**P121,074**	**P121,074**	**P -**	**P -**	**P -**
Trade and other receivables - net	**53,017**	**53,017**	**53,017**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**511**	**511**	**511**	**-**	**-**	**-**
AFS financial assets (included under "Investments and advances" account in the consolidated statements of financial position)	**346**	**346**	**-**	**346**	**-**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**6,414**	**6,414**	**-**	**-**	**6,414**	**-**
Financial Liabilities						
Drafts and loans payable	**53,513**	**53,674**	**53,674**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities)	**31,269**	**31,269**	**31,269**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**335**	**335**	**335**	**-**	**-**	**-**
Long-term debt (including current maturities)	**85,454**	**105,468**	**5,891**	**8,296**	**87,288**	**3,993**
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	**19,189**	**19,189**	**-**	**19,189**	**-**	**-**

December 31, 2009

	Carrying Amount	Contractual Cash Flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	P209,411	P209,411	P209,411	P -	P -	P -
Trade and other receivables - net	49,082	49,082	49,082	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	202	202	202	-	-	-
AFS financial assets (included under "Investments and advances" account in the consolidated statements of financial position)	351	351	-	351	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	5,933	5,933	-	-	5,933	-
Financial Liabilities						
Drafts and loans payable	56,789	56,925	56,925	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities)	30,721	30,721	30,721	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	111	111	111	-	-	-
Long-term debt (including current maturities)	72,962	89,747	4,836	5,318	75,526	4,067
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	19,410	19,410	-	7,817	11,593	-

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures. Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group recognizes provision for impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

Financial information on the Group's maximum exposure to credit risk as of March 31, 2010 and December 31, 2009, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2010	December 31, 2009
Cash and cash equivalents	**P121,074**	P209,411
Trade and other receivables - net	**53,017**	49,082
Derivative assets	**511**	202
AFS financial assets	**346**	351
Noncurrent receivables and deposits - net	**6,414**	5,933
	P181,362	P264,979

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, hogs and cattle and 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 for 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 regulatory sanctions. 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. The 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 price.

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.

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9. Financial Assets and Financial 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 way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, FVPL financial assets and loans and receivables. The Group classifies its financial liabilities as either FVPL financial liabilities or other liabilities. 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 and financial liabilities 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 reporting 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 ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no 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 the discounted cash flow method, 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 are 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, financial assets designated upon initial recognition as at FVPL and those classified under this category through the fair value option. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL or reclassified under this category through the fair value option, 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 which are managed and their performances 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.

The Group carries financial assets at FVPL using their fair values. Fair value changes and realized gains and losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in equity. Any interest earned shall be recognized as part of "Interest income" in the consolidated statements of income. Any dividend income from equity securities classified as FVPL shall be recognized in the consolidated statements of income when the right of collection has been established.

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

The carrying values of financial assets under this category amounted to P511 and P202 as of March 31, 2010 and December 31, 2009, respectively.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities 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 financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in the consolidated statements of income when loans and receivables are derecognized or impaired, as well as through the amortization process.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

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

The combined carrying values of financial assets under this category amounted to P180,505 and P264,426 as of March 31, 2010 and December 31, 2009, respectively.

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 financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in the consolidated statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process.

As of March 31, 2010 and December 31, 2009, the Group has no investments accounted for under this category.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified under any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated statements of financial position. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of income. Any interest earned on AFS debt securities shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right of collection has been established. Any unrealized gains or losses for the period arising from the fair valuation of AFS financial assets are reported as part of other comprehensive income, while the accumulated unrealized gains or losses are reported as a separate component of the Group's equity. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in the consolidated statements of income.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

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

The carrying values of financial assets under this category amounted to P346 and P351 as of March 31, 2010 and December 31, 2009, respectively.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in equity. Any interest expense incurred shall be recognized as part of "Interest expense" in the consolidated statements of income.

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

The carrying values of financial liabilities under this category amounted to P335 and P111 as of March 31, 2010 and December 31, 2009, respectively.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Group's liabilities arising from its trade or borrowings such as drafts and loans payable, accounts payable and accrued expenses, long-term debt and other noncurrent liabilities.

The combined carrying values of financial liabilities under this category amounted to P189,425 and P179,882 as of March 31, 2010 and December 31, 2009, respectively.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are charged against current operations.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

The Group assesses at reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in the consolidated statements of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is transferred from equity to the consolidated statements of income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments Between Debt and Equity
From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of March 31, 2010 December 31, 2009:

	March 31, 2010		December 31, 2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P121,074**	**P121,074**	P209,411	P209,411
Trade and other receivables - net	**53,017**	**53,017**	49,082	49,082
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**511**	**511**	202	202
AFS financial assets (included under "Investments and advances" account in the consolidated statements of financial position)	**346**	**346**	351	351
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**6,414**	**6,414**	5,933	5,933
Financial Liabilities				
Drafts and loans payable	**53,513**	**53,513**	56,789	56,789
Accounts payable and accrued expenses (excluding current retirement liabilities)	**31,269**	**31,269**	30,721	30,721
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**335**	**335**	111	111
Long-term debt (including current maturities)	**85,454**	**91,234**	72,962	77,773
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	**19,189**	**17,962**	19,410	17,871

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

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted 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 quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

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 maturities of these financial instruments.

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As of March 31, 2010 and December 31, 2009, discount rates used range from 3.9% to 7.8% and 4.3% to 8.0%, respectively. The carrying values of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedging

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

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

Derivative Instruments Accounted for as Hedges

Freestanding Derivatives

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

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

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

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

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

As of March 31, 2010 and December 31, 2009, 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 recognized in other comprehensive income and presented under the "Hedging reserve" account in equity. 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 profit or loss 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. 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.

As of March 31, 2010 and December 31, 2009, the Group has no outstanding derivatives accounted for as cash flow hedge.

Net Investment Hedge. As of March 31, 2010 and December 31, 2009, the Group has no hedge of a net investment in a foreign operation.

Other Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting 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, 2010, the Group has outstanding non-deliverable foreign currency forward contracts to hedge existing and anticipated US$-denominated receivables. These forwards have an aggregate notional amount of US$540 with various maturities up to December 2010. As of March 31, 2010, the net positive fair value of these currency forwards amounted to ₱43.

The Group has no outstanding currency forward contracts as of December 31, 2009.

Currency Options
The Group entered into short-term currency options to manage its foreign currency exposure on US$-denominated receivables and obligations with an aggregate notional amount of US$10 as of March 31, 2010. The net negative fair value of these options as of March 31, 2010 amounted to P2.

As of December 31, 2009, the Group has no outstanding currency option agreements.

Commodity Swaps
The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 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 March 31, 2010 and December 31, 2009 is 1,350 and 1,875 metric tons, respectively. As of March 31, 2010 and December 31, 2009, the positive fair value of these swaps amounted to P45 and P60, respectively.

Commodity Options
The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of March 31, 2010 and December 31, 2009 of 50,349 and 59,874 metric tons, respectively. These options can be exercised at various calculation dates in 2010 with specified quantities on each calculation date. As of March 31, 2010 and December 31, 2009, the net negative fair value of these options amounted to P36 and P6, 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 FVPL. 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 derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards
As of March 31, 2010 and December 31, 2009, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$113 and US$112, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. As of March 31, 2010 and December 31, 2009, the net positive fair value of these embedded currency forwards amounted to P129 and P73, respectively.

Embedded Currency Options
As of March 31, 2010 and December 31, 2009, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$34 and US$36, respectively. These non-financial contracts consist mainly of sales agreements. These embedded options are not clearly and closely related to their host contracts. As of March 31, 2010 and December 31, 2009, the net negative fair value of these embedded currency options amounted to P3 and P36, respectively.

For the periods ended March 31, 2010 and 2009 and December 31, 2009 and 2008, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P166, P326, P962, and (P10,718), respectively.

Fair Value Hierarchy
The table below analyzes financial instruments carried at fair value, by valuation method as of March 31, 2010 and December 31, 2009. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data.

March 31, 2010

	Level 1	**Level 2**	**Total**
Financial Assets			
Derivative assets	**P45**	**P466**	**P511**
AFS financial assets	**-**	**346**	**346**
Financial Liabilities			
Derivative liabilities	**36**	**299**	**335**

December 31, 2009

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P65	P137	P202
AFS financial assets	-	351	351
Financial Liabilities			
Derivative liabilities	11	100	111

As of March 31, 2010 and December 31, 2009, the Group has no financial instruments valued based on Level 3. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

10. **Events After the Reporting Date**

a. Investment in Caticlan International Airport Development Corp. (CIADC)

On April 8, 2010, the Parent Company, through its wholly-owned subsidiary, San Miguel Holdings Corporation (SMHC), executed a share sale purchase agreement with the consortium of certain individuals and a corporation (the "Agreement"). Under the terms of the Agreement, SMHC shall acquire, initially, a majority interest in CIADC. CIADC holds the exclusive rights,

obligations and privileges to finance, design, construct, operate and maintain the Caticlan Airport by virtue of the Concession Agreement, dated June 22, 2009, with the Republic of the Philippines, through the Department of Transportation and Communications and the Civil Aviation Authority.

b. *Exercise of option on Sea Refinery Corporation (SRC) shares*

On April 30, 2010, the Parent Company exercised its option to purchase 40% of the outstanding capital stock of SRC for ₱16. The purchase of the shares shall be completed on or before June 1, 2010. SRC owns 4,696,885,564 common shares of Petron, representing approximately 50.1% of the issued and outstanding common stock of Petron.

c. *Tender offer by the Parent Company on Petron Corporation (Petron) common shares*

The exercise of the 40% option, together with the intention of the Parent Company to exercise the remaining option to purchase 60% of SRC, will be subject to the mandatory tender offer rules of the SEC. Accordingly, the Parent Company offered to buy the remaining 884,125,438 common shares of Petron, constituting approximately 9.4% of the outstanding common stock at the price of ₱6.85 per share. The offer period is from May 5, 2010 to June 2, 2010.

11. **Other Matters**

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

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

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

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

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual statements of financial position date, except for Note 20 (c) of the 2009 Audited Consolidated Financial Statements that remain outstanding as of March 31, 2010. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period ended March 31, 2010.

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

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of end of March 31, 2010. 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 AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2010 and December 31, 2009
(In Millions)

ASSETS

	2010 Unaudited	2009 Audited
Current Assets		
Cash and cash equivalents (Notes 8 and 9)	P 121,074	P 209,411
Trade and other receivables - net (Notes 3, 8 and 9)	53,017	49,082
Inventories	27,315	25,458
Current portion of biological assets - net	2,682	2,525
Prepaid expenses and other current assets (Notes 8 and 9)	8,818	8,891
	212,906	295,367
Assets held for sale	2,786	2,746
Total Current Assets	215,692	298,113
Noncurrent Assets		
Investments and advances - net (Notes 8 and 9)	134,004	39,356
Property, plant and equipment - net (Note 4)	65,277	65,919
Investment properties - net	1,851	1,867
Biological assets - net of current portion	1,849	1,847
Goodwill - net	6,343	6,408
Other intangible assets - net	3,582	3,630
Deferred tax assets	9,166	8,883
Other noncurrent assets - net (Notes 3, 8 and 9)	12,921	12,468
Total Noncurrent Assets	234,993	140,378
	P 450,685	P 438,491

LIABILITIES AND EQUITY

	2010 Unaudited	2009 Audited
Current Liabilities		
Drafts and loans payable (Notes 8 and 9)	P 53,513	P 56,789
Accounts payable and accrued expenses (Notes 3, 8 and 9)	32,276	31,404
Income and other taxes payable	5,208	4,186
Dividends payable	2,111	573
Current maturities of long-term debt - net of debt issue costs (Notes 8 and 9)	1,059	1,077
Total Current Liabilities	94,167	94,029
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 8 and 9)	84,395	71,885
Deferred tax liabilities	12,176	12,037
Other noncurrent liabilities (Notes 8 and 9)	19,525	19,602
Total Noncurrent Liabilities	116,096	103,524
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	16,210	16,150
Capital stock - preferred	4,852	4,852
Additional paid-in capital	99,804	99,085
Revaluation increment	18	18
Cumulative translation adjustments	5,090	5,845
Retained earnings:		
Appropriated	5,624	5,497
Unappropriated	150,936	151,911
Treasury stock	(69,541)	(69,541)
	212,993	213,817
Non-controlling Interests	27,429	27,121
Total Equity	240,422	240,938
	P 450,685	P 438,491

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

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BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended March 31, 2010 and 2009
(In Millions, Except Per Share Data)

		2010 Unaudited		2009 Unaudited
SALES (Note 2)	P	44,659	P	41,921
COST OF SALES		30,991		30,511
GROSS PROFIT		13,668		11,410
SELLING AND ADMINISTRATIVE EXPENSES		(7,882)		(7,122)
INTEREST EXPENSE AND FINANCING CHARGES		(2,145)		(1,488)
INTEREST INCOME		1,064		1,071
EQUITY IN NET EARNINGS OF ASSOCIATES		770		228
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		13		243
OTHER INCOME (CHARGES) - Net		395		(978)
INCOME BEFORE INCOME TAX		5,883		3,364
INCOME TAX EXPENSE		1,387		803
NET INCOME	P	4,496	P	2,561
Net Income Attributable to :				
Equity Holders of the Parent Company	P	2,896	P	2,702
Non-controlling Interests		1,600		(141)
	P	4,496	P	2,561
Basic Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 6):				
Common	P	0.63	P	0.86
Preferred	P	1.50	P	-
Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 6):				
Common	P	0.62	P	0.86
Preferred	P	1.50	P	-

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

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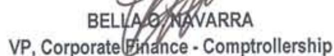

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended March 31, 2010 and 2009
(In Millions)

	2010 Unaudited	2009 Unaudited
NET INCOME	P 4,496	P 2,561
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	(1,249)	236
NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	215	-
INCOME TAX EXPENSE	(22)	-
NET GAIN ON CASH FLOW HEDGES	-	47
INCOME TAX EXPENSE	-	(14)
SHARE IN COMPREHENSIVE LOSS OF AN ASSOCIATE	(1)	-
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	(1,057)	269
TOTAL COMPREHENSIVE INCOME - NET OF TAX	P 3,439	P 2,830
Comprehensive Income Attributable to :		
Equity Holders of the Parent Company	P 2,141	P 2,900
Non-controlling Interests	1,298	(70)
	P 3,439	P 2,830

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

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended March 31, 2010 and 2009
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company												
	Capital Stock		Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity
	Common	Preferred			Translation Reserve	Hedging Reserve	Fair Value Reserve	Appropriated	Unappropriated				
As of January 1, 2010 (Audited)	P 16,150	P 4,852	P 99,085	P 18	P 5,737	P -	P 108	P 5,497	P 151,911	P (69,541)	P 213,817	P 27,121	P 240,938
Foreign currency translation differences					(913)						(913)	(336)	(1,249)
Share in comprehensive loss of an associate					(1)						(1)		(1)
Net change in fair value of available-for-sale financial assets, net of tax							159				159	34	193
Other comprehensive income (loss)	-	-	-	-	(914)	-	159	-	-	-	(755)	(302)	(1,057)
Net income for the period									2,896		2,896	1,600	4,496
Total comprehensive income (loss) for the period					(914)	-	159	-	2,896	-	2,141	1,298	3,439
Issuance of capital stock	60	-	502								562	-	562
Stock options			217								217		217
Appropriations - net								127	(127)		-		-
Cash dividends (Note 7):													
Common								-	(2,412)		(2,412)	(990)	(3,402)
Preferred									(1,332)		(1,332)		(1,332)
As of March 31, 2010 (Unaudited)	P 16,210	P 4,852	P 99,804	P 18	P 4,823	P -	P 267	P 5,624	P 150,936	P (69,541)	P 212,993	P 27,429	P 240,422
As of January 1, 2009 (Audited)	P 16,112	P -	P 31,183	P 18	P 4,882	P (123)	P 78	P 5,522	P 96,298	P (4,053)	P 149,917	P 18,307	P 168,224
Foreign currency translation differences					171						171	65	236
Effective portion of changes in fair value of cash flow hedges, net of tax						27					27	6	33
Other comprehensive income	-	-	-	-	171	27	-	-	-	-	198	71	269
Net income for the period									2,702		2,702	(141)	2,561
Total comprehensive income for the period	-	-	-	-	171	27	-	-	2,702	-	2,900	(70)	2,830
Issuance of capital stock	1		9								10	-	10
Appropriations -net								32	(32)		-	-	-
Cash dividends - common (Note 7)									(1,105)		(1,105)	(168)	(1,273)
As of March 31, 2009 (Unaudited)	P 16,113	P -	P 31,192	P 18	P 5,053	P (96)	P 78	P 5,554	P 97,863	P (4,053)	P 151,722	P 18,069	P 169,791

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

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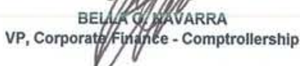

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2010 and 2009
(In Millions)

	2010 Unaudited	2009 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 5,883	P 3,364
Adjustments for :		
Depreciation, amortization and others - net	2,098	2,102
Interest expense and financing charges	2,145	1,488
Interest income	(1,064)	(1,071)
Equity in net earnings of associates	(770)	(228)
Gain on sale of investments and property and equipment	(13)	(243)
Operating income before working capital changes	8,279	5,412
Changes in noncash current assets, certain current liabilities and others	(2,438)	(2,379)
Cash generated from operations	5,841	3,033
Interest paid	(1,337)	(1,530)
Income taxes paid	(739)	(192)
Net cash flows provided by operating activities	3,765	1,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments and advances	(93,925)	-
Additions to property, plant and equipment	(1,166)	(955)
Increase in other noncurrent assets and others	(1,287)	(637)
Advances to related parties - net	(3,079)	(3,179)
Proceeds from sale of investments and property and equipment	18	355
Interest received	1,073	945
Net cash flows used in investing activities	(98,366)	(3,471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from :		
Short-term borrowings	177,890	150,946
Long-term borrowings	13,469	989
Payments of:		
Short-term borrowings	(181,050)	(148,264)
Long-term borrowings	(459)	(451)
Cash dividends paid	(2,112)	(1,093)
Proceeds from issuance of capital stock	562	10
Dividends paid to non-controlling shareholders	(1,082)	(292)
Net cash flows provided by financing activities	7,218	1,845
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(954)	1,375
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(88,337)	1,060
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	209,411	116,939
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 121,074	P 117,999

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

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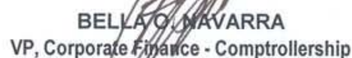

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2010

		TOTAL	OVER 90 DAYS
ACCOUNTS RECEIVABLE-TRADE	₱	274,930,841.14	274,930,841.14
ALLOW. FOR DOUBTFUL ACCOUNTS		(274,930,841.14)	
NET	₱	0.00	

Annex "B"

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL POSITION AND PERFORMANCE

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2010 (with comparative figures as of December 31, 2009 and for the period ended March 31, 2009). All necessary adjustments to present fairly the consolidated financial position, performance and cash flows of the Group as at March 31, 2010, 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. 2010 TRANSACTIONS

- On January 7, 2010, the Parent Company acquired a 49% stake in Top Frontier Holdings, Inc. (Top Frontier) via equity infusion. The investment consists of: (i) subscription of 2,401,960 common shares of Top Frontier from its unissued capital stock; (ii) deposit for future subscription amounting to ₱48,324 million, with the option granted to the Parent Company to convert the same to non-voting, redeemable, participating preferred shares upon the amendment by Top Frontier of its Articles of Incorporation and Top Frontier's compliance of its obligations related to the aforementioned investment.

- Top Frontier accepted a total of 47,700,679 Class "A" shares and 31,759,499 Class "B" shares tendered by the Parent Company's shareholders at the offer price of P75.00 per share, for a total consideration of ₱5,959 million, inclusive of taxes, brokers' commissions and other fees. On April 13, 2010, Top Frontier acquired 327,000,000 common Class "B" shares of the Parent Company held by Q-Tech Alliance Holdings, Inc. at the price of ₱66.00 per share. Top Frontier had total shareholdings of 1,263,576,092 common shares of the Parent Company.

- On January 18, 2010, the physical possession of the Limay Power Plant was turned over and transferred to Panasia Energy Holdings, Inc. (Panasia). Panasia started the commercial operations of the Limay Power Plant on February 16, 2010.

- On January 29, 2010, San Miguel Energy Corporation (SMEC) acquired 100% of the outstanding capital stock of Daguma - Agro Minerals Inc., a coal mining company with coal property located at Lake Sebu, South Cotabato, consisting of 2 coal blocks with a total area of 2,000 hectares covered by a Coal Operating Contract with the Department of Energy.

- On March 15, 2010, the Parent Company and Global 5000 Investment Inc. (Global) executed a Subscription Agreement, under which they subscribed to 1,500 and 6,000 shares, respectively to Strategic Power Development Corp. (SPDC). With the new subscription, Global owns an aggregate of 60% equity ownership interest in SPDC, while the Parent Company retains an

aggregate of 40% equity ownership interest in SPDC. SPDC was deconsolidated in SMC's Financial Statements as of March 15, 2010.

- On January 5, 2010, Vega Telecom, Inc. (Vega) paid ₱588 million as additional deposit for the subscription to Liberty Telecoms Holdings, Inc.'s (LTHI) preferred shares. The preferred shares will be issued from the increase in the authorized capital stock of LTHI. The application for the increase in the authorized capital stock of LTHI was approved by the Securities and Exchange Commission (SEC) on January 18, 2010.

  On April 8, 2010, Vega paid the remaining subscription payable on LTHI's preferred shares amounting to P441.

- On April 6, 2010, the Parent Company signed a memorandum of understanding for the purchase of a majority stake in Universal LRT Corporation (BVI) Limited (ULC) and ULCOM Company, Inc. (ULCOM). ULC is the company undertaking the Metro Rail Transit System - Line 7 Project (MRT 7 Project), while ULCOM is the entity designated by ULC to operate and maintain the MRT 7 Project. The MRT 7 Project involves the development, financing, operation and maintenance of an integrated transportation system consisting of: (i) a 22-kilometer rail transit system which shall be built from the North Avenue Station in EDSA to San Jose del Monte, Bulacan; (ii) an Intermodal Transportation Terminal (ITT); and (iii) a 22-kilometer, 6-lane highway from the Bocaue interchange of the North Luzon Expressway to the ITT. The Parent Company advanced ₱692 million for future stock subscription as of March 31, 2010.

- On January 29, 2010, San Miguel Brewery Inc. (SMB) completed the acquisition of the international beer and malt-based beverages business of the Parent Company through the purchase of San Miguel Holdings Limited's (SMHL) interest in San Miguel Brewing International Limited (SMBIL), comprising 100% of the issued and outstanding capital stock of SMBIL, for a purchase price of US$302 million after adjustments pursuant to the terms of the share purchase agreement by and among the Parent Company, SMB and SMHL for the acquisition of SMBIL. With the acquisition, SMBIL became a wholly-owned subsidiary of SMB.

- On January 28, 2010, SMB entered into a US$300 million unsecured loan facility agreement. Proceeds of the loan were used to finance SMB's acquisition of SMBIL.

- On February 2, 2010, the Parent Company's BOD approved the following corporate actions:

  a) Sale to San Miguel Pure Foods International, Limited (SMPFIL), a wholly-owned subsidiary of San Miguel Pure Foods Company Inc. (SMPFC), of Parent Company's 51% interest in San Miguel Pure Foods Investment (BVI) Limited (SMPFI) at book value.
  b) Potential subscription of up to P5,200 worth of new SMPFC shares.
  c) Sale of Parent Company's food-related brands and intellectual property rights to SMPFC at a purchase price of P3,200 million.
  d) Sale of up to 40% of the Parent Company's interest in SMPFC, by way of a trade sale or marketed placements to investors, which may include investors outside the United States (Reg S) or and to not more than 19 non-qualified buyers domestically to be determined by Management.

- On February 2, 2010, the BOD of SMPFC approved the proposal of SMPFC management to a) purchase food-related brands and intellectual property rights from the Parent Company at a purchase price of P3,200 million, and b) acquire, through SMPFIL, a BVI company and a wholly-owned subsidiary of SMPFC, the Parent Company's 51% interest, through San Miguel Foods and Beverage International Limited, in SMPFI at book value. SMPFI owns 100% of San Miguel Pure Foods (Vn) Co. Ltd.

- On February 2, 2010 and March 12, 2010, SMPFC's stockholders approved, among others, the following corporate actions, subject to the necessary approvals of the SEC:

  (a) Potential issuance of up to 75,000,000 new SMPFC shares to the Parent Company or third parties.
  (b) Amendment of Amended Articles of Incorporation of SMPFC to reflect the following:
    - de-classification of SMPFC's common shares;
    - increase in SMPFC's authorized capital stock by P1,000 million or 100,000,000 shares at P10.00 par value;
    - denial of Pre-emptive rights to the proposed issuance of shares of up to 75,000,000 new SMPFC shares to the Parent Company or third parties.

  Declassification of SMPFC's common shares was approved by the SEC on April 12, 2010. The declaration of 18% stock dividend based on the issued and outstanding shares to be taken out of the proposed increase in authorized capital stock.

- On February 15, 2010, San Miguel Properties, Inc.'s (SMPI) Board of Directors authorized the divestment of SMPI's 31.23% interest in Bank of Commerce (BOC). The carrying amount of the investment as of March 31, 2010 of ₱2,786 million representing 16,396,689 common shares is presented as "Assets held for sale" in the consolidated statements of financial position.

II. FINANCIAL PERFORMANCE

2010 vs. 2009

For the first quarter of 2010, the Group generated consolidated sales revenues of ₱44,659 million, 7% higher than last year. Revenue growth was led by Ginebra San Miguel, Inc. (GSMI) and SMB.

With the increased sales coupled with improved margins and managed fixed costs, consolidated operating income for the first quarter ended at ₱5,786 million, 35% above last year. Most businesses were able to perform above last year's levels.

Interest expense and other financing charges increased by 44% compared to the same period last year due to higher debt balance.

Equity in net earnings of associates is significantly higher than 2009 mainly due to the Group's share in net income of the Manila Electric Company (Meralco), SMEC, SPDC and BOC, net of the equity in net loss of LTHI.

Gain on sale of investments and property and equipment in 2009 represents mainly the sale of certain parcels of land to Brewery Landholdings, Inc. (BLI).

With the equity in net earnings and other income from our new businesses, net of financing charges incurred by the Group and the increase in non-controlling interests, the resulting net income is ₱2,896 million, 7% higher than last year.

2009 vs. 2008

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

This resulted to a consolidated operating income of ₱4,288 million, 11% higher than 2008. Hard liquor generated strong volumes. Beer and Packaging businesses were helped by cost containment efforts. While most of the food business benefited from favorable selling prices.

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

Equity in net earnings of associates represents the Group's share in net income of Meralco and BOC.

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

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

2008's net income includes gain from sale of shares of stock in J. Boag amounting to ₱5,665 million.

With this, income from continuing operations and consolidated net income attributable to equity holders of the Parent Company for the first quarter of 2009 totaled ₱ 2,561 million and ₱ 2,702 million, respectively, both lower than 2008.

Without one-off items, net income should have been ₱ 3,355 million, 18% lower than the comparable amount of ₱ 4,114 million in 2008. Excluding the effect of net - foreign exchange gains in 2009, net income is 25% higher than 2008.

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

1. BEVERAGES

2010 vs. 2009

a. Beer

SMB's first quarter revenue amounted to ₱13,356 million, 7% higher than last year. With higher volumes and increased selling prices, operating income for the quarter amounted to ₱4,647 million, up by 20% versus last year.

SMBIL registered sales revenue of $59.7 million for the first quarter, 5% above last year's level on account of a 25% increase in Indonesia's domestic volume and an 11% increase in SMBIL exports.

SMBIL's consolidated operating loss for the quarter is US$0.77 million, favorable versus last year. This was on the back of higher gross margins resulting from improved mix and reduction in discounts coupled with contained fixed costs.

b. GSMI

GSMI turned in good results for the first quarter of 2010 with domestic liquor volume reaching 10.1 million cases, 4% above last year level. This resulted to consolidated sales revenue of ₱5,574 million, 22% higher than last year.

With higher revenues and stable fuel and molasses costs, consolidated operating income for the quarter reached ₱474 million, 14% higher than last year.

2009 vs. 2008

a. Beer

SMB's first quarter revenues ended at ₱12,426 million, slightly higher than 2008 with 9% decline in volume due to economic slow down . However, SMB generated operating income of ₱3,873 million, greater by 3% than 2008 due to cost control efforts.

SMBIL consolidated revenues for the first quarter stood at US$57 million, below 2008's level by 10%. This was due to lower sales volume.

b. GSMI

GSMI posted consolidated revenues of ₱4,560 million for the first three months of 2009, higher by 35% than 2008's level. Gross contribution margins also grew with sustained improvements in alcohol production and product distribution costs. This brought in GSMI's operating income of ₱417 million, significantly higher than 2008.

2. PACKAGING

2010 vs. 2009

The San Miguel Yamamura Packaging Group (SMYPG) posted consolidated revenues for the quarter at ₱5,579 million, 11% higher than last year. The consolidation of the Cospak Group, the largest packaging trading company in Australasia with sales offices in Australia, New Zealand and South Africa, led the increase versus last year.

The corresponding SMYPG's consolidated operating income for first quarter is ₱516 million, 18% lower than last year, with the higher material costs for the plastic business, lower volume from Coca-Cola Bottlers Philippines, Inc. and higher fixed costs.

2009 vs. 2008

The Packaging Group started off positively in the beginning of 2009 garnering total sales revenue of ₱5,005 million for the first quarter, slightly higher than 2008. Operating income for the quarter is ₱562 million, significantly higher than 2008.

3. FOOD

2010 vs. 2009

For the first quarter of 2010, San Miguel Food Group (Food Group) sustained its strong performance with operating income reaching ₱1,360 million, significantly higher than last year. This was achieved on consolidated revenues of ₱18,726 million, slightly higher than last year. Modest volume growth is noted across the group, with double-digit increases in flour, milk, coffee and some of the regional businesses.

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

a. Agro-Industrial

The agro-industrial cluster revenue grew 2% to ₱13,274 million driven mainly by higher volumes from the poultry and basic meats businesses, with poultry also registering favorable prices due to the continuing tight supply of chicken. Operating income ended at ₱788 million, 104% higher than last year.

b. Value-Added Meats

The processed meats business contributed ₱2,461 million in revenues for the period, 1% higher than 2009 with new products helping volume growth. Operating income of ₱19 million was 19% better than last year despite limited product availability.

c. Flour Milling

The milling cluster contributed revenues of ₱1,833 million, 10% lower than the previous year, the result of lower flour selling prices despite registering higher volumes. However, the large drop in wheat and freight costs brought operating income to ₱469 million, significantly higher than 2009.

d. Magnolia Inc.

The dairy, oils and fats cluster delivered revenues of ₱1,156 million, lower by 2% from 2009 due to consumer sizing-down and softening of the foodservice market. Favorable raw material prices brought income from operations to surge from last year, reaching ₱91 million, five times higher than last year.

2009 vs. 2008

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

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

a. Agro-Industrial

The agro-industrial cluster delivered consolidated revenues of ₱13,062 million, 18% higher than 2008 mainly due to better selling prices and higher volume of poultry and feeds.

b. Value-Added Meats

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

c. Flour Milling

The milling cluster posted a three-month revenue of ₱2,043 million, 4% lower than 2008.

d. Magnolia Inc.

Magnolia Inc. contributed revenues at ₱1,181 million, 5% higher than 2008, helped by ice cream business' 22% volume growth and price adjustments across all product lines.

III. FINANCIAL POSITION

2010 vs. 2009

Cash and cash equivalents decreased by 42% from ₱209,411 million in 2009 to ₱121,074 million in 2010 mainly due to advances for future stock subscription in shares of stock of Top Frontier and ULC, net payment of short-term loans, payment of dividends and additional advances to a related party, net of the proceeds from loan availment of SMB.

Trade and other receivables increased by 8% to ₱53,017 million in 2010 due to consolidation of Panasia's receivable balance, on the sale of electricity to Wholesale Electricity Spot Market and additional advances to a related party, net of the collection of December 2009 trade receivable balances.

Inventories increased by 7% to ₱27,315 million in 2010 due to purchase of local and imported alcohol and increase in production volume of local liquor of GSMI.

Current biological assets increased by 6% to ₱2,682 million in 2010 due to the increase in volume of poultry livestock.

Investments increased from ₱39,356 million to ₱134,004 million in 2010 mainly due to advances for future stock subscription in shares of stock of Top Frontier and ULC, equity in net earnings of Meralco, SMEC and SPDC, net of equity in net loss of LTHI.

Drafts and loans payable decreased by 6% from ₱56,789 million in 2009 mainly due to net payments and translation adjustments.

The increase in income and other taxes payable of ₱1,022 million from ₱4,186 million in 2009 to ₱5,208 million in 2010, is mainly due to the increase in income tax payable for the first quarter of 2010 as a result of higher income for the period.

Dividends payable increased by 268% mainly due to declaration of dividends by the Parent Company to its common and preferred shareholders in March 2010.

Long-term debt increased by ₱12,492 million from ₱72,962 million in 2009 mainly due to availment of an unsecured loan facility by SMB, net of payments made by SMIL and GSMI, additional debt issue costs-net and translation adjustments.

Cumulative translation adjustments decreased by 13% from ₱5,845 million in 2009 mainly due to the translation of foreign subsidiaries' net assets. The exchange rates used for net assets in March 31, 2010 is ₱45.17 to US$1 (₱46.2 in December 31, 2009) and ₱45.996 to US$1 as of March 31, 2010 (₱47.785 as of March 31, 2009) for income and expense items.

2009 vs. 2008

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

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

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

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

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

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

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

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

Equity

The increase (decrease) in equity is due to:

(In millions)	**March 31**	
	2010	**2009**
Income during the period	**₱4,496**	₱2,561
Issuance of capital stock	**779**	10
Effect of translation adjustments	**(1,057)**	269
Cash dividends	**(4,734)**	(1,273)
	(₱516)	₱1,567

Current ratio was 2.29 in 2010 and 3.17 in 2009. Debt to equity ratio was 0.87 and 0.82 as of 2010 and 2009, respectively.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	March 31	
	2010	**2009**
Net cash flows provided by operating activities	**₱3,765**	₱1,311
Net cash flows used in investing activities	**(98,366)**	(3,471)
Net cash flows provided by financing activities	**7,218**	1,845

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

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

(In millions)	March 31	
	2010	**2009**
Interest received	**₱1,073**	₱945
Proceeds from sale of investments and property and equipment	**18**	355
Additions to property, plant and equipment	**(1,166)**	(955)
Advances to related parties	**(3,079)**	(3,179)
Additions to investments and advances	**(93,925)**	-
Increase in other noncurrent assets and others	**(1,287)**	(637)

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

(In millions)	March 31	
	2010	**2009**
Proceeds from long-term debt - net	**₱13,010**	₱538
Proceeds from issuance of capital stock	**562**	10
Proceeds from (payments of) short-term loan - net	**(3,160)**	2,682
Payments of dividends	**(3,194)**	(1,385)

The effect of exchange rate changes on cash and cash equivalents amounted to (₱954) million and ₱1,375 million in March 31, 2010 and 2009, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group 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 "Financial Performance" of the MD&A for the discussion of the computed certain Key Performance Indicators.

	March 2010	**December 2009**
Liquidity:		
Current Ratio	**2.29**	3.17
Solvency:		
Debt to Equity Ratio	**0.87**	0.82
Profitability:		
Return on Average Equity	**5.43%**	31.78%

	Period Ended March 31	
	2010	**2009**
Operating Efficiency:		
Volume Growth (Decline)	**2%**	(1%)
Revenue Growth	**7%**	8%
Operating Margin	**12.96%**	10.23%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity	$\frac{\text{Net Income*}}{\text{Average Equity}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior period Net Sales}}\right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting*