

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

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Contact Person

(632)	632-3000
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Company Telephone Number

1	2
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Month

3	1
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Day

1	7	-	Q		
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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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STAMPS

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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 **June 30, 2008**
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

Title of each Class	Number of shares of common stock outstanding (as of June 30, 2008)
Class "A" Common Shares	1,921,277,855
Class "B" Common Shares	<u>1,235,715,222</u>
Total	3,156,993,077

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 ☒ No ☐

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Corporation (SMC) and its subsidiaries (collectively, the Company) as of and for the period ended June 30, 2008 (with comparative figures as of December 31, 2007 and for the period ended June 30, 2007) 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 IV, Paragraph (a)(2)(B) of SRC Rule 12 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

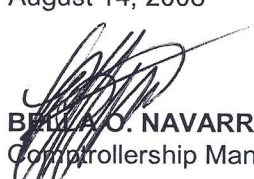
SIGNATURES

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 August 14, 2008

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

Date August 14, 2008

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended June 30, 2008 and 2007
(Amounts in Millions, Except Earnings Per Share)

	2008		2007		For the Quarter Ended			
	Unaudited		Unaudited (As Restated)		Unaudited	Unaudited (As Restated)		
SALES	P	79,770	P	73,383	P	40,614	P	38,104
COST OF SALES		58,175		55,465		29,518		28,703
GROSS PROFIT		21,595		17,918		11,096		9,401
SELLING AND ADMINISTRATIVE EXPENSES		(13,381)		(11,479)		(6,734)		(5,721)
INTEREST EXPENSE AND FINANCING CHARGES		(2,828)		(2,831)		(1,339)		(1,286)
INTEREST INCOME		3,750		548		2,369		296
FOREIGN EXCHANGE GAIN - Net		8,786		1,422		4,656		967
EQUITY IN NET EARNINGS OF ASSOCIATES		41		55		38		27
GAIN ON SALE OF INVESTMENTS		7,150		2,169		5,730		2,169
OTHER INCOME (CHARGES) - Net		(6,588)		234		(5,256)		136
INCOME BEFORE INCOME TAX		18,525		8,036		10,560		5,989
FROM CONTINUING OPERATIONS		18,525		8,036		10,560		5,989
INCOME TAX EXPENSE		4,060		2,979		1,619		1,971
INCOME FROM CONTINUING OPERATIONS		14,465		5,057		8,941		4,018
INCOME AFTER INCOME TAX		5,665		1,574		-		405
FROM DISCONTINUED OPERATIONS (Note 5)		5,665		1,574		-		405
NET INCOME	P	20,130	P	6,631	P	8,941	P	4,423
Attributable to :								
Equity holders of the Parent Company	P	19,732	P	6,602	P	8,697	P	4,213
Minority interests		398		29		244		210
	P	20,130	P	6,631	P	8,941	P	4,423
Basic/Diluted Earnings Per Share attributable to equity holders of the Parent Company: (Note 6)								
From Continuing Operations	P	4.45	P	1.53	P	2.75	P	1.21
From Discontinued Operations		1.80		0.57		-		0.13
	P	6.25	P	2.10	P	2.75	P	1.34

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

CERTIFIED CORRECT:

BELEN O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2008 and December 31, 2007
(Amounts in Millions)

ASSETS

	2008 Unaudited	2007 Audited
Current Assets		
Cash and cash equivalents	P 105,243	P 93,281
Trade and other receivables - net (Note 3)	64,001	61,879
Inventories - net	29,285	23,852
Current portion of biological assets - net	2,681	2,324
Prepaid expenses and other current assets	7,058	5,677
	<u>208,268</u>	<u>187,013</u>
Assets held for sale	-	5,792
Total Current Assets	<u>208,268</u>	<u>192,805</u>
Noncurrent Assets		
Investments and advances - net	2,571	771
Property, plant and equipment - net (Note 4)	67,177	64,355
Investment properties - net	1,741	1,648
Biological assets - net of current portion	1,558	1,319
Goodwill - net	5,433	5,348
Other intangible assets - net	3,700	3,202
Deferred tax assets	4,571	4,973
Other noncurrent assets - net	13,272	13,688
Total Noncurrent Assets	<u>100,023</u>	<u>95,304</u>
	<u>P 308,291</u>	<u>P 288,109</u>

LIABILITIES AND EQUITY

	2008 Unaudited	2007 Audited
Current Liabilities		
Drafts and loans payable	P 41,321	P 44,231
Accounts payable and accrued expenses	25,960	20,311
Income and other taxes payable	3,211	3,327
Dividends payable	335	1,494
Current maturities of long-term debt - net of debt issue costs	314	1,222
	<u>71,141</u>	<u>70,585</u>
Liabilities directly associated with assets held for sale	-	3,642
Total Current Liabilities	<u>71,141</u>	<u>74,227</u>
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs	47,396	54,612
Deferred tax liabilities	16,984	12,721
Other noncurrent liabilities	355	456
Total Noncurrent Liabilities	<u>64,735</u>	<u>67,789</u>
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	16,112	16,109
Additional paid -in capital	31,075	30,930
Revaluation increment	18	18
Cumulative translation adjustments	5,571	4,834
Retained earnings:		
Appropriated for expansion projects	6,203	6,034
Unappropriated	99,314	80,855
Treasury stock	(4,053)	(4,053)
	<u>154,240</u>	<u>134,727</u>
Amounts recognized directly in equity relating to assets held for sale	-	37
Minority Interests	18,175	11,329
Total Equity	<u>172,415</u>	<u>146,093</u>
	<u>P 308,291</u>	<u>P 288,109</u>

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

CERTIFIED CORRECT:

BELEN D. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended June 30, 2008 and 2007
(Amounts in Millions)

	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustment	Retained Earnings		Treasury Stock	Total	Minority Interests	Total Equity				
					Appropriated	Unappropriated								
Balance at December 31, 2007 (Audited)	P 16,109	P 30,930	P 18	P 4,871	P 6,034	P 80,855	P (4,053)	P 134,764	P 11,329	P 146,093				
Changes in fair value of cash flow hedges, net of tax				25				25		25				
Net effect of translation adjustments				675				675		675				
Net income for the period						19,732		19,732	398	20,130				
Total income for the period	-	-	-	700	-	19,732	-	20,432	398	20,830				
Issuances of capital stock	3	145						148		148				
Addition in minority interests								-	6,496	6,496				
Appropriations - net					169	(169)		-		-				
Cash dividends (Note 7)						(1,104)		(1,104)	(48)	(1,152)				
Balance at June 30, 2008 (Unaudited)	P 16,112	P 31,075	P 18	P 5,571	P 6,203	P 99,314	P (4,053)	P 154,240	P 18,175	P 172,415				
Balance at December 31, 2006 (Audited, As Restated)	P 16,067	P 30,211	P 18	P 4,577	P 6,036	P 78,011	P (4,053)	P 130,867	P 21,662	P 152,529				
Changes in fair value of cash flow hedges, net of tax				8				8		8				
Net effect of translation adjustments				1,007				1,007		1,007				
Net income for the period						6,602		6,602	29	6,631				
Total income for the period	-	-	-	1,015	-	6,602	-	7,617	29	7,646				
Issuances of capital stock	33	441						474		474				
Reduction in minority interests								-	(9,197)	(9,197)				
Appropriations -net					(60)	60		-		-				
Cash dividends (Note 7)						(2,205)		(2,205)	(48)	(2,253)				
Balance at June 30, 2007 (Unaudited)	P 16,100	P 30,652	P 18	P 5,592	P 5,976	P 82,468	P (4,053)	P 136,753	P 12,446	P 149,199				

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

CERTIFIED CORRECT:

BELLARDO NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended June 30, 2008 and 2007
(Amounts in Millions)

	2008	2007
	Unaudited	Unaudited (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	P 18,525	P 8,036
Loss before income tax from discontinued operations		(3)
Income from disposal of discontinued operations	5,665	1,200
Income before income tax	24,190	9,233
Adjustments for :		
Depreciation, amortization and others - net	(6,921)	4,980
Interest expense and financing charges	2,828	4,364
Interest income	(3,750)	(658)
Equity in net earnings of associates	(41)	(97)
Gain from disposal of discontinued operations	(5,665)	(1,200)
Gain on sale of investments and property and equipment	(7,153)	(2,214)
Operating income before working capital changes	3,488	14,408
Changes in noncash current assets, certain current liabilities and others	4,629	(2,971)
Cash generated from operations	8,117	11,437
Interest paid	(2,920)	(4,501)
Income taxes paid	(1,147)	(2,774)
Net cash flows provided by operating activities	4,050	4,162
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments and advances	(1,249)	(3)
Additions to property, plant and equipment	(3,081)	(5,616)
Increase in other noncurrent assets and others	(1,340)	(2,448)
Advances to a related party	(5,533)	(17,285)
Proceeds from sale of investments and property and equipment	12,082	7,833
Proceeds from disposal of discontinued operation, net of cash disposed of	9,452	15,175
Interest received	3,608	745
Net cash flows provided by (used in) investing activities	13,939	(1,599)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from :		
Short-term borrowings	282,109	146,867
Long-term borrowings	316	2,790
Payment of:		
Short-term borrowings	(285,230)	(143,074)
Long-term borrowings	(12,775)	(13,665)
Cash dividends paid	(2,256)	(1,551)
Issuances of capital stock	148	474
Dividends paid to minority shareholders	(80)	(111)
Increase in minority interest	601	-
Net cash flows used in financing activities	(17,167)	(8,270)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	11,140	(383)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,962	(6,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	93,281	24,280
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 105,243	P 18,190

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

CERTIFIED CORRECT:

BELEN D. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
AS OF JUNE 30, 2008

		TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	P	2,705,744,469.36	1,192,919,621.99	450,239,993.43	185,383,559.43	877,201,294.51
ALLOW. FOR DOUBTFUL ACCOUNTS		<u>(453,907,848.12)</u>				
NET	P	<u>2,251,836,621.24</u>				

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SAN MIGUEL CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its consolidated interim financial statements as of and for the period ended June 30, 2008 and comparative financial statements for the same period in 2007 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS).

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

The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest million (P000,000), except when otherwise indicated.

2. Segment Information

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

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

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

The food segment includes, among others, the breeding, hatching, processing and marketing of chicken; production and marketing of feeds and flour, dairy products and processed meats; and processing and marketing of basic and value-added meat products.

The packaging segment is involved in the production and marketing of metal closures, two-piece aluminum cans, plastic crates, pallets, corrugated cartons, composites, glass containers, glass molds and polyethylene terephthalate (PET) plastic bottles.

	Beverage		Food		Packaging		Others		Eliminations		Consolidated	
	2008	2007*	2008	2007*	2008	2007	2008	2007	2008	2007	2008	2007*
REVENUES												
External sales	P37,949	P34,279	P34,097	P31,493	P7,724	P7,611	P-	P-	P-	P-	P79,770	P73,383
Inter-segment sales	-	-	7	97	2,267	1,683	-	-	(2,274)	(1,780)	-	-
Total Revenues												
from Continuing Operations	P37,949	P34,279	P34,104	P31,590	P9,991	P9,294	P-	P-	(P2,274)	(P1,780)	P79,770	P73,383

*As restated – Note 5

3. Related Party Transactions

Transactions with related parties are made at normal market prices.

The Parent Company has outstanding advances to San Miguel Corporation Retirement Plan amounting to ₱41,224, subject to interest of 6.5% per annum, included as part of “Trade and other receivables” account.

4. Property, Plant and Equipment

Property, plant and equipment consist of:

	Balance, January 1, 2008 (Audited)	Additions / (Transfer)	Reclassifications	Currency Translation Differences	Balance, June 30, 2008 (Unaudited)
Cost:					
Land and land improvements	₱8,881	₱305	(₱205)	₱145	₱9,126
Buildings and improvements	21,214	993	(115)	1,077	23,169
Machinery and equipment	68,696	3,272	11	2,614	74,593
Transportation equipment	2,701	244	(43)	35	2,937
Tools and small equipment	1,932	34	(166)	63	1,863
Office equipment, furniture and fixtures	2,451	29	25	50	2,555
Molds	395	62	39	9	505
Leasehold improvements	825	14	20	-	859
Construction in progress	7,461	(1,871)	(422)	398	5,566
	114,556	3,082	(856)	4,391	121,173
Accumulated depreciation and amortization:					
Land improvements	1,074	40	(76)	17	1,055
Buildings and improvements	5,279	309	(8)	243	5,823
Machinery and equipment	33,977	1,647	(98)	995	36,521
Transportation equipment	1,888	125	(44)	28	1,997
Tools and small equipment	1,559	59	(207)	56	1,467
Office equipment, furniture and fixtures	2,005	83	3	33	2,124
Molds	288	55	34	7	384
Leasehold improvements	309	20	(4)	-	325
	46,379	2,338	(400)	1,379	49,696
Accumulated impairment losses:					
Buildings and improvements	918	-	-	107	1,025
Machinery and equipment	2,884	-	-	356	3,240
Transportation equipment	1	-	-	-	1
Tools and small equipment	11	-	-	2	13
Office equipment, furniture and fixtures	6	-	-	13	19
Molds	2	-	-	-	2
	3,822	-	-	478	4,300
Net book value	₱64,355	₱744	(₱456)	₱2,534	₱67,177

Depreciation and amortization charged to operations amounted to ₱2,338 and ₱3,009 in June 2008 and 2007, respectively.

5. Discontinued Operations

The results of operations of Coca-Cola Bottlers Philippines, Inc. and subsidiaries, San Miguel Foods Australia Holdings Pty Ltd. and subsidiaries and San Miguel Australia Holdings including J. Boag & Son Limited for the period ended June 30, 2007 were presented as a separate item under “Income after Income Tax from Discontinued Operations”. Accordingly, the comparative figures in the consolidated statements of income for the period ended June 30, 2007 has been restated.

The results of discontinued operations are presented below:

	2007
Net sales	₱44,629
Cost of sales	28,186
Gross profit	16,443
Selling and administrative expenses	(14,979)
Interest expense and financing charges	(1,533)
Interest income	110
Foreign exchange – net	(2)
Other charges	(42)
Income before income tax	(3)
Income tax expense	(377)
Gain from discontinued operations	374
Gain on sale from disposal of investment – net of tax	1,200
Net income from discontinued operations	₱1,574
Attributable to:	
Equity holders of the Parent Company	₱1,773
Minority interest	(199)
	₱1,574

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 ESPP and LTIP, 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:

	2008	2007
Net income from continuing operations attributable to equity holders of the Parent Company (a)	₱14,067	₱4,829
Net income from discontinued operations attributable to equity holders of the Parent Company (b)	5,665	1,773
Net income attributable to equity holders of the Parent Company	19,732	6,602
Weighted average number of shares outstanding (in millions) (c)	3,157	3,151
Effect of dilution (in millions)	-	7
Weighted average number of shares outstanding (in millions) - diluted (d)	3,157	3,158
Basic EPS from continuing operations (a/c)	₱4.45	₱1.53
Basic EPS from discontinued operations (b/c)	1.80	0.57
	₱6.25	₱2.10
Diluted EPS from continuing operations (a/d)	₱4.45	₱1.53
Diluted EPS from discontinued operations (b/d)	1.80	0.57
	₱6.25	₱2.10

7. Dividends

Cash dividends declared amounted to ₱0.35 and ₱0.70 per share in June 2008 and 2007, respectively.

8. Other Matters

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- 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.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- 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 balance sheet date, except for Note 21 (d) of the 2007 Audited Consolidated Financial Statements that remain outstanding as of June 30, 2008. 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-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period ended June 30, 2008.
- g. The effects of seasonality or cyclicity 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 June 30, 2008. 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.
- i. The exchange rates used for net assets in June 30, 2008 are ₱44.90 to US\$1 (₱41.28 in December 31, 2007) and ₱43.03 to US\$1 as of June 30, 2008 (₱46.87 as of June 30, 2007) for income and expense items.



SAN MIGUEL CORPORATION

ANNEX “B”

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation (the “Parent Company”) and subsidiaries (the “Group”) as of and for the period ended June 30, 2008 (with comparative figures as of December 31, 2007 and for the period ended June 30, 2007). All necessary adjustments to present fairly the consolidated financial position, results of operations, and cash flows of the Group as at June 30, 2008, 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. 2008 TRANSACTIONS

- The sale of the San Miguel Australia Holdings Ltd. (SMAH) shares including J. Boag & Son Limited (J. Boag) to Lion Nathan Ltd. was completed on January 2, 2008. The Group received A\$277 million as payment of purchase price and recognized a gain of ₱5,665 million, net of deferred income tax.
- On January 14, 2008, San Miguel Properties, Inc. (SMPI) finalized the sale of its 354,862 common shares (equivalent to 29.38% ownership) in KSA Realty Corporation (KSA) with carrying amount equivalent to its acquisition cost plus accumulated equity in net earnings of ₱468 million to Shang Properties, Inc. for a total consideration of ₱1,811 million. The Group recognized a gain of ₱1,157 million, net of capital gains tax of ₱162 million.
- On January 30, 2008, the Parent Company sold its 35% stake in its domestic packaging businesses to Nihon Yamamura Glass (NYG) for ₱4,317 million. Also, on the same day, San Miguel Holdings Ltd. (SMHL) sold its 35% stake in the regional packaging businesses to NYG for US\$21 million. As of June 30, 2008, the Group recognized a total gain of ₱152 million subject to adjustments, pending completion of the closing audit. Following the sale of the Parent Company’s interests in the packaging businesses, San Miguel Packaging Specialists, Inc. and San Miguel Packaging International Limited, the companies under which the Parent Company carries out its domestic and regional packaging businesses, were renamed San Miguel Yamamura Packaging Corporation (SMYPC) and San Miguel Yamamura Packaging International Limited (SMYPIL), respectively, in June 2008.
- On May 12, 2008, San Miguel Brewery Inc. (SMB) listed its shares in the Philippine Stock Exchange pursuant to its listing application approved on March 26, 2008. SMB sold 77 million shares to the public by way of a primary offer, pursuant to a registration statement rendered effective by the Securities and Exchange Commission on April 28, 2008. Also, the Parent Company sold to the public its existing 809 million shares in SMB (including shares to cover for over-allotments). The total shares offered represents 5.75% stake in SMB. The Group recognized a gain of ₱5,654 million.

- On April 21, 2008, after the payment of the remaining balance of the subscription price, BOC issued stock certificates to SMPI and SMCRP for their initial investment of ₱1,749 million and ₱251 million equivalent to 30% and 4% ownership, respectively.

In May 2008, SMPI, together with SMCRP, entered into a subscription agreement with BOC for a total of 10 million additional shares in BOC, wherein SMPI retained its 30% stake in BOC while SMCRP will increase its holdings in BOC to 21% under the increased authorized capital stock of BOC. As of June 2008, SMPI partially paid the subscription price for its subscription amounting to ₱150 million.

The Group through SMPI recognized equity in earnings of BOC amounting to ₱36 million, representing its share in BOC's net income from the period April 21 to June 30, 2008.

- In April 2008, SMPI completed the acquisition of the ₱704 million Boracay property with a total area of 281,566 square meters pursuant to the Asset Purchase Agreement entered into by SMPI and Boracay Property Holdings, Inc. in October 2007.
- As of June 30, 2008, the Group recognized significant net forex gain of ₱8,786 million from the restatement of its foreign currency denominated cash and cash equivalents and long-term debt. The Group also recognized marked to market loss of ₱6,771 million from its currency forwards, swaps and options.
- The Parent Company partially paid off its long-term debt by US\$277 million, decreasing its loan balance from US\$1,200 million to US\$923 million.
- At the annual stockholders' meeting held on July 24, 2008, the stockholders authorized (i) the Parent Company to pursue and implement a corporate restructuring plan which may require, among others, the divestment of the Parent Company's interest in its major subsidiaries, such as beer, food and packaging subsidiaries, with the Parent Company retaining controlling interests/ownership of at least 51% in each of these major subsidiaries, and (ii) the Board of Directors to approve the implementing transactions of such corporate restructuring plan after evaluation and study by Management, subject to applicable laws.

II. RESULTS OF OPERATIONS

2008 vs. 2007

The comparable 2007 consolidated statement of income was restated to reflect the sale of San Miguel Foods Australia Holdings Pty Ltd. (SMFAH) and subsidiaries (including National Foods Limited, King's Creameries (S) Pte. Ltd., Berri Ltd. and Lactos Pty Ltd.), San Miguel Australia Holdings (SMAH), including J. Boag & Son Limited and Coca-Cola Bottlers Philippines, Inc. and subsidiaries (CCBG). The line by line consolidation of SMFAH, SMAH and CCBG were presented under "Income after Income Tax from Discontinued Operations".

The Group's first semester, 2008 consolidated sales revenue amounted to ₱79,770 million, 9% above last year. Most businesses registered revenue growth versus last year.

With higher sales performance and managed fixed costs, together with increasing input costs, consolidated operating income rose to ₱8,214 million, 28% higher than last year.

The Group's net financing income, on the other hand, reached ₱9,708 million as of June 2008 with the interest income and foreign exchange gains on the Group's cash balance. However, these foreign exchange gains were partly offset by marked-to-market loss on foreign currency hedges reported under other charges.

Profit from continuing operations significantly increased to ₱14,465 million, which includes income from the initial public offering of San Miguel Brewery, Inc. and sale of the Parent Company's 5.25% ownership in SMB shares.

Coupled with the income from discontinued operations of ₱5,665 million reported in the first quarter, June year-to-date consolidated net income amounted to ₱20,130 million, significantly higher than last year. Net income attributable to the Parent Company amounting to ₱19,732 million is 199% higher than last year.

2007 vs. 2006

Consolidated sales revenue for the first semester of 2007 reached ₱73,383 million 8% above the same period in 2006.

Consolidated operating income of ₱6,439 million is 13% behind 2006. Domestic beer and food businesses performed very well in the second quarter achieving year-on-year income growth versus 2006 of 30% and 12%, respectively. International beer reported an operating income in the second quarter, turning around from the reported operating loss in the first quarter. The improvements in liquor and packaging businesses that started in May 2007 continued in June 2007.

The first semester of 2007's consolidated net financing charges amounted to ₱861 million, an improvement of 68% over 2006, aided by the continuing strength of peso until end of June 2007.

Other income, which mostly represents gain on sale of San Miguel Foods Asia Limited's Del Monte shares and gain from discontinued operations due to the sale of the 65% ownership of CCBPI and first semester results of operations of SMFAH, SMAH and CCBG, resulted into a consolidated net income of ₱6,631 million, 48% higher than 2006.

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

CONTINUING OPERATIONS

1. BEVERAGES

2008 vs. 2007

a. Beer

San Miguel Brewery Inc.

SMB's revenue of ₱23,821 million is 9% higher than the domestic beer operations' revenue last year driven by volume growth in Red Horse, San Mig Light and Gold Eagle and the increase in selling prices implemented in April 1, 2008.

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

San Miguel Beer Division – International Operations

Beer International ended the first half with a 4% improvement in volumes with corresponding revenue of \$136 million up by 30%. This was led by the strong performance of Indonesia, Thailand and Exports partly offset by weak volumes from China and Vietnam. As a result, year-to-date operating losses stood at \$0.45 million, an improvement of 89% over the prior year, with all units posting favorable results, except for the operations in South China.

b. Ginebra San Miguel, Inc. (GSMI)

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

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

2007 vs. 2006

a. Beer

San Miguel Beer Division - Philippines

Domestic Beer Operations' revenue for the first semester amounted to ₱21,882 million, 6% higher than 2006, mainly due to higher volume performance.

Operating income grew by 21% to ₱5,740 million on account of improved volumes and contained fixed operating expenses.

San Miguel Beer Division – International Operations

Beer International's sales revenue of US\$105 million was 6% above 2006. Due to favorable sales mix, savings generated from the termination of the factory lease agreement of Guangzhou San Miguel Brewery Co. Ltd. and fixed costs savings in Hong Kong, consolidated operating loss was lowered to US\$4 million as of June, a significant improvement from the reported loss in the first semester of 2006.

b. Ginebra San Miguel, Inc. (GSMI)

GSMI's strong sales of GSM Red, GSM Blue and the growth from export sales resulted to sales revenue of ₱6,321 million, 3% above 2006.

Despite an improving mix of higher margin SKUs, operating income still fell below 2006 as the effect of high input costs and absorption of the 8% excise tax, offset gains in volume.

2. PACKAGING

2008 vs. 2007

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

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

2007 vs. 2006

The Packaging Group's revenue in the first six months of 2007 was 9% lower at ₱9,294 million. Operating income likewise fell to ₱296 million as demand from internal customers remained sluggish and continued to be affected by the cyclical downturn. Sales improvements in the glass, plastics and metal segments nonetheless were recorded in the second quarter, which are expected to be sustained for the rest of 2007.

3. FOOD

2008 vs. 2007

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

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

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

a. Agro-Industrial

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

b. Value-Added Meats

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

c. Flour Milling

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

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

d. Magnolia Inc.

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

2007 vs. 2006

The San Miguel Food Group's consolidated revenues in the first semester of 2007 reached ₱29,056 million, 5% above 2006 as the businesses posted 10% revenue growth in the second quarter owing to volume growth and favorable prices for most of the businesses. This, together with the improved margin resulting from cost breaks in some major raw materials of processed meats and improved efficiencies of Magnolia, Inc. - the food business was able to achieve a 12% increase in operating income in the second quarter of 2007 resulting to ₱1,179 million, 10% higher versus 2006.

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

a. Agro-Industrial

The Agro-industrial cluster's consolidated revenues reached ₱19,780 million, exceeding 2006 level by 9%. However, due to higher raw materials and fixed costs, operating income ended at ₱792 million, 6% lower than 2006.

Poultry volumes in the first half ended higher partly due to election related activities. Revenue of ₱8,541 million improved with the favorable selling price environment. Operating income however ended lower at ₱388 million versus 2006 due to higher input costs.

The feeds business continued to deliver record-breaking sales performance and posted 15% higher volumes year-on-year – a result of aggressive marketing activities, extended breeding season, farmers' increased capacities and recovery of aquatic farms. Together with price adjustments, revenue grew by 18% to ₱8,327 million. Operating income, however, was affected by increasing raw material prices, declining by 12% to ₱217 million.

In the basic meats business, significantly lower beef sales dragged overall volumes down in the period, resulting in flat revenue growth at ₱2,912 million. New products were introduced in the market like breaded pork chops and bola-bola to generate volumes in the coming months.

b. Value-Added Meats

Processed meats business achieved 3% revenue growth as it reached ₱4,377 million. Operating income significantly increased to ₱165 million from last year's ₱86 million due to lower imported raw material prices resulting from the stronger peso.

c. Flour Milling

The milling cluster posted revenue at ₱3,143 million, 3% higher than 2006, resulting from the increase in flour selling prices. However, operating income ended at ₱178 million, 33% below 2006 due to tight copra supply, higher cost of raw materials particularly wheat for flour and edible oil for snacks and freight charges.

d. Magnolia Inc.

Magnolia, Inc.'s revenue for the first semester amounted to ₱2,332 million, 11% higher than 2006, due to higher selling prices and volume growth of margarine, cheese, ready to drink-milk and ice cream. Operating income amounted to ₱0.612 million, reversing 2006 loss.

DISCONTINUED OPERATIONS

NATIONAL FOODS LIMITED / BERRI LIMITED

2007 vs. 2006

National Foods Limited's June 2007 consolidated sales revenue amounted to A\$968 million, 10% higher than 2006 despite the impact of the drought condition in Australia. Higher costs of dairy raw materials and imported juice concentrates amid tight fruit supply however dragged operating income down to A\$41 million.

III. FINANCIAL CONDITIONS

2008 vs. 2007

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

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

The increase in inventories of ₱5,433 million from ₱23,852 million in 2007 is attributed to the increase in importation of soy bean meal and higher costs of oil and wheat and build up of

inventory particularly corn for the peak season of San Miguel Pure Foods Company, Inc. (SMPFC), increase in malt purchases of SMB and higher production volume of GSMI.

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

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

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

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

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

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

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

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

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

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

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

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

Other noncurrent liabilities decreased by ₱101 million to ₱355 million in 2008 mainly due to the amortization of unearned income on pallet leasing by SMYPC.

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

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

Minority interests increased by 60% mainly due to sale of the Parent Company's 35% stake in its domestic and regional packaging businesses to NYG and the sale by the Parent Company and SMB under a public offering of a combined 5.75% stake in SMB.

2007 vs. 2006

Cash and cash equivalents decreased by 25% from ₱24,280 million in 2006 to ₱18,190 million in 2007 mainly due to net payment of borrowings.

Trade and other receivables increased by 32% from ₱43,034 million in 2006 to ₱56,663 million in 2007 due to receivable from the sale of CCBPI shares and other advances, net of decreases due to deconsolidation of the Coca-Cola Bottler's Group (CCBG) and collection efficiency SMC Parent and San Miguel (Guangdong) Foods and Beverages Co. Ltd.

Inventories decreased by ₱8,484 million from ₱42,550 million in 2006 mainly due to the sale of CCBG.

Current biological assets increased by 114% to ₱4,023 million in 2007 due to Monterey's higher livestock inventory (day-old piglets, breeders and market hogs) and increase in feed costs and growing capacity in SMPFC.

Investments and advances decreased by ₱4,902 million from ₱5,989 million in 2006 mainly due to the sale of the equity holdings and other interest in Del Monte Pacific Ltd.

Property, plant and equipment decreased by ₱10,765 million from ₱97,986 million in 2006 as a result of the sale of CCBG.

Goodwill decreased by 6% from ₱72,899 million in 2006 to ₱68,164 million in 2007 mainly due to the sale of CCBG.

Deferred tax assets decreased by 44% from ₱6,871 million in 2006 due to the sale of CCBG.

Other noncurrent assets decreased by 30% from ₱15,952 million in 2006 to ₱11,143 million in 2007 mainly due to the sale of CCBG, net of increase due to receivable from the sale of Del Monte Pacific Ltd.

Accounts payable and accrued expenses decreased by 23% from ₱39,502 million in 2006 due to the sale of CCBG and payment of trade payables by SMPFC, San Miguel Foods Australia Holdings Ltd. and J. Boag and Son Ltd.

Income and other taxes payable decreased by 38% to ₱1,880 million in 2007 mainly due to payments made.

Dividends payable increased by ₱640 million mainly due to remaining payable from the declaration of cash dividends for the second quarter.

Long-term debt decreased by 18% from ₱95,915 million in 2006 to ₱78,637 million in 2007 due to net payments during the period, sale of CCBG and effect of currency translation adjustments.

Other noncurrent liabilities decreased by ₱565 million to ₱1,592 million in 2007 mainly due to decrease in retirement liability as a result of the sale of CCBG.

Stockholders' Equity

The increase (decrease) in stockholders' equity is due to:

<i>(In millions)</i>	2008	2007
Income during the period	₱20,130	₱6,631
Increase (decrease) in minority interests	6,496	(9,197)
Issuance of capital stock	148	474
Effect of translation adjustments	675	1,007
Declarations of cash dividends	(1,152)	(2,253)
Changes in fair value of cash flow hedges	25	8
	₱26,322	(₱3,330)

Current ratio was 2.93 in 2008 and 2.60 in 2007. Debt to equity ratio was 0.79 and 0.97 as of 2008 and 2007, respectively.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In millions)</i>	June 30	
	2008	2007
Net cash flows from operating activities	₱4,050	₱4,162
Net cash flows provided by (used in) investing activities	13,939	(1,599)
Net cash flows used in financing activities	(17,167)	(8,270)

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

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

<i>(In millions)</i>	June 30	
	2008	2007
Additions to investments and advances	(P1,249)	(P3)
Additions to property, plant and equipment	(3,081)	(5,616)
Proceeds from sale of investments and property and equipment	12,082	7,833
Proceeds from sale of discontinued operations, net of cash disposed of	9,452	15,175
Interest received	3,608	745
Advances to related parties	(5,533)	(17,285)
Increase in other noncurrent assets and others	(1,340)	(2,448)

Major components of net cash flows used in financing activities are as follows:

<i>(In millions)</i>	June 30	
	2008	2007
Proceeds (payments) of short-term loans – net	(P3,121)	P3,793
Payments of long-term debt – net	(12,459)	(10,875)
Payments of dividends	(2,336)	(1,662)
Other financing activities	749	474

The effect of exchange rate changes on cash and cash equivalents amounted to P11,140 million and (P383 million) in June 30, 2008 and 2007, respectively. The exchange rates used for net assets in June 30, 2008 are P44.90 to US\$1 (P41.28 in December 31, 2007) and P43.03 to US\$1 as of June 30, 2008 (P46.87 as of June 30, 2007) for income and expense items.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

<i>(In millions)</i>	June	December
	2008	2007
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	P53,592	P44,208
Treasury stock	(4,053)	(4,053)

VI. 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 Items II “Results of Operations” and III “Financial Conditions” of this report for the discussion of the computed certain Key Performance Indicators.

	June 2008	December 2007
<u>Liquidity:</u>		
Current Ratio	2.93	2.60
<u>Solvency:</u>		
Debt to Equity Ratio	0.79	0.97
<u>Profitability:</u>		
Return on Average Stockholders' Equity	27.31%	6.53%

	Period Ended June 30	
	2008	2007
<u>Operating Efficiency:</u>		
Volume Growth	7%	1%
Revenue Growth	9%	8%
Operating Margin	9.98%	8.77%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Non-current)}}{\text{Minority Interest + Stockholders' Equity}}$
Return on Average Stockholders' Equity	$\frac{\text{Net Income}^*}{\text{Average Stockholders' Equity}}$
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