COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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M	a	n	d	a	l	u	y	o	n	g		C	i	t	Y				

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

Contact Person

(632) 632-3000

Company Telephone Number

SEC FORM

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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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STAMPS

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REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

UNDERTAKING

The Company's Chairman and Chief Executive Officer is currently out of the country, and as such will not be able to sign the Company's Statement of Management's Responsibility and SEC From 17A for the year ending December 31, 2009 (SEC Form 17-A). The undersigned as Corporate Secretary of the Company, hereby undertakes to submit the Company's notarized Statement of Management Responsibility and SEC Form 17-A with the signature of the Company's Chairman and Chief Executive Officer as soon as he arrives in the country and amend the Company's SEC Form 17-A accordingly.

IN WITNESS WHEREOF, we have hereunto signed these presents this 15th day of April 2010 at Mandaluyong City.

FRANCIS H. JARDELEZA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of April 2010, affiant exhibiting to me his Passport number as follows:

	Passport No.	Date of Issue	Place of Issue
Francis H. Jardeleza	ZZ225165	April 25, 2007	Manila

Doc. No 301;
Page No. 62;
Book No. VII;
Series of 2010.

MAJALLA S. BAUN
Commission No. 0223-09
Notary Public for Mandaluyong City
Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45349
PTR No. 0668995; 1/14/10; Mandaluyong City
IBP No.811957; 01/11/10; Makati City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2009**

2. SEC Identification Number **PW 000277** 3. BIR Tax Identification No. **041-000-060-741-V**

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:

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

8. **(02) 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 SRC

Title of Each Class	Number of Shares of Common and Preferred Stock Outstanding and approximate Debt Outstanding (as of December 31, 2009)
Class "A" Common Shares	**1,449,633,643**
Class "B" Common Shares	**841,662,575**
Series 1 Preferred Shares	**970,506,353**
Total	**3,261,802,571**
Total Debt	**P 197,553,000,000.00**

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [√] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Class "A" and Class "B" Common**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [√] No [ ]

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

Yes [√] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company as of December 31, 2009 and March 31, 2010 is P 21,655,960,068.00 and P 24,189,592,916.00, respectively.

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DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are attached and incorporated by reference:

None.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

San Miguel Corporation (SMC or the Parent Company), together with its subsidiaries (collectively referred to as the Group), is the largest publicly listed food, beverage and packaging company in Southeast Asia. Established in 1890 as a single-product brewery, the Group today has over 100 facilities in the Philippines, Southeast Asia and China. In 2009, the Group accounts for about 2.00% of the country's gross national product and 2.27% of the country's gross domestic product.

The Group's extensive product portfolio includes beer, hard liquor and non-carbonated non-alcoholic beverages, processed and packaged food products, meat, poultry, flour, dairy products and a number of packaging products.

The Group's flagship product, San Miguel Beer, is among the world's largest selling beers and among the top brands in Southeast Asia.

From its original cerveza, the Group now owns a wide range of popular beverage brands and products that extends from beer to hard liquor, bottled water, powdered juice and juice drinks.

The Group's food operations includes the production and marketing of fresh, ready-to-cook and processed chicken, fresh pork and beef and processed meats, milk, butter, cheese, margarine, ice cream, flour products, coffee, cooking oil and animal and aquatic feeds.

Through the partnerships it has forged with major international companies, the Group has gained access to the latest technologies and expertise, thereby enhancing the Group's status as a world-class organization.

The Parent Company has strategic partnerships with international companies, among them Nihon Yamamura Glass Company, Ltd. (NYG), Hormel Foods International Corporation (HFIC) of the United States, Super Coffee Corporation Pte Ltd (SCCPL) of Singapore and Kirin Holdings Company, Limited (Kirin), one of the largest beer manufacturing company in Japan.

Following the shareholders' approval it has obtained in 2007, SMC has since diversified into such industries as power, energy, banking, telecommunications, mining and infrastructure.

The Group is one of the nation's biggest private employers with an estimated 14,600 employees in 2009. In addition, the Group contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers.

Major developments in the Group are discussed in Management's Discussion and Analyses of Financial Conditions and Results of Operations, attached herein as **Annex "F"**, and in Notes 6, 10, 37 and 38 of the Audited Consolidated Financial statements, attached herein as **Annex "D"**.

CORE BUSINESSES

Beverages

The Beverages Group of SMC is divided into alcoholic and non-alcoholic beverages. For the alcoholic beverages, the operations of the Beverages Group are further classified into beer and hard liquor.

a. Beer - Domestic

The beer and malt-based beverages operations of SMC in the Philippines are now carried out by San Miguel Brewery Inc. (SMB), a subsidiary. In May 2009, SMC completed the sale of its approximately 43.2499% stake in SMB to Kirin.

Prior to the creation of SMB, all of SMC's beer operations were under the San Miguel Beer Division, a business unit of SMC. Pursuant to the authority given by shareholders in 2007, SMC transferred its domestic Philippine beer business' assets to SMB in exchange for additional shares in SMB, then a wholly-owned subsidiary of SMC effective October 1, 2007.

SMB undertook an initial public offering of its shares (IPO) in May 2008. In the same IPO, common shares owned by SMC amounting to approximately 5% of the outstanding capital stock of SMB, were offered by way of secondary offering.

SMC likewise transferred to SMB certain Philippine beer and malt-based beverage trademarks, know-how and other intellectual rights through its sale of all its interests in Iconic Beverages, Inc. (IBI). The sale was completed in April 2009. SMC's BOD also approved the transfer to SMB of certain parcels of land on which the production and selling facilities of SMB are located, through the sale of its interests in Brewery Properties, Inc. (BPI). The sale of SMC's shares in BPI has yet to be implemented pending certain regulatory requirements. SMB offered and issued fixed-rate Peso denominated bonds to the public in early April 2009 to finance the acquisition of SMC's interests.

SMB has five breweries in the Philippines strategically located in Luzon, Visayas and Mindanao. Today, SMB offers a portfolio of ten strong and popular brands: *Pale Pilsen, Red Horse, San Mig Light, Super Dry, Cerveza Negra, San Mig Strong Ice, Gold Eagle, San Miguel Premium All-Malt, Oktoberfest Brew* and *Cali*.

b. Beer – International

The international beer group operations are supervised by San Miguel Brewing International Limited (SMBIL), a company incorporated in the British Virgin Islands. In late January 2010, SMB completed the purchase of all the shares of San Miguel Holdings Limited, a wholly owned subsidiary of SMC, in SMBIL, comprising 100% of the issued and outstanding capital of SMBIL. With the purchase, SMBIL became a direct wholly-owned subsidiary of SMB. The international beer group operates 1 brewery each in Indonesia, Vietnam, Thailand and Hong Kong and 2 breweries in China (Shunde and Baoding).

Joint-venture operations, licensing and distributorship agreements have been forged with respected establishments and major global brewers offshore through SMBIL's subsidiaries, particularly in China, Hong Kong and Indonesia through the years. These alliances have produced brands such as *Guang's Pineapple Beer*, *Dragon*, *Valor*, *Blue Star* and *Double Happiness* in China; and *Anker Bir*, *Anker Stout*, and *Carlsberg* in Indonesia and enabled the distribution of InBev brands in Hong Kong. SMBIL exports beer to more than 40 markets (including Taiwan, United Arab Emirates, Saudi Arabia, Singapore, Malaysia, and the United States of America).

c. Hard Liquor

Apart from beer, the Group also produces hard liquor through its majority-owned subsidiary, Ginebra San Miguel, Inc. (GSMI). GSMI is not only the leader in the domestic hard liquor market, with products such as *Ginebra San Miguel*, *Vino Kulafu*, *Añejo Rum*, *Gran Matador Brandy* and *Erg Alcotonic*, but also the world's largest gin producer by volume.

GSMI was formed on July 10, 1987 as the legal entity for the acquisition by SMC of the production assets of La Tondeña Distillers, Inc. that had been in operation since 1902. Today, GSMI operates three liquor bottling plants, which are located in the following areas: (1) Mandaue City, Cebu; (2) Sta. Barbara, Pangasinan; and (3) Cabuyao, Laguna. GSMI also utilizes external toll-manufacturers to produce liquor products in Pampanga, Laguna and Lucena, Quezon.

d. Non-alcoholic

The Group also produces non-carbonated ready-to-drink tea and fruit juices in the Philippines, Thailand, China, Vietnam and Indonesia through its subsidiaries GSMI and San Miguel Foods & Beverage International Ltd.

In January 2008, Healthy Condiments, Inc. (HCI) was incorporated as a wholly owned subsidiary of GSMI. HCI was established to manufacture, sell, distribute, import and export vinegar and other sauce products and condiments. On March 27, 2009, the board of directors and stockholders of HCI approved the transfer of all its assets, properties, business, permits and licenses to GSMI.

In November 2008, GSMI entered into an Asset Purchase Agreement with SMBI for the purchase of SMBI's assets consisting of receivables, equipment, containers and inventories. SMBI is engaged in the manufacture and distribution of non-alcoholic beverages and currently toll-manufactures for GSMI. GSMI's non-alcoholic product portfolio includes healthy ready-to-drink teas and juices under the Magnolia brand to provide a nutritious alternative for today's health-conscious consumers.

Below is a list of the beverage subsidiaries:

San Miguel Brewery Inc. and subsidiary
San Miguel Brewing International Ltd. and subsidiaries – including:
- San Miguel Brewery Hong Kong Limited and subsidiaries including
  - San Miguel Guangdong Brewery Limited
  - Guangzhou San Miguel Brewery Co. Ltd.
- San Miguel (Baoding) Brewery Co. Ltd
- San Miguel Brewery Vietnam Ltd
- PT Delta Djakarta Tbk
- San Miguel Beer (Thailand) Ltd.

Ginebra San Miguel, Inc. and subsidiaries – including:
- Distileria Bago, Inc.
- Ginebra San Miguel International Limited (BVI)

San Miguel (Thailand) Co. Ltd.
San Miguel (Guangdong) Foods & Beverages Co. Ltd.
San Miguel (Vietnam) Co Ltd.
PT San Miguel Marketing Indonesia
PT San Miguel Indonesia Foods & Beverages
San Miguel (Malaysia) Sdn Bhd

Food

The Group's domestic food operations are comprised of San Miguel Pure Foods Company, Inc. (SMPFC) and its subsidiaries, which include San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. (SMMI), The Purefoods-Hormel Company, Inc. (PF-Hormel), Magnolia Inc. (Magnolia), San Miguel Super Coffeemix Co. (SMSCCI), Inc. and Monterey Foods Corporation (Monterey).

SMPFC holds in its portfolio the names of some of the most formidable brands in the Philippine food industry, among them, Magnolia, Pure Foods, Monterey, Star, Dari Crème, B-Meg, and Pure Blend. To date, SMPFC has a product line up that is unparalled in the industry, offering a variety of food products and services for both individual and food service customers. Its products range from cooking oils, feeds, flour and flour-based products, poultry, fresh and processed meats, breadfill, dairy and coffee.

The food group's partner in its processed foods business is HFIC.

Expansion in the region came from the 75% increase in equity participation of SMPFC in P.T. San Miguel Pure Foods Indonesia, a company engaged in the manufacture and trade of processed meats and related products in Indonesia. The food group also maintains a hogs and feed mill business in Binh Duong, Vietnam through the acquisition of San Miguel Pure Foods Investment (BVI) Limited (SMPFIL), a joint venture between San Miguel Foods and Beverage International (BVI) Limited (SMFBIL) and Hormel Netherlands B.V. Ltd. (HNBVL) who owns 100% of San Miguel Pure Foods (VN) Co., Ltd. (SMPFVCL).

The establishment of SMSCCI, through partnership with Super Coffeemix Manufacturing Ltd. of Singapore, marked the entry of SMPFC in the coffee business. SMSCCI imports, packages, markets and distributes coffee and coffee-related products in the Philippines.

The Food Group operates through the following subsidiaries and divisions:

SMPFC is a 99.92%-owned business of SMC. It was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. SMPFC is the parent company of the food business. SMPFC, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising (Smokey's) and young animal ration manufacturing and distribution. SMPFC was consolidated with SMC in April 2001.

SMPFC's Great Food Solutions (GFS) - is the food service division of SMPFC that caters to hotels, restaurants and institutional accounts for their meat, poultry, dairy and flour-based requirements, as well as provides food solutions or recipes and menus. GFS also handles the *Smokey's* hotdog bar, *San Mig Café* restaurant and the *Outbox* food-to-go stall/cart franchising operations.

SMFI - is a 100%-owned subsidiary of SMPFC and operates the integrated poultry and feeds businesses, the San Miguel Food Shop (Food Shop) franchising operations, and the San Miguel Integrated Sales (SMIS) selling and distribution activities.

a) *Poultry business* - engages in integrated poultry operations and sells live birds, frozen and fresh chilled birds and cut-ups. The business supplies the chicken meat requirements of PF-Hormel for the latter's manufacture of chicken-based value-added products.

b) *Feeds business* - manufactures and sells different types of feeds to commercial growers. Internal requirements of SMFI's Poultry Business and Monterey are likewise being served by the Feeds business.

c) *Food Shop* - engages in franchising operations, established primarily to showcase the San Miguel Group's food and beverage products and to further enhance consumer awareness. There are 7 outlets operating as of December 31, 2009.

d) *SMIS* - was formed in May 2009, as SMC's Centralized Key Accounts Group (CKAG) transferred its receivables, inventories and fixed assets to SMFI. SMIS is engaged in the business of selling and distributing various products of SMPFC subsidiaries, as well as various products of some companies within the San Miguel Group, to modern and general trade customers.

SMMI - is a 100%-owned subsidiary of SMPFC and engages in the manufacture and distribution of flour and premixes.

PF-Hormel - is a 60%-40% joint venture between SMPFC and HNBVL, which produces and markets processed meats (hotdogs, hams, bacons, cold cuts and gourmet meat) and canned meat products (corned beef, luncheon meat, vienna sausage, pork and beans, liver spread and meat loaf). PF-Hormel also distributes value-added pork, beef and poultry products such as chicken/pork nuggets, chicken balls, chicken hotdogs, premium marinated chicken, cordon bleu, beef burgers, budget patties, longganisa lines and ready-to-eat meat products.

Magnolia - is a 100%-owned subsidiary of SMPFC and manufactures and markets butter, margarine, cheese, milk and ice cream. The business also handles the sale and marketing of jellies and desserts. The production of jellies and desserts is currently outsourced to third party tollers after its subsidiary-toller, *Sugarland Corporation,* ceased its tolling operations in February 2008.

Monterey - is a 97.68%-owned subsidiary of SMPFC and is into livestock farming, processing and selling of meat products, mainly pork and cattle. Fresh produce from Monterey's farms, as well as further processed or value-added meat products, are sold in *Monterey* meat shops located in major supermarkets/cities throughout the country. Monterey is also one of the suppliers of PF-Hormel for its live hog requirements. In April 2009, Monterey acquired the subscription rights of certain individuals in Highbreed Livestock Corporation (HLC), a company that is also engaged in the same line of business as that of Monterey. HLC thereafter became a subsidiary of Monterey. In June 2009, HLC was merged into Monterey, with Monterey as the surviving entity.

PTSMPFI – is a 75%- owned subsidiary of SMPFC, PTSMPFI manufactures and distributes processed meats in Indonesia. The remaining 25% is owned by Lasalle Financial Inc. of the British Virgin Islands.

SMPFVCL - wholly-owned subsidiary of SMPFIL, a 51% - 49% joint venture between SMC (through SMFBIL) and HNBVL, which primarily engaged in the business of raising and trading pigs and poultry, processing of frozen meat and secondary products from livestock.

SMSCCI - a 70%-30% owned subsidiary between SMPFC and SCML of Singapore, started commercial operations in April 2005 by marketing its 3-in-1 coffee mixes. Since then, SMSCCI has introduced a good number of products that include a sugar-free line of coffee mixes, a premium line of coffee mixes, 100% Premium Instant Coffee, and 2-in-1 coffee mixes. The latest addition to SMSCCI's list of products is its pro-health line of coffee mixes which was launched in the first half of 2009. In November 2009, by virtue of the Deed of Assignment and Deed of Novation of Joint Venture Agreement executed by and among SMSCCI, SCML and SCCPL, SCML assigned and transferred its entire shareholding in SMSCCI to SCCPL.

SMPFIL - is a private limited liability company incorporated in the British Virgin Islands in February 2007 and is wholly-owned by SMPFC. Commercial operations, however, have yet to commence.

RealSnacks Mfg. Corp. (RealSnacks) - was incorporated in April 2004 as a 100%-owned subsidiary of SMPFC. However, commercial operations have yet to commence.

Below is a list of food subsidiaries:

San Miguel Foods and Beverage International Limited and subsidiaries, including
- San Miguel Pure Foods Investment (BVI) Limited including subsidiary,
  - San Miguel Pure Foods (Vn) Co. Ltd.

San Miguel Pure Foods Company, Inc. and subsidiaries – including:
- San Miguel Foods, Inc.
- San Miguel Mills, Inc.
- The Purefoods-Hormel Company, Inc.
- Magnolia, Inc. and subsidiary
  - Sugarland Corporation
- San Miguel Super Coffeemix Co., Inc.
- P.T. San Miguel Purefoods Indonesia
- San Miguel Pure Foods International, Limited
- RealSnacks Mfg. Corp.
- Monterey Foods Corporation

Star Dari, Inc.

Packaging

The San Miguel Packaging Group (Packaging Group) is a total packaging solutions business servicing many of the region's leading food, pharmaceutical, chemical, beverages, and personal care manufacturers. With clients in the Asia-Pacific, Middle East, Africa and the U.S. markets, the Packaging Group 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.

Apart from supplying the internal requirements of the Group, the Packaging Group also supplies major Philippine-based multinational corporations such as Nestlé, Unilever, Kraft, Diageo, Del Monte, Coca-Cola and Pepsi-Cola Products Phils., Inc.

Glass. The glass business is the largest business segment of the Packaging Group. It has three glass manufacturing facilities in the Philippines and one glass mold plant serving the requirements of the beverage, food, pharmaceutical, personal care and health care industries. The bulk of the glass bottle requirements served by this segment are for the beverage industries. San Miguel Yamamura Asia Corporation (SMYAC) is rated as the country's most technologically advanced glass manufacturing facility.

Metal. The metal business manufactures metal caps, crowns, resealable caps and two-piece aluminum beverage cans for a range of industries that include beer, softdrinks and food. The Packaging Group's metal container plant is the country's only aluminum beverage can plant in the Philippines and pioneered in the production of two-piece cans and ends for the beverage market.

Plastics. The plastics business provides plastic crates and pallets, plastic poultry flooring, plastic trays and plastic pails and tubs to domestic markets, and caters to the requirements of SMC's brewing operations in Vietnam and China.

PET. The PET business produces PET preforms and bottles, plastic caps & handles and offers filling services as well.

Paper. Mindanao Corrugated Fibreboard, Inc. (Mincorr), a wholly owned subsidiary of SMC supplies the packaging needs of a broad range of manufacturing and agricultural industries. Mincorr is based in Davao.

Composites. Through its Rightpak plant, the Packaging Group manufactures flexible packaging for the food, beverage, personal care, chemical and healthcare industries.

The Packaging Group has nine international packaging facilities located in China (glass, plastic), Vietnam (glass, metal) and Malaysia (flexibles, plastic films, woven bags, industrial laminates and a packaging research center). Aside from extending the reach of the packaging business overseas, these facilities also serve the packaging requirements of SMC breweries in China and Vietnam.

San Miguel Yamamura Packaging Corporation (SMYPC) and San Miguel Yamamura Packaging International Limited (SMYPIL) are 65%-35% joint venture companies between SMC and NYG following NYG's purchase of SMC's 35% interest in SMPSI and SMYPIL in 2008. SMYPC owns all of the domestic plants of the Packaging Group, except the corrugated carton plant, Mincorr and SMYAC, which is already an existing joint venture between SMC and NYG, while SMPIL's subsidiaries are composed of the Packaging Group's international facilities.

In December 2009, SMYPIL acquired a 65% stake in James Huntly Knox Investments Pty Ltd. (JHK Investments), the parent company of the Cospak Group. JHK Investments was subsequently renamed "San Miguel Yamamura Knox Pty. Ltd." in February 2010.

Below is a list of domestic and international packaging subsidiaries:

San Miguel Yamamura Packaging Corporation and subsidiary,
  San Miguel Yamamura Fuso Molds Corporation
San Miguel Yamamura Packaging International Limited
  and subsidiaries including:
    San Miguel Yamamura Haiphong Glass Co., Ltd.
    San Miguel Yamamura Phu Tho Packaging Company, Ltd.
    Zhaoqing San Miguel Yamamura Glass Co., Ltd.
    Foshan San Miguel Yamamura Packaging Company, Ltd.
    PT San Miguel Sampoerna Packaging Industries Ltd.
    San Miguel Yamamura Packaging & Printing Sdn. Bhd.
    San Miguel Yamamura Woven Products Sdn. Bhd.
    Packaging Research Centre Sdn. Bhd.
    San Miguel Yamamura Plastic Films Sdn. Bhd.
    San Miguel Yamamura Knox Pty. Ltd. (formerly James Huntly Knox Investments Pty Ltd.) and
  subsidiaries including:
      Premier Plastics Ltd. (New Zealand)
      Cospak NZ Ltd. (New Zealand)
      Cospak Pty Ltd. (Australia)
      Cospak Plastics Pty Ltd .(Australia)
      Cospak South Africa (Pty) Ltd.
      Foshan Nanhai Cospak Packaging Company Limited (China)
Mindanao Corrugated Fibreboard, Inc.
San Miguel Paper Packaging Corporation (formerly San Miguel Rengo Packaging Corporation)
San Miguel Yamamura Asia Corporation

]Properties

San Miguel Properties, Inc. (SMPI) was created in 1990 as an independent developer. It is the Group's primary property subsidiary, currently owned 99.68% by SMC. SMPI was created by a merger of San Miguel Properties Philippines, Inc. and publicly-listed Monterey Farms Corporation on January 30, 1998, where Monterey Farms Corporation emerged as the surviving entity. Upon the merger's effectivity, Monterey Farms Corporation changed its name to San Miguel Properties, Inc. On December 9, 2002, SMPI merged with another subsidiary, HOC Realty, Inc. ("HRI"), with SMPI as the surviving entity.

SMPI is presently engaged primarily in the development, sale and lease of real properties. It is the corporate real estate arm of the Group. As of year end 2009, SMPI also has a 31.23% in Bank of Commerce ("BOC"), which has been serving the Philippine banking community for over 15 years.

NON-CORE BUSINESSES

Following the diversification of the Parent Company into other businesses, the Parent Company entered into a share purchase agreement for a 27% stake in The Manila Electric Company (Meralco), the Philippines' biggest power distribution company; and acquired an option to acquire a 50.1% stake in Petron Corporation (Petron), the Philippines' largest oil refiner and retail distributor. Through its subsidiaries, it has acquired a 32.7% stake in Liberty Telecoms Holdings Inc., which owns 4th generation frequencies; a 35% stake in Private Infra Development Corporation which will undertake the construction of the Tarlac-Pangasinan-La Union Tollway; the Independent Power Producer Administration of the 2x500 MW Sual Power Plant and 345 MW San Roque Multi-Purpose Hydro Power Plant; the 620 MW Limay Power Plant; a 100% stake in Daguma Agro-Minerals Inc., a coal mine located in South Cotabato; and a 31% stake in Bank of Commerce.

SMC is continuously evaluating possible investments in the exploration and development of natural resources such as coal, oil and gas, as well as infrastructure projects in furtherance of its corporate strategy to diversify into non-core businesses.

In 2008, SMC, the Philippine Government and Kuok Group signed a Memorandum of Understanding (MOU) on the Philippine Food Security Program for the development and cultivation of up to 1 million hectares of land for the purpose of producing basic food staples. San Miguel Kuok Foods Security, Inc. (SMKFSI) was incorporated in September 2008 by the Parent Company with the intent to use the said company as its corporate vehicle for the implementation of the project under the MOU.

Other subsidiaries of SMC include the following:

SMC Shipping and Lighterage Corporation
Challenger Aero Air Corp.
San Miguel Distribution Co., Inc.
Anchor Insurance Brokerage Corporation
SMC Stock Transfer Service Corporation
ArchEn Technologies Inc.
SMITS, Inc. and subsidiary
SM Bulk Water Company Inc. and subsidiary
Brewery Properties, Inc. and subsidiary
Pacific Central Properties, Inc.
Seaside Industrial Estate, Inc.
Navotas Ridge Realty Corporation
Vega Telecom, Inc. (formerly SM View Realty Corporation)
Philippine Breweries Corporation

San Miguel Holdings Corp (formerly San Miguel Logistics Asia Corporation) and subsidiaries
San Miguel Kuok Food Security, Inc.

Principal products or services

The principal products of the Group are attached hereto as **Annex "A"**.

Percentage of sales or revenues and net income contributed by foreign sales

The Group's 2009 foreign operations contributed about 12.25% of consolidated sales and (4.89%) of consolidated net income. Foreign sales is broken down by market as follows:

	% to Consolidated Sales		
Market	**2009**	**2008**	**2007**
Continuing Operations:			
China	3.29	3.76	2.78
Indonesia	2.49	2.33	1.28
Vietnam	2.07	1.82	1.23
Others	3.40	4.23	1.69
Discontinued Operations:			
Australia	-	-	33.81

Distribution Methods

The Group employs various means to ensure product availability at all times. It distributes through a network of dealers, wholesalers, and various retailers. The Group owns, as well as contracts, third party fleet of trucks, delivery vans, and barges, to ensure timely and cost efficient distribution of its various products, from beverages, food and packaging.

Status of any publicly-announced new product or service

The Group does not have any publicly announced new major product that is being developed.

Competition

The Group has the leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies and strong financial position.

Sources and Availability of Raw Materials and Supplies

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group is not aware of any dependency upon one or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done on a regular basis. The Group has contracts with various suppliers (from a related party and third parties) for varying periods ranging from 3 to 12 months. All contracts contain renewal options.

Among the Group's third party supplier of major raw materials in 2009 are set out in **Annex "H"**.

Dependency upon a single customer or a few customers

The Group and certain related parties, in the normal course of business, purchase products and services from one another. Please see Note 28 of the Consolidated Financial Statements attached hereto as **Annex "D"**.

Transactions with and /or dependence on related parties

The Group and certain related parties, in the normal course of business, purchase products and services from one another. Please see Note 28 of the Consolidated Financial Statements attached hereto as Annex "D".

Registered Trademarks/Patents, Etc.

All marks used by the Group in its principal products are either registered or pending registration in the name of the Parent Company or its subsidiaries in the Philippines and in foreign markets of said products.

Government Approval

The Group has obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

Government Regulation

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Group's business or financial condition.

Research & Development

The Group's expenses for research and development are as follows (amounts in millions):

	2009	**2008**	**2007**
Research and Development	P 300	P 427	P 58
Percentage to Net Income	0.52%	2.21%	0.67%

Human Resources and Labor Matters

As of December 31, 2009, the Group has about 14,593 employees and has 46 existing collective bargaining agreements ("CBA"). Of the 46 CBAs, 18 will be expiring in 2010.

The list of CBAs entered into by the Company and its subsidiaries with their different employee unions, is attached hereto as **Annex "B"**.

The Group does not expect any significant change in its existing workforce level within the ensuing twelve (12) months.

There have been no strikes experienced by the Group in the last three (3) years. While notices of strike were filed against certain food subsidiaries of the Parent Company in 2009, these were subsequently resolved by the parties amicably.

The Company and majority of its subsidiaries have funded, noncontributory retirement plans covering all of their permanent employees. The retirement plan is described in Note 30 of the 2009 Audited Consolidated Financial Statements of the Company attached hereto as **Annex "D"**.

Major Business Risk/s

The major business risks facing the Group are as follows:

a) Competitor Risks

New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

b) Catastrophic and Environmental Risks

War, terrorism, fire, severe weather conditions, health issues and other similar events that are completely beyond the control of the Group were mitigated with the re-channeling of volumes from mostly on-premise outlets to retail stores.

c) Political Risks

The risk of adverse consequences through political actions by way of discouraging alcoholic consumption in Indonesia where the Group has a sizeable investment in a brewery is being gradually addressed with the introduction of non-alcoholic beverages that can cater to the predominantly Muslim population. Marketing and distribution efforts for the Group's beer products have focused only in outlets where alcoholic beverages are allowed to be sold and consumed.

d) Regulatory Risks

Changes in regulations and actions by national or local regulators can result in increased competitive pressures, such as the recent legislation on excise tax increases for alcoholic beverages.

e) Social and Cultural Risks

The way people live, work and behave as consumers can affect the industry's products and services. For example, more women in the workplace, concerns about drug use, increasing crime rate, increased health consciousness, etc. The Group has introduced products that try to address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* was introduced to address increasing health consciousness and *San Mig Strong Ice* for the upwardly mobile market. Initiatives similar to this have been pushed in the food division for years.

f) Sourcing Risks

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

g) Financial Risk

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations of interest rates, foreign currency rates, etc.

Liquidity risks are managed to ensure adequate liquidity of the Group through monitoring of accounts receivables, inventory, loans and payables. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

Please refer to Note 35 of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "D"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

Item 2. Properties

A summary of information on the Parent Company and its significant subsidiaries' principal plants and conditions thereof, is attached hereto as **Annex "C"**.

The Parent Company and its significant subsidiaries have no principal properties that are subject to a lien or mortgage or any specific limitations in usage or ownership. There are no imminent acquisitions by the Parent Company of any material property that cannot be funded by working capital of the Parent Company or its significant subsidiaries.

Item 3. Legal Proceedings

The Parent Company or any of its subsidiaries or affiliates is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Group's results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There are no matters which were submitted to a vote of the Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2009.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Company's common shares are listed and traded in the Philippine Stock Exchange.

The Company's high and low closing prices for each quarter of the last two (2) fiscal years for its common shares are as follows:

	2008				2009			
	Class A		Class B		Class A		Class B	
	High	Low	High	Low	High	Low	High	Low
1st	61.50	38.50	62.00	39.00	52.00	39.00	52.50	39.50
2nd	47.00	38.00	49.00	38.50	66.00	49.50	65.50	50.00
3rd	61.00	39.00	62.00	39.00	69.50	56.00	70.00	57.00
4th	59.50	39.50	60.00	40.50	71.50	63.00	71.50	65.00

The closing prices as of April 15, 2010, the latest practicable trading date, are as follows:

Class “A” Common P 74.50
Class “B” Common P 74.50

The approximate number of shareholders as of December 31, 2009 is 41,396.

The top 20 common and preferred stockholders as of December 31, 2009 are as follows:

Common Shares

Rank	Name of Stockholders	Class “A”	Class “B”	Total No. of Shares
1	Top Frontier Investment Holdings, Inc.	745,307,648	111,808,266	857,115,914
2	Q-Tech Alliance Holdings, Inc.	0	628,666,675	628,666,675
3	Primavera Farms, Inc.	94,738,250	0	94,738,250
4	Pastoral Farms, Inc.	63,158,769	0	63,158,769
5	Black Stallion Ranch, Inc.	63,158,769	0	63,158,769
6	Misty Mountains Agricultural Corp.	63,158,769	0	63,158,769
7	PCD Nominee Corporation (Filipino)	33,779,118	16,546,638	50,325,756
8	Silver-Leaf Plantations, Inc.	47,369,061	0	47,369,061
9	Meadow-Lark Plantations, Inc.	47,369,039	0	47,369,039
10	PCGG in Trust for the Comprehensive Agrarian Reform Program	19,324,884	8,246,525	27,571,409
11	PCD Nominee Corporation (Non-Filipino)	0	17,016,706	17,016,706
12	Sysmart Corporation	5,305,500	0	5,305,500
13	Philippine Remnants Co., Inc.	3,666,215	85,586	3,751,801
14	Dream Pastures, Inc.	3,401,516	0	3,401,516
15	Far East Ranch, Inc.	3,401,313	0	3,401,313
16	LHL Cattle Corporation	3,401,077	0	3,401,077
17	Lucena Oil Factory, Inc.	3,400,249	0	3,400,249
18	Southern Star Cattle Corp.	3,398,641	0	3,398,641
19	Reddee Developers, Inc.	3,398,161	0	3,398,161
20	Land Air International Marketing Corporation	3,396,028	0	3,396,028

Series “1” Preferred Shares

Rank	Name of Stockholders	Series “1” Preferred	Total No. of Shares
1	ASC Investors, Inc.	167,483,095	167,483,095
2	ARC Investors, Inc.	105,689,360	105,689,360
3	Toda Holdings, Inc.	74,880,174	74,880,174

Rank	Name of Stockholders	Series "1" Preferred	Total No. of Shares
4	Te Deum Resources, Inc.	58,487,823	58,487,823
5	Rock Steel Resources, Inc.	58,237,403	58,237,403
6	San Miguel Officers Corps., Inc.	53,863,035	53,863,035
7	Roxas Shares, Inc.	52,815,194	52,815,194
8	San Miguel Corporation Retirement Plan	48,694,406	48,694,406
9	Unionbank of the Philippines	37,693,500	37,693,500
10	AP Holdings, Inc.	34,669,405	34,669,405
11	Valhalla Properties Limited, Inc.	31,411,848	31,411,848
12	Soriano Shares, Inc.	30,123,850	30,123,850
13	Standard Chartered Bank	24,412,000	24,412,000
14	Randy Allied Ventures, Inc.	24,115,227	24,115,227
15	Anglo Ventures Corporation	21,865,254	21,865,254
16	First Meridian Development Inc.	21,865,254	21,865,254
17	Fernandez Holdings, Inc.	18,341,390	18,341,390
18	BDO Leasing & Finance Inc.	17,333,000	17,333,000
19	Sirana Agri Group, Inc.	15,000,000	15,000,000
20	GSM V Distributors, Inc.	15,000,000	15,000,000

Cash dividends declared per share amounted to P1.40 and P0.70 in 2009 and 2008, respectively.

Description of the following securities of the Group may be found in the indicated Notes to the 2009 audited Consolidated Financial Statements, attached herein as **Annex "D"**:

Long-term Debt	Note 18
Stockholders' Equity	Note 20
Share-Based Transactions	Note 34

There were no securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code (SRC), except for the issuance of Series "1" Preferred Shares under the exchange offer of the Parent Company under Section 10.1(j) in September 2009; issuance of additional Series "1" Preferred Shares in December 2009 under Section 10 (k) and (l); and issuance of floating rate corporate notes in February 2009 and common shares under the LTIP and employee stock purchase plan Section 10.2 of the SRC.

Item 6. Management's Discussion and Analysis or Plan of Operation.

(A) <u>Management Discussion and Analysis</u>

The information required by Item 6 (A) may be found on **Annex "F"** hereto.

(B) <u>Information on Independent Accountant and Other Related Matters</u>

The accounting firm of Manabat Sanagustin & Co., CPAs served as the Company's external auditors for the last four fiscal years. The Board of Directors will again nominate Manabat Sanagustin & Co., CPAs as the Company's external auditors for this fiscal year.

Representatives of Manabat Sanagustin & Co., CPAs are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

The Parent Company paid the external auditor for its audit and audit-related services rendered amounting to P10 million and P9 million in 2009 and 2008, respectively. No other services were rendered by the external auditor other than for such services.

The stockholders approve the appointment of the Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Eduardo M. Cojuangco, Jr., Filipino, 74, is the Chairman and Chief Executive Officer of the Company, a position he has held since July 7, 1998. He is also the Chairman of the Company's Executive Committee. He also holds the following positions: Chairman and Chief Executive Officer of Ginebra San Miguel, Inc.; and Chairman of San Miguel Pure Foods Company, Inc. He is also the Chairman of ECJ & Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc., and a Director of Cainaman Farms, Inc. and Petron Corporation. He is a former Director of Manila Electric Company (February 2009-May 2009). .

Ramon S. Ang, Filipino, 56, is the Vice Chairman (since January 28, 1999), President and Chief Operating Officer (since March 6, 2002) of San Miguel Corporation. He is also a Member of the Company's Executive Committee and Nomination and Hearing Committee. He also holds, among others, the following positions: Chairman of San Miguel Brewery Inc.; Chairman of San Miguel Properties, Inc., San Miguel Yamamura Packaging Corporation, Anchor Insurance Brokerage Corporation and San Miguel Brewery Hong Kong Limited (Hong Kong); and a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also the Chairman and Chief Executive Officer of Petron Corporation; Chairman of Liberty Telecoms Holdings Inc., Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., Atea Tierra Corporation and Cyber Bay Corporation; Vice Chairman of The Manila Electric Company; and an Independent Director of Philweb Corporation. Mr. Ang has held directorships in various subsidiaries of SMC in the last five years.

Estelito P. Mendoza, Filipino, 80, has been a Director of the Company since since April 21, 1998. He is a Member of the Company's Executive Committee, Audit Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is also a Director of Petron Corporation, Manila Electric Company and Philippine Airlines, Inc., and Chairman of Prestige Travel, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office. He is also a former Chairman of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank.

Iñigo Zobel, Filipino, 53, has been a Director of the Company since May 5, 1999.He also holds the following positions: President and Chief Executive Officer of E. Zobel, Inc., President of Ayala España S.A., Calatagan Golf Club, Inc. and Hacienda Bigaa, Inc.; and a Director of Top Frontier Investment Holdings, Inc., Global 5000 Investments, Inc., Calatagan Resort, Inc., Calatagan Gulf Realty, Inc., and Mermac, Inc. He was previously the President of Diamond Star Agro Products, Inc. (1985-2007) and an Independent Director of San Miguel Pure Foods Company, Inc. (2006-2009).

Winston F. Garcia, Filipino, 51, has been a Director of the Company since February 1, 2001; and a Member of the Company's Audit Committee, Executive Compensation Committee and Nomination and Hearing Committee. Atty. Garcia is the President and General Manager of the Government Service Insurance System and Vice Chairman of its Board of Trustees. He also holds the following positions: Chairman of the National Reinsurance Corporation of the Philippines, GSIS Mutual Fund, Inc., Asean Forum, Incorporated and Philippine Social Security Association; Director of Philippine National Construction Corporation, and Philippine Health Insurance Corporation; Board Member of Asean Social Security Association; and a Member of the International Insurance Society, Inc., International Social Security Association, and Federation of Afro Insurers and Reinsurers. Atty. Garcia is a practicing lawyer since 1983.

Menardo R. Jimenez, Filipino, 77, has been a Director of the Company since February 27, 2002 and the Chairman of the Company's Executive Compensation Committee and a Member of the Executive Committee. He is also a Director of San Miguel Pure Foods Company, Inc., and Magnolia, Inc. His other positions include: President and Chief Executive Officer of Albay-Agro Industrial Development Corporation; Chairman and President of Majent Management and Development Corporation, Majent Agro Industrial Corporation, M. A. Jimenez Enterprises, Inc., Pac Rim Realty Development Corporation, Television International Corporation, Alta Tierra Resources, Inc. and Fibers Trading, Inc.; Chairman of Cable Entertainment Corporation, Majent Foundation, Inc., Marathon Building Technologies, Inc. and Meedson Properties Corporation; and a Director of First Metro Investment Corporation, Cunickel Mining Corporation, Electronic Realty Associates, Inc., Mabuhay Philippines Satellite Corporation, Franchise One Corporation, CBTL Holdings, Inc., CCC Insurance Corporation and Pan-Phil Aqua Culture Corporation.

Pacifico M. Fajardo, Filipino, 66, has been a Director of the Company since November 4, 2004 and for the years 2002 to 2004, and a Member of the Company's Audit Committee. He also holds the following positions: Chairman and President of Harvestgold Shipping, Transport and Trading Corporation and P.M. Fajardo Youth Development and Scholarship Foundation, Inc.; Chairman of RICNOR Farms, Inc.; and a Member of the Board of Regents of the Nueva Ecija University of Science and Technology. He previously served as Congressman of the Third District of Nueva Ecija (1992-2001), City Mayor (1988-1992) and Officer-in-Charge/City Mayor (1986) of Palayan City, Nueva Ecija, and Administrator of the Light Rail Transit Authority (2004).

Leo S. Alvez, Filipino, 67, has been a Director of the Company since February 27, 2002 and a Member of the Company's Nomination and Hearing Committee. He is also a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. Ret. Major General Alvez is a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001), Vice Commander of the Philippine Army (1998), and Division Commander of the 7th Infantry Division (1996-1998).

Egmidio de Silva Jose, Filipino, 63, has been a Director of the Company since April 20, 2004 and a Member of the Company's Executive Compensation Committee. He also holds the following positions: President of Valerie Products Manufacturing, Inc., Sanoh Fulton (Philippines), Inc., VA Components, Inc., Optimum Securities Corporation, Kyoei Kogyo (Philippines) Corporation and ESJ Properties. He is also a Director of Hanano Philippines Corporation, Asahi Cast Philippines, Inc., Metal Press Assembly and Jupiter Logistics Philippines.

Hector L. Hofileña, Filipino, 80, has been a Director of the Company since July 24, 2008 and a Member of the Company's Executive Committee and Audit Committee. He is a former Associate Justice of the Court of Appeals (1994-1999) and currently Director of San Miguel Properties, Inc. Justice Hofileña is a professor at the Ateneo De Manila University.

***Carmelo L. Santiago**,* Filipino, 66, has been an Independent Director of the Company since July 24, 2008 and Chairman of the Company's Audit Committee, and Member of the Executive Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is an Independent Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc. San Miguel Properties, Inc. Anchor Insurance Brokerage Corporation, San Miguel Brewery Hong Kong Limited (Hong Kong) and Liberty Telecoms Holdings Inc.; and Director of Terbo Concept. Mr. Santiago is the founder and owner of several branches of Melo's Restaurant and founder of Wagyu Restaurant.

Jesusa Victoria H. Bautista, Filipino, 42, has been a Director of the Company since July 23, 2009 and a Member of the Company's Nomination and Hearing Committee. Ms. Bautista is a Director of San Miguel Pure Foods Company, Inc., San Miguel Brewery Hong Kong Limited, San Miguel Foods, Inc., San Miguel Mills, Inc. and Anchor Insurance Brokerage Corporation; and President of Realty Company. She was also previously President of Lady Tiger Realty Inc.; Vice President-Treasurer of RRJ Films Inc and RRJ Trading and Trucking Inc. and AVP for Administration of Tough Guard Security & Investigation Agency, Inc. and Triple 7 Manpower Services, Inc.

Roberto V. Ongpin, Filipino, 73, has been a Director of the Company since September 1, 2009. He also holds the following positions: Director of Petron Corporation, Araneta Properties, Inc. and Shangri-La Asia (Hong Kong); Chairman of PhilWeb Corporation, ISM Communications Corporation, Eastern Telecommunications Philippines, Inc. Developing Countries Investment Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc., and Acentic GmbH; Non-executive Director, Forum Energy PLC (UK) and Deputy Chairman, South China Morning Post (Hong Kong).

Alexander J. Poblador, Filipino, 56, has been a Director of the Company since September 1, 2009. He is the Founding Partner and Chairman of the Executive Committee of Poblador Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization.

Mirzan Mahathir, Malaysian, 51, has been a Director of the Company since September 1, 2009. He is also a Director of Petron Corporation and Emerson Radio Corporation; Executive Chairman and Chief Executive Officer of Crescent Capital Sdn Bhd (Malaysia), Chairman and Chief Executive Officer of Crescent Energy Sdn Bhd (Malaysia) and Amona International Ventures Sdn Bhd; and Chairman and Director of AHB Holdings Berhad (Malaysia). Mr. Mahathir has served as Executive Chairman and President of Konsortium Logistik Berhad (Malaysia) (1992-2007) and holds directorships in several private limited companies in and outside Malaysia.

***Ferdinand K. Constantino**,* Filipino, 58, is Senior Vice President, Chief Finance Officer and Treasurer of San Miguel Corporation. He also holds, among others, the following positions: President of Anchor Insurance Brokerage Corporation; and a Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc., San Miguel Yamamura Packaging Corporation and Bank of Commerce. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009) and San Miguel Properties, Inc. (2001-2009); and Chief Finance Officer of Manila Electric Company (2009) He has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Francis H. Jardeleza, Filipino, 60, is the Corporate Secretary (since April 2, 2001), Senior Vice-President and General Counsel (since 1996) and Compliance Officer of the Company. He is also Director, Corporate Secretary and Compliance Officer of San Miguel Brewery Inc.; Corporate Secretary and Compliance Officer of Ginebra San Miguel, Inc., San Miguel Pure Foods

Company, Inc. and San Miguel Properties, Inc.; Corporate Secretary of San Miguel Yamamura Packaging Corporation; and Chairman and President of SMC Stock Transfer Service Corporation. Mr. Jardeleza has been a director, corporate secretary and/or assistant corporate secretary of various subsidiaries of San Miguel Corporation during the last five (5) years and is a professorial lecturer at the University of the Philippines .

Francisco S. Alejo III, Filipino, 61, is the President (since May 20, 2005) and a Director (since May 22, 2001) of San Miguel Pure Foods Company, Inc. He also holds the following positions: Chairman and Chief Executive Officer of Monterey Foods Corporation; Vice Chairman of San Miguel Foods, Inc.; President of The Purefoods-Hormel Company, Inc., Magnolia, Inc.and San Miguel Super Coffeemix Co., Inc.; and Chairman and President of Sugarland Corporation and Star Dari, Inc.

Ferdinand A. Tumpalan, Filipino, 49, is the President of San Miguel Yamamura Packaging Corporation (since September 16, 2005). He is also President of San Miguel Yamamura Asia Corporation, San Miguel Rengo Packaging Corp., Mindanao Corrugated Fibreboard, Inc. and SMC Yamamura Fuso Molds Corporation. He is a former President of the Company's Packaging Products Division (2005).

Roberto N. Huang, Filipino, 61, is the President of San Miguel Brewery Inc. He also served as General Manager of San Miguel Brewery Inc. (2007-2009); Director of Ginebra San Miguel, Inc. (2004-2008), San Miguel Pure Foods Company, Inc. (2004-2008); President of San Miguel Beverages, Inc. (2007-2008); and President of Coca-Cola Bottlers Philippines, Inc., Cosmos Bottling Corporation and Philippine Beverage Partners, Inc. (2003-2007).

Gerardo C. Payumo, Filipino, 52, is the President of Ginebra San Miguel, Inc. (since August 9, 2006). He was a former Senior Vice President and Director of the Corporate Procurement Unit of San Miguel Corporation (1998-2006).

Carlos Antonio M. Berba, 45, is the Managing Director of San Miguel Brewing International (since January 1, 2008). He is also currently Director of San Miguel Brewery Hong Kong Limited (Hong Kong) and a Commissioner of PT Delta Djarkarta Tbk (Indonesia). He previously served SMC as President of the San Miguel Beer Division (2006); and Vice President, CFO for International Beer Operations and Director for Business Planning and Information Management, San Miguel Beer Division (2002-2006).

Term of Office

Pursuant to the Company's By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Independent Directors

The independent directors of the Company are as follows:

1. Winston F. Garcia
2. Carmelo L. Santiago

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item. 10 Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and senior executive officers of the Company are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers[1]	2010 (estimated) 2009 2008	P151.9 Million P143.9 Million P127.5 Million	P 49.2 Million P 126.7 Million P 44.1 Million	P 26.7 Million P 36.6 Million P 31.3 Million	P 227.8 Million P 307.2 Million P 202.9 Million
All other officers and directors as a group unnamed	2010 (estimated) 2009	P 68.2 Million P 115.7	P 22.1 Million P 39.9	P 23.7 Million P 43.9	P 114.0 Million P 199.5

[1] *The Chief Executive Officer and senior executive officers of the Company for 2010 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Eduardo Sergio G. Edeza, Virgilio S. Jacinto, Joseph N. Pineda, Manuel M. Agustin and Bella O. Navarra; for 2009 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Carlos Antonio M. Berba, Eduardo Sergio G. Edeza Virgilio S. Jacinto, Joseph N. Pineda and Rosabel T. Balan; and for 2008: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Carlos Antonio M. Berba, Emmanuel E. Eraña, Virgilio S. Jacinto, Joseph N. Pineda and Rosabel T. Balan.*

	2008	Million P 172.2 Million	Million P 31.3 Million	Million P 77.8 Million	Million P 281.3 Million
Total	2010 (estimated) 2009 2008	P 220.1 Million P 259.6 Million P 299.7 Million	P 71.3 Million P 166.6 Million P 75.4 Million	P 50.4 Million P 80.5 Million P 109.1 Million	P 341.8 Million P 506.7 Million P 484.2 Million

Section 10 of the Amended By-Laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper.

The Long-Term Incentive Plan for Stock Options ("LTIP") of the Company grants stock options to eligible senior and key management officers of the Company as determined by the Committee administering the said Plan. Its purpose is to further and promote the interests of the Company and its shareholders by enabling the Company to attract, retain and motivate senior and key management officers, and to align the interests of such officers and the Company's shareholders.

On November 10, 2005, the Company approved the grant of stock options to 1,096 executives and middle managers of about 4.43 million shares based on the closing price of the Company's shares, computed in accordance with the LTIP. Also on March 1, 2007, the Parent Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and June 26, 2008, the Parent Company approved the grant of options to 755 executives consisting of 5.77 million shares and to 742 executives consisting of 7.46 million shares, respectively.

Options to purchase 34.05 million shares and 32.11 million shares shares in 2009 and 2008, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 3.83 million and 1.76 million shares in 2009 and 2008, respectively.

There were no employment contracts between the Company and a named executive officer.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of the Company's voting[2] securities as of December 31, 2009 were as follows:

[2] *Common stockholders have the right to vote on all matters requiring stockholders' approval The holders of the Series "1" Preferred shares shall not be entitled to vote except in matters provided for in the Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation or other corporations; investment of corporate funds in another corporation or business; and dissolution.*

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. Of Shares Held	Percent
Series "1" Preferred Shares	CIIF Companies[3] c/o 16/F, UCPB Building, Makati City	CIIF Companies c/o 16/F, UCPB Building, Makati City	Filipino	753,848,312	23.11%
Class "A" Common	ECJ Companies[4] c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	ECJ Companies	Filipino	473,332,727	15.02%
Class "B" Common				16,652,544	

[3] *ASC Investors, Inc., ARC Investors, Inc., Anglo Ventures Corporation, AP Holdings, Inc., Fernandez Holdings, Inc., First Meridian Development, Inc., Randy Allied Ventures, Inc., Rock Steel Resources, Inc., Roxas Shares, Inc., San Miguel Officers Corps., Inc., Soriano Shares, Inc., Te Deum Resources, Inc., Toda Holdings, Inc. and Valhalla Properties Limited, Inc. None of these companies owns more than 5% of the Company's total issued and outstanding Series "1" Preferred shares as of December 31, 2009 except ASC Investors, Inc.;ARC Investors, Inc., Toda Holdings, Inc., Te Deum Resources, Inc., Rock Steel Resources, Inc., San Miguel Officers Corps., Inc. and Roxas Shares, Inc. (see Top 20 Series "1" Preferred Shareholders in this report.) The administrator of the CIIF Companies is the United Coconut Planters Bank and the Chairman of the Board or its President or the designate of the Chairman is authorized to vote in person or by proxy the shares registered in the name of the CIIF Companies.*

[4] *Primavera Farms, Inc., Misty Mountains Agricultural Corporation, Black Stallion Ranch, Inc., Pastoral Farms, Inc., Meadow-Lark Plantations, Inc., Silver-Leaf Plantations, Inc., Agricultural Consultancy Services, Inc., Archipelago Realty Corporation, Balete Ranch, Inc., Christensen Plantation Corporation, Discovery Realty Corporation, Dream Pastures, Inc., Echo Ranch, Inc., Far East Ranch, Inc., First United Transport, Inc., Habagat Realty Development Corporation, Kalawakan Resorts, Inc., Kaunlaran Agricultural Corporation, Labayug Air Terminals, Inc., Land Air International Marketing Corporation, LHL Cattle Corporation, Lucena Oil Factory, Inc., Metroplex Commodities, Inc., Northeast Contract Traders, Inc., Northern Carriers Services Management Corporation, Oceanside Maritime Enterprises, Inc., Oro Verde Services, Inc., PCY Oil Manufacturing Corporation, Philippine Technologies, Inc., Punong Bayan Housing Development Corporation, Pura Electric Co., Inc., Radio Audience Developers Integrated Org., Inc., Radyo Pilipino Corporation, Rancho Grande, Inc., Reddee Developers, Inc., San Esteban Development Corporation, Southern Service Traders, Inc., Southern Star Cattle Corporation, Spade One Resorts Corporation, Unexplored Land Developers, Inc., Verdant Plantations, Inc., Vesta Agricultural Corporation and Wings Resort Corporation. None of these corporations owns more than 5% of the voting securities of the Company. The shares owned by these companies are voted, either in person or by proxy, by the authorized designate of their respective boards.*

Class "A" Common	Top Frontier Investment Holdings, Inc.[5] 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	Top Frontier Investment Holdings, Inc.	Filipino	745,307,648	26.28%
Class "B" Common				111,808,266	
Class "B" Common	Q-Tech Alliance Holdings, Inc. 17th Floor, Tower One, The Enterprise Center, 6766 Ayala Avenue, Makati City[6]	Q-Tech Alliance Holdings, Inc..	Filipino	628,666,675	19.27%

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, key officers of the Company, and nominees for election as director, as of December 31, 2009:

Title of Class	Name of Owner	Amount and Nature of Ownership			Citizenship	Total No. of Shares
		Class A	Class B	Series "1" Preferred		
Common	Eduardo M. Cojuangco, Jr.	292,388 (D)	0		Filipino	292,388 (0.01%)
Common	Ramon S. Ang	6,050 (D)	0		Filipino	6,050 (0.00%)
Common	Estelito P. Mendoza	31,972(D)	0		Filipino	31,972 (0.00%)
Common	Iñigo Zobel	16,171(D)	0		Filipino	16,171 (0.00%)
Common	Winston F. Garcia	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Menardo R. Jimenez	5,000(D)	0		Filipino	5,000 (0.00%)
Common	Pacifico M. Fajardo	5,000(D)	0		Filipino	5,000 (0.00%)
Common	Leo S. Alvez	14,326(D)	0		Filipino	14,326 (0.00%)
Common	Egmidio de Silva Jose	5,500(D)	0		Filipino	5,500 (0.00%)
Common	Alexander J. Poblador	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Jesusa Victoria H. Bautista	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Mirzan Mahathir	0	5,000(D)		Malaysian	5,000 (0.00%)
Common	Carmelo L. Santiago	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Roberto V. Ongpin	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Hector L. Hofileña	12,303 (D)	0		Filipino	12,303 (0.00%)
Common	Ferdinand K. Constantino	140,000 (D)	80,000 (D)		Filipino	430,609 (0.01%)
Series "1" Preferred				210,609 (D)		
Common	Francis H. Jardeleza	70,001 (D)	290,000 (D)		Filipino	360,001 (0.01%)
Common	Francisco S. Alejo III	0	96,900 (D)		Filipino	96,900 (0.00%)
Common	Roberto N. Huang	42,430 (D)	32,750 (D)		Filipino	75,180 (0.00%)
Common	Gerardo C. Payumo	348 (D)	20,000 (D)		Filipino	20,348 (0.00%)
Common	Carlos Antonio M. Berba	1,045 (D)	0		Filipino	1,045(0.00%)

[5] *The shares owned by Top Frontier Investments Holdings, Inc. are voted, in person or by proxy, by its authorized designate.*

[6] *The shares owned by Q-Tech Alliance Holdings, Inc. are voted, in person or by proxy, by its authorized designate*

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of December 31, 2009 is 1,382,793 shares or approximately 0.0438% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2009 is 1,803,509 shares or approximately 0.0005% of the Company's outstanding capital stock.

Voting Trust

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

See Note 28 (Related Party Disclosures) of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "D"**.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Compliance Officer has certified that, save for the requirement under the Manual for the Company's directors, before assuming their positions as such, to attend a seminar on corporate governance conducted by a duly recognized private or government institute, for 2009, the Company has substantially adopted all the provisions of the Manual, save for the Company's undertaking under Section 4.2 of the Manual in respect of Mr. Hirotake Kobayashi and Mr. Keisuke Nishimura, former directors, who were not able to attend a seminar on corporate governance before assuming such position and resigned prior to attending one; and Mr. Mirzan Mahathir who is a current director who was not able to attend a seminar on corporate governance before assuming such position in September 2009. Mr. Mahathir will be scheduled to attend such corporate governance seminar within the first semester of 2010.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The 2009 Audited Consolidated Financial Statements and the Supplementary Schedules are attached as **Annexes "D and E"** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company or require no answer.

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed during the last 12- month period covered by this report is attached as **Annex "G"**.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 15, 2010.

By:

EDUARDO M. COJUANGCO JR.
Chairman and Chief Executive Officer

RAMON S. ANG
President and Chief Operating Officer

FERDINAND K. CONSTANTINO
Chief Finance Officer and Treasurer

BELLA O. NAVARRA
Comptrollership Manager/
Principal Accounting Officer

FRANCIS H. JARDELEZA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this April 15, 2010, affiants exhibiting to me their passports as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ramon S. Ang	ZZ202387	December 20,2006	Manila
Ferdinand K. Constantino	XX0167306	November 24,2007	Manila
Bella O. Navarra	XX0284770	February 1, 2008	Manila
Francis H. Jardeleza	ZZ225165	April 25, 2007	Manila

Doc. No. 300;
Page No. 61;
Book No. VII;
Series of 2010.

MAJALLA S. BAUN
Commission No. 0223-09
Notary Public for Mandaluyong City
Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45349
PTR No. 0668995; 1/14/10; Mandaluyong City
IBP No.811957; 01/11/10; Makati City

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Corporation is responsible for all information and representations contained in the consolidated financial statements which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's Audit Committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the stockholders, has examined the consolidated financial statements in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the stockholders.

EDUARDO M. COJUANGCO, JR.
Chairman and Chief Executive Officer

RAMON S. ANG
President and Chief Operating Officer

FERDINAND K. CONSTANTINO
Senior Vice President and
Chief Finance Officer / Treasurer

SUBSCRIBED AND SWORN to before me this April 15, 2010, affiant exhibiting to me their passports as follows:

Name	Passport No.	Date of Issue	Place of Issue
Ramon S. Ang	ZZ202387	December 20, 2006	Manila
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mb
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IBP No.811957; 01/11/10; Makati City

Doc. No. 318;
Page No. 65;
Book No. VII;
Series of 2010.

ANNEX "A"

BEVERAGES

Alcoholic Beverages

1. San Miguel Pale Pilsen
2. San Mig Light
3. San Mig Strong Ice
4. San Miguel Super Dry
5. San Miguel Premium All-Malt
6. Red Horse
7. Gold Eagle
8. Cerveza Negra
9. Octoberfest Brew
10. Cali
11. San Miguel Dark Beer
12. San Miguel Premium Lager
13. Hess
14. Blue Ice
15. Valor
16. Ginebra San Miguel
17. G.S.M. Blue
18. Ginebra San Miguel Premium Gin
19. Gran Matador Brandy Solera
20. Gran Matador Brandy Solera Gran Reserva
21. Añejo Rum
22. Antonov Vodka
23. St. George Premium Whisky
24. Don Enrique Mixkila Distilled Spirit
25. Vino Kulafu
26. Infinit' Ready-to-Drink Alcoholic Beverage
27. Don Enrique Silver Brandy
28. Don Enrique Gold Brandy
29. GSM Flavors

Non-Alcoholic

1. Supremo Cane Vinegar
2. Magnolia Healthtea
3. Magnolia Fruit Drink
4. Magnolia Purewater
5. Magnolia Powdered FruitDrink Mix
6. Magnolia Powdered IcedTea
7. Berri
8. Big M
9. Pura UHT Milk
10. Lifedrink

ANNEX “A”

FOOD GROUP

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)
- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Purefoods Supermanok (Fresh Chilled & Frozen)
- Housebrand and Unbranded Chicken (Fresh Chilled & Frozen)

Cut-ups
- Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
- Housebrand and Unbranded Chicken Cut-ups
- Magnolia Chicken Station Cut-ups (prepared on-site)

Convenient Cuts
- Magnolia Chicken Station convenient cuts (Fresh Chilled & Frozen)

Marinated/ Cooked
- Magnolia Chicken Station Cook Easy products (Freshly prepared on site)
- Magnolia Chicken Station Plus Chicken Rotisserie

Giblets
- Magnolia Chicken Giblets (Frozen Liver and Gizzard)

Export
- Frozen Chicken Yakitori

FEEDS

Animal & Aquatic Feeds
- Hog Feeds
  - B-MEG Premium Hog Feeds
  - B-MEG Dynamix Hog Feeds
  - Pureblend Hog Feeds
  - B-MEG Expert Hog Feeds
  - Bonanza Hog Pellets
  - Jumbo Hog Mash
  - Maton Hog Feeds
- Poultry Feeds
  - B-MEG Premium Layer
  - Pureblend Layer
  - B-MEG Expert Layer
  - B-MEG Layer (Regular)
  - PBXcellent Layer
  - B-MEG Premium Broiler
  - Pureblend Broiler
  - B-MEG Broiler (Regular)
  - B-MEG Integra

- Gamefowl Feeds
  - B-Meg Derby Ace
- Aquatic Feeds
  - B-MEG Super Premium Floating Feeds
  - B-MEG Premium Tilapia Feeds
  - B-MEG Premium Bangus Feeds
  - B-MEG Aquaration
  - B-MEG Expert Fish Feeds
  - B-MEG Prize Catch Floating Feeds
  - B-MEG Nutrifloat
  - B-MEG CE-90
  - Pinoy Sinking Feeds
  - Pinoy Floating Feeds

Animal Heath Care Veterinary Medicines

- Antibacterial - Water Soluble
  - Amoxicillin 20%
  - Cephalexin 20%
  - Chlortetracycline 25%
  - Cotrimoxazole 48%
  - Doxycycline 20%
  - Lincomycin + Spectinomycin
- Supplement - Water Soluble
  - Electrolytes
  - Paracetamol
  - Multivitamins
  - Multivitamins + Amino Acids
  - Vitamin B (Broiler)
  - Vitamin B (Breeder)
- Dewormer - Water Soluble
  - Levamisole 20%
- Disinfectant
  - Gluta-Quat
- Injectibles
  - Norotyl LA
  - Alamycin LA
  - Multivitamins
- First Pulse D

San Miguel Mills, Inc.

Hard Wheat Flour

- Emperor Premium Bread Flour
- King
- Emperor
- Monarch
- Count
- Pacific

Soft Wheat Flour

- Queen
- Countess

Specialty Flour

- Baron All-Purpose Flour
- Baron Siopao Flour
- Princess Cake Flour
- Duchess Cake Flour
- Golden Wheat Whole Wheat Flour (Complete, Course & Fine)
- Fine Wheat Bran

Customized Flour

- Harina de Pan de Sal
- Royal Premium Noodle Flour
- Royal Special Noodle Flour
- Prince Mike Flour
- Prince Noodle Flour
- Prince Wrapper Flour
- Nutri-Flour High Gluten Flour

Premixes

- Mix' n Bake
  - Bread Mix
  - Brownie Mix
  - Cookie Mix
  - Crinkle Mix
  - Muffin Mix
  - Pizza Mix
  - Pretzel Mix
- Mix' n Fry
  - Batter Mix
  - Pancake & Waffle Mix
  - Yeast-Raised Doughnut
- Mix' n Steam
  - Siopao Mix
  - Puto Mix
- Retail Mixes
  - Magnolia Pancake Plus with Syrup (Maple, Chocolate, Strawberry)
  - Magnolia Pancake & Waffle Mix (500g and 200g)

Bakery Ingredients

- Zuprim Bread Improver
- Bake Best Baking Powder

Services

- Product Customization
- Recipe Development
- Technical Training in Baking & Noodle Making

The Purefoods-Hormel Company, Inc.

REFRIGERATED MEATS

Hotdogs

- Purefoods Tender Juicy Hotdog (Classic, Jumbo, Kingsize, Cocktail, Balls, Cheesedog, Footlong with Cheese, Sweet Corn)

- Purefoods Beefies Hotdog (Classic, Lots a Cheese, Longgadog)
- Purefoods Chick'N Tasty Chicken Hotdog (Classic, Jumbo, Cheese)
- Vida Hotdog (Classic, Jumbo, Cheese, Footlong)
- Purefoods German Franks, Beef Franks and Cheese Franks
- Manyaman Hotdog (Classic, Jumbo/Kingsize)
- Purefoods Star Hotdog (Classic, Jumbo, Cheezeedog)

Sliced Hams
- Purefoods Sweet Ham
- Purefoods Cooked Ham
- Purefoods Ham Selections (Sweetened, Salami, Bologna, Spiced, Cheese and Sausage)
- Purefoods Pritong Pinoy (Tocino, Tapa, Longanisa, Barbeque, Bistek Tagalog and Sweet Longanisa)
- Vida Ham

Whole Hams
- Purefoods Fiesta Ham
- Purefoods Jamon de Bola
- Purefoods Hamon con Keso
- Purefoods Chicken Ham
- Purefoods Chinese Ham
- Purefoods Brick Ham
- Purefoods Pear Shaped Ham
- Purefoods Jamon Royale

Bacons
- Purefoods Honey Cured Bacon
- Purefoods Maple Flavored Bacon
- Purefoods Lean N Mean Bacon
- Vida Bacon
- Hormel Bacon

Eezee Links
- Carne Norte
- Sisig
- Chinese Style Luncheon Meat

Embutido
- Chicken Embutido
- Pork Embutido
- Liver Sausage

Native and Specialty Lines
- Ulam King Tocino, Bologna, Smoked Longanisa, Skinless Longanisa
- Dry Pork Salami, Dry Beef Salami, Chorizo Filipino, Hormel Pepperoni, Purefoods Pepperoni

Mom's Kitchen Line
- Adobo Flakes, Callos, Beef Caldereta, Kare-Kare, Patatim

Battered, Breaded & Fried
- Purefoods Chicken Fun Nuggets (Crazy-cut Shapes, Number Crunchies, Dino Buddies, Alphabet Bites, Letters, Super Zoomers)
- Purefoods Pork Choplets
- Magnolia Chicken Products (Chicken Nuggets, Chicken Popcorn, Cordon Bleu, Chicken Fingers)

Burger Line
- ❑ Vida Hamburger & Cheeseburger
- ❑ Monterey Hamburger
- ❑ Purefoods Flavored Burgers (Cheese, Hot & Spicy, Chorizo, Classic)

Monterey Line
- ❑ Monterey Altanghap (Vigan, Lucban Longanisas)
- ❑ Filipino Favorites (Crispy Pata, Monterey Sisig)

Ready-to-Cook Magnolia Line
- ❑ Magnolia Golden Crispy (Classic)
- ❑ Magnolia Korean BBQ Strips
- ❑ Magnolia Rotisserie Chicken (Honey Roast and Lemon, Pepper and Herb)

GROCERY PRODUCTS
Corned Meats
- ❑ Purefoods Corned Beef
- ❑ Purefoods Chunkee Corned Beef
- ❑ Purefoods Carne Norte
- ❑ Gusto Corned Beef

Luncheon Meats
- ❑ Purefoods Luncheon Meat
- ❑ Purefoods Chinese Luncheon Meat
- ❑ Purefoods Beef Loaf
- ❑ Gusto Meat Loaf
- ❑ Purefoods Chicken Luncheon Meat
- ❑ Hormel SPAM

Sausages
- ❑ Purefoods Vienna Sausage
- ❑ Purefoods Chicken Vienna Sausage
- ❑ Gusto Vienna Sausage
- ❑ Hormel Vienna Sausage

Canned Beans
- ❑ Purefoods Pork & Beans
- ❑ Purefoods Chilicon

Canned Viands
- ❑ Purefoods Sizzling Delights Sisig
- ❑ Gusto Pinoy Sisig
- ❑ Ulam King - Meaty Asado
- ❑ Ulam King - Meaty Caldereta
- ❑ Ulam King - Meaty Gravy
- ❑ Ulam King - Meaty Lechon Paksiw
- ❑ Ulam King - Meaty Menudo
- ❑ Ulam King - Meaty Mechado
- ❑ Ulam King - Meaty Spaghetti Sauce
- ❑ Ulam King - Meaty Palabok Sauce

Specialty Grocery Products
- ❑ Purefoods Liver Spread
- ❑ Purefoods Spaghetti Meat Sauce

- Purefoods Chorizo Filipino
- Gusto Liver Spread

Monterey Chicharon
- Monterey Chicharon Salted
- Monterey Chicharon Chili Vinegar

Magnolia, Inc.

BUTTER, MARGARINE & CHEESE
Butter
- Magnolia Gold (Salted, Unsalted) and Magnolia Gold Lite
- Magnolia Dairy Blend
- Magnolia Spreadable

Refrigerated Margarine
- Dari Crème (Classic, Buttermilk) and Dari Crème Lite
- Buttercup
- Baker's Best

Non-Refrigerated Margarine
- Star Margarine (Classic, Sweet Blend, Garlic)
- Delicious Margarine

Cheese
- Magnolia Cheezee (Block and Spread)
- Daily Quezo
- Magnolia Quickmelt
- Magnolia Cheddar
- Magnolia Cream Cheese (Block and Spread)
- Magnolia Christmas Cheeseballs (Quezo de Bola, Edam) - Seasonal

JELLY-BASED SNACKS AND DESSERTS
- JellYace Fruiteez
- JellYace Bites
- JellYace Stixx
- JellYace Snackers
- JellYace Market Stall Pack
- Magnolia Best Fruits Jam (Strawberry, Pineapple, Apple Cinnamon, Pink Guava, Mango)

MILK
- Magnolia Chocolait
- Magnolia Chocolait Choco Magic (Mocha, Melon, Strawberry)
- Magnolia Fresh Milk
- Magnolia Low Fat Milk
- Magnolia Full Cream Milk

SPECIALTY OILS
- Magnolia Nutri - Oil Coconut Oil

- ❑ Magnolia Nutri - Oil Palm Oil
- ❑ Magnolia Pure - Oil

ICE CREAM
Bulk Ice Cream

- ❑ Magnolia Classic (Vanilla, Chocolate, Mocca, Strawberry, Ube, Mango)
- ❑ Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Dulce de Leche, Creamy Halo-halo, Macapuno Ube Swirl, Buko Salad Royale, Quezo Primero, Choco Chip Cookie Dough, Coffee Vienna and Buttery Sweet Corn)
- ❑ Magnolia Chocolait Ice Cream
- ❑ Magnolia No Sugar Added (Vanilla, Chocolate)

Frozen Novelties

- ❑ Magnolia Spinner (Chocolate, Vanilla)
- ❑ Magnolia Party Cups (Vanilla, Chocolate, Ube and Mango)

Other Frozen Delights

- ❑ Magnolia Pop-a-cup (Chocolate, Raspberrry)
- ❑ Magnolia Rainbow Bar
- ❑ King's Cookie Monster

Opportunistic Products

- ❑ Magnolia Liminted Editions (Seasonal)
- ❑ King's Regular Tub (Chocolate, Vanilla and Neopolitan)

San Miguel Gold Label (For Export)

- ❑ SMGL Mellorine - USA
- ❑ SMGL Frozen Dessert - Canada
- ❑ SMGL Ice Confectionery - Australia

Monterey Foods Corporation

Monterey Meatshop

- ❑ Fresh Meats- Pork, Beef & Lamb
- ❑ Ready-to-Cook Meats (Timplados)

Monty's (Monterey Food-to-Go)

- ❑ Pork BBQ Ready to Eat

San Miguel Super Coffeemix Co., Inc.

COFFEE

- ❑ San Mig Coffee Regular 3-in-1 Coffeemix- Mild, Original, Strong & Extra Strong
- ❑ San Mig Coffee Sugar Free 3-in-1 Coffeemix- Mild, Original, Strong & Extra Strong
- ❑ Grandeur Premium 3-in-1 Coffeemix- Original, Hazelnut, Italian Original & Mocha
- ❑ San Mig Coffee 100% Premium Instant Black Coffee
- ❑ San Mig Coffee Regular 2-in-1 Coffeemix – Mild, Original & Strong
- ❑ San Mig Coffee Sugar Free 2-in-1 Coffeemix – Mild, Original & Strong
- ❑ San Mig Coffee Pro-Health Line – Pro-Fiber, Pro-Beauty, Pro-Slim & Pro-Power

Great Food Solutions (GFS)

Value-Added Meats/Poultry

- Primo D' Italian TM Pizza Topping Line
- Sizzlers TM Sausage Links and Patties Line
- Deli Ready TM Sliced Deli Meats Line
- Tender Cuts TM Product Line
- SPAM Chubs and Slices
- Fast N' Easy Prepared Meals and Cuts
- Purefoods TM Foodservice product line
- Purefoods TM Foodservice Meatballs, Chickenballs, Burgerballs, and Corned Beef Balls
- Purefoods TM Corned Beef in Chubs - 1 kg
- Purefoods Corned Beef Blue Label Institutional Corned Beef 800g can
- Purefoods TM Breakfast Sausages
- Product Customization

Butter, Margarine, Cheese, and Oils (In Institutional Sizes)

- Magnolia Gold Butter
- Dairy Crème Margarine
- Baker's Best Margarine
- Buttercup Margarine
- Magnolia Non-Refrigerated Margarine
- Primex Shortening
- Magnolia Cheese (block fomat)
- Magnolia Cheese Sauce
- Magnolia Real Mayonnaise
- Magnolia Nutri-Oil and Palm Olein
- Magnolia Quickmelt
- Magnolia Sharp Flavored Melting Cheese
- Magnolia Cream Cheese Spread

Flour and Premixes

Traded Product

- Mozarella Cheese

GFS Commissary Products

- Heat n' Serve "Cook Express"
- Breaded, Battered and Fried
- Patties
- Marinated Value-Added Meats
- Sauces and Dips
- Ready-to-Eat Snacks

GFS Services

- Product Customization
- Menu & Recipe Development
- Packing Development
- Food Safety Trainings and Consultancy
- Quality Assurance Services
- Food Laboratory Analysis
- Marketing Services and Promotional Tie-Ups

P.T. San Miguel Pure Foods Indonesia

REFRIGERATED MEATS
Bakso (Meat Balls)

- Farmhouse (Beef, Chicken)
- Vida (Beef)
- Vida Hemat (Beef)
- Purefoods Choice (Beef)

Sausages

- Farmhouse (Beef Cocktail, Beef Frankfurter, Beef Weiner, Beef Sausage, Chicken Sausage, Jumbo Sausages, Hot & Spicy Sausage)
- Farmhouse FunKidz Chubbies (Regular, Cheese)
- Gusto (Pork Breakfast Sausage, Pork Cabanosi, Pork Cocktail, Pork Hotdog)
- Purefoods Choice (Beef Sausage)
- Vida (Beef Franks, Beef Weiner, Beef Sausage, Chicken Sausage)
- Vida Hemat (Beef Sausage)

Cold Cuts

- Farmhouse (Beef Pepperoni, Chicken Roll, Garlic Salami, Smoked Beef, Beef Pastrami, Corned Beef)
- Gusto (Cooked Ham, Back Bacon, Gammon Ham, Smoked Ham, Streaky Bacon)
- Purefoods Choice (Chicken Chunks, Corned Beef, Smoked Beef)

Luncheon Burger

- Farmhouse (Beef, Chicken)
- Purefoods Choice (Beef)
- Vida (Beef Burger, Mini Burger)
- Vida Hemat (Beef)

Chicken Nuggets

- Farnhouse FunKidz Nuggies
- Vida Naget Ayam

Services

- Customization

ANNEX "A"

PACKAGING GROUP PRODUCTS

Glass
Containers
Glass*Lite* bottles (trademarked)
Molds

Metal
Crowns
Caps and Closures
Two-piece Aluminum Beverage Cans
Coated/ lithographed sheets

Plastics
Crates
Bread and Food Trays
Pallets

- Pallet Lite (trademarked) – one-way pallet
- Pallet Plus (trademarked) – heavy-duty pallet
- Twin pallet

TUFFMat Plastic Flooring (trademarked)
Poultry flooring
Buckets and Pails
Caps and handles
Industrial containers
Plastic bottles and jars

Paper
Corrugated Carton Boxes
HardiBOX Reinforced Cartons (trademarked)
EZ Tear and RipTOP cartons (trademarked)
Coslock (patented) cardboard wine partitions

Composites

Flexibles
Anti-static/ESD bags
Plastic films
Industrial laminates
Envirotuff radiant barrier (trademarked)
Woven bags

PET

PET Preforms
PET Bottles

Services

Graphic Design
Contract Packaging
Trading
Crate and Pallet Leasing
PET Bottle Filling
PET Recycling Services
Packaging Development Consultation
Performance Knowledge & Training
Packaging research
Package Testing
UV silk screen printing
Custom tooling

ANNEX "A"

PROPERTIES PRODUCTS

SMPI and its significant subsidiaries' residential projects are located in the following areas:

Project Name	Location
Maravilla	Gen. Trias, Cavite
Bel-Aldea	Gen. Trias, Cavite
The Legacy	Las Piñas, Metro Manila
Villa de Calamba (LHI)	Calamba, Laguna
Primavera Hills (LHI)	Liloan, Cebu
Buenavista Homes (LHI)	Jugan, Cebu
Wedge Woods (Excel)	Silang, Cavite

SMPI has leasable properties in the following areas:

	Location	
Type of Property Leased	City/Municipality	Street/Building
Office building including land	Pasig City	Meralco Avenue
Office spaces (various floors)	Mandaluyong City	San Miguel Properties Centre
Office building including land	Mandaluyong City	San Miguel Avenue
Industrial/Plant including land	Mandaluyong City	Reliance Street
Office spaces (various floors)	Makati City	EL Tower, EDSA
Warehouse	Parañaque City	Sucat
Warehouse	Cavite	General Trias
Warehouse	South Cotabato	Polomok

ANNEX "B"

DOMESTIC BEER CBAs

Union	No. of CBAs	Expiration Economic	Expiration Representation
SMC Employees Union-PTGWO (M)	1	30-Jun-10	30-Jun-09[a]
Ilaw at Buklod ng Manggagawa-SMC Chapter (D)	1	30-Jun-10	30-Jun-09[b]
Ilaw at Buklod ng Manggagawa- local 42 (D)	1	15-Feb-11	15-Feb-10[b]
Ilaw at Buklod ng Manggagawa- local 48 (M)	1	31-Dec-10	31-Dec-09[b]
New San Miguel Sales Force Union-GMA(M)	1	31-Jan-11	31-Jan-10[b]
Philippine Agricultural, Commercial Industrial Workers Union(M)	1	31-Oct-10	31-Oct-13
San Miguel Bacolod Brewery Employees Union (D)	1	31-Jul-10	27-Apr-14
Ilaw at Buklod ng Manggagawa- Mandaue Chapter (D) . . .	1	31-Dec-11	31-Dec-10
New San Miguel Sales Force Union-Cebu(M) (c)			
San Miguel Davao Brewery Independent Union (D)	1	30-Nov-09[d]	30-Nov-12

Notes:

(M) Monthly wage-earners

(D) Daily wage-earners.

(a) Awaiting the final order from the Department of Labor and Employment ("DOLE') on the conduct of a certification election.

(b) No certification election was conducted. Existing union is still the bargaining agent.

(c) The union was delisted from the DOLE's roster of legitimate labor organizations effective June 2009. Economic provision of the then existing CBA expired on February 15, 2009.

(d) CBA was renegotiated and concluded last March 25, 2010.

SMG CBAs

as of March 31, 2009

INSTALLATION / DESCRIPTION		EXPIRATION		UNION	NO. OF MEMBERS
		ECONOMIC	REPRESENTATION		
GINEBRA SAN MIGUEL INC.					
23	Cabuyao Dailies Union	Jan 31, 2010	Jan 31, 2008	Nagkakaisang Lakas Manggagawa ng La Tondeña Distillers (Cabuyao Plant) Independent Union	38
24	Mandaue Dailies Union	December 31, 2009	-	GSMI Mandaue Plant Daily Paid Employees' Union (Cebu) - Free Workers Association (Freewas)	23
27	Distileria Bago Union	April 30, 2011	April 30, 2011	CIO-ALU Distileria Bago Employees Union Chapter(DBEU)	61
26	Sta. Barbara Monthlies Union	Mar. 31, 2011	Mar. 31, 2012	La Tondeña Distillers Inc. Workers Union - Independent(SBP Monthlies)	21
				Dailies of SBP under MOA with Mgt (to expire March 21, 2011)	41
				TOTAL	**143**
				TOTAL with SBP	**184**
				NO. OF UNIONS	**5**

SAN MIGUEL FOOD GROUP
MONITORING OF CBAS
As of January 1,2010

INSTALLATION/SCOPE		EXPIRATION ECONOMIC	EXPIRATION REPRESENTATION	BARGAINING AGENT (UNION) & AFFILIATION	NO. OF MEMBERS
MAGNOLIA INC.					
1	Dailies Union	Feb. 28, 2011	Feb. 28, 2010	Progressive Workers' Union (PWU) IBM Local 47 - KMU	136
2	Monthlies Union	July 31, 2011	July 31, 2011	PDPC Employees Union IBM Local 85 - KMU	70
MONTEREY FARMS CORPORATION					
3	Senior Employees Union	July 31,2010	July 31,2009	Monterey Farms Senior Employees Union-PTGWO	32
THE PUREFOODS-HORMEL COMPANY INC.					
4	HO (JMT & Marikina) Purefoods-Hormel Monthlies Union (Sales and Support Staff)	Nov. 30, 2011	Nov. 30, 2009	Purefoods-Hormel Company Administrative Marketing Employees Union (PHCAMEU) - Independent	134
SAN MIGUEL FOODS INC.					
5	San Fernando MPPP Dailies Union	Mar. 15, 2011	Mar. 15, 2010	SMFI-Magnolia Poultry Processing Plant Workers Union - Independent	91
6	San Fernando Poultry Processing Plt. Monthlies Union	June 30, 2011	June 30, 2012	Magnolia Poultry Processing Plant Monthly Employees Union (MPPPMEU) - PTGWO	56
7	Sta. Rosa Laguna Feed Mill Blue Collar Employees (Dailies/Monthlies) Union	Jan. 31, 2010	Jan. 31, 2010	Kapisanan ng mga Manggagawa sa Purefoods (KAMPU) - PTGWO	26
8	GMA Monthlies Union	June 30, 2010	October 22, 2011	SMFI Employees Union (SMFIEU)-PTGWO	125
9	Sta. Rosa Monthlies Union	June 30, 2010	June 30, 2011	Magnolia Poultry Employees Union-PTGWO	41
SAN MIGUEL MILLS, INC.					
10	Mabini Batangas Flour Mill Employees Union (Monthlies/Dailies)	July 31, 2011	July 31, 2012	Purefoods Corporation Flour Mill Employees Union (PFMEU) - Independent	45
				Total	**756**

	INSTALLATION	EXPIRATION		UNION	NO. OF MEMBERS
		ECONOMIC	REPRESENTATION		
	SMC YAMAMURA FUSO MOLDS CORPORATION				
1	Monthlies Union	Dec. 31, 2009	Dec. 31, 2008	SMC Yamamura Fuso Molds Monthlies Union - PTGWO	42
	SAN MIGUEL YAMAMURA CORPORATION				
2	SMYPC Main Office- Monthlies	June 30, 2010	June 30, 2012	SMYPC-PTGWO-Main Office**-Local 887**	53
3	*Manila Plastics Plant-Dailies*	June 30, 2010	June 30, 2012	SMYPC-Progressive Union of MPP-IBM	24
4	Manila Plastics Plant-Monthlies	June 30, 2010	Oct. 02, 2012	SMYPC-PTGWO-**Local 888**	59
5	*Manila Glass Plant-Dailies*	June 30, 2010	Feb. 26,2013	Concerned Workers of SMPSI-Manila Glass Plant	129
6	Manila Glass Plant-Monthlies	June 30, 2010	June 30, 2012	SMYPC-PTGWO-**Local 889**	102
7	*Metal Closure & Lithography Plant-Dailies*	June 30, 2010	June 30, 2012	SMPSI-MCLP-Progressive Union-IBM	93
8	Metal Closure & Lithography Plant-Monthlies	June 30, 2010	June 17, 2012	SMYPC-PTGWO-**Local 890**	83
	MINDANAO CORRUGATED FIBREBOARD INC.				
9	Monthlies Union	Dec. 31, 2010	Dec. 31, 2012	Mincorr Independent Workers Union (MIWU)	42
	SAN MIGUEL PACKAGING SPECIALISTS, INC.-CANLUBANG PET & CAPS PLANT				
10	Monthlies Union	Dec. 31, 2010	Dec. 31, 2012	SAMAHAN ng MALAYANG MANGGAGAWA sa BPSI-Can	36
	SMY BALL CORPORATION				
11	Monthlies Union	Dec. 31, 2010	Dec. 31, 2009	Kristiyanong Organisasyon ng Manggagawa sa San Miguel Yamamura Ball Corporation (Kristong Manggagawa-SMYBC) -Inc.	82
	SMC YAMAMURA ASIA CORPORATION				
12	Monthlies Union	Dec. 31, 2010	Dec. 31, 2013	Buo Organisadong Samahan ng Empleyado sa SMYAC-Independent (BOSES-SMYAC)	218
	RIGHTPAK INTERNATIONAL CORPORATION				
13	Monthlies Union	May 31, 2011	May 31, 2012	Rightpak Employees Union-PTGWO	128
	SMYPC-MANDAUE PACKAGING PLANTS (Glass, MCLP,Power)				
14	Dailies Union	Dec. 31, 2011	Dec. 31, 2010	Kahugpong Sa Ligdong Mamumuo-SMPSI Mandaue (KLM-SMPSI Mandaue)	166
				TOTAL	**1,257**

Description of Property **ANNEX "C"**

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Beverage				
1	San Miguel Brewery Inc.			
	Breweries			
	Polo Brewery	Marulas, McArthur High-way Valenzuela City	Owned	Good
	San Fernando Brewery	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Mandaue Brewery	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	Owned	Good
	Bacolod Brewery	Sta. Fe, Bacolod City	Owned	Good
	Davao Brewery	Darong, Sta. Cruz, Davao del Sur	Owned	Good
	Warehouse/Sales Offices			
	GMA – West	Pureza S.O.; Pureza, Sampaloc District, Manila	Owned	Good
	GMA – West	M. Carreon St., Sta Ana, Manila	Owned	Good
	GMA – South	Pananaque S.O, ; Bernabe Subd., San Dinisio, Sucat, Paranaque City	Owned	Good
	GMA – East	Taytay S.O.; Manila East Road, Taytay, Rizal	Owned	Good
	GMA – East	Pasig S.O. ; Mercedes Ave., Pasig City	Rented	Good
	GMA – Central	Cubao S.O. ; 20th Ave., Cubao Q. C.	Owned	Good
	GMA – Northwest	Caloocan S.O.; A. Cruz St., Bgy. 96, Caloocan City	Owned	Good
	GMA – Northwest	Tondo S. O. ; Honorio Lopez St., Tondo Manila	Owned	Good
	GMA – North	Valenzuela S. O. ; Plastic City, Bgy. Canumay, Valenzuela City	Rented	Good
	GMA – North	Novaliches S.O. ; Bo. Kaligayahan, Quirino Highway, Novaliches, Q.C.	Rented	Good
	GMA – Bulacan	San Isidro S.O.; Gapan-Olongapo Rd.,Pob. S. Isidro,N.E.	Owned	Good
	GMA – Bulacan	Guiguinto S.O.Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good
	Bataan Malt Terminal	Mariveles, Bataan	Land - Rented; Building - Owned	Good
	CNLA – North Central Luzon	Dagupan S.O.; Caranglaan Dist., Dagupan City	Owned	Good
	CNLA – North Central Luzon	Carmen S.O.; Carmen East, Rosales, Pangasinan	Owned	Good
	CNLA – East Central Luzon	Cabanatuan S.O.; Maharlika Rd.,Bitas, Cabanatuan	Rented	Good
	CNLA – East Central Luzon	Angeles S.O.; S. Jacinto St., S.Angelo Subd.Angeles City	Owned	Good
	CNLA – Ilocos	San Nicolas Region Office Bgy. Catuguing, San Nicolas Ilocos Norte	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	CNLA – Ilocos	Candon Whse, Tablac, Candon, Ilocos Sur	Owned – leased to dealer	Good
	CNLA – Cordillera	Carlatan S.O.; Madayegdeg, San Fernando,La Union	Owned	Good
	CNLA – Cordillera	Baguio S.O.; Irisan, Baguio City	Owned	Good
	CNLA – Cagayan Valley	Cauayan S.O.; Nat'l Highway, San Fermin, Cauayan; Isabela	Owned	Good
	CNLA – Cagayan Valley	Santiago S.O.; Mabini, Santiago, Isabela	Owned	Good
	CNLA – Cagayan Valley	Lal-lo S.O., Sta. Maria, Lal-lo, Cagayan	Owned – leased to dealer	Good
	SLA – Laguna	Canlubang S.O.; Silangan Industrial Park, Canlubang; Laguna	Owned	Good
	SLA – Laguna	Sta. Cruz S.O.; Bgy. Pagsawitan, Sta. Cruz; Laguna	Rented	Good
	SLA – Quezon	Lucena S.O. ; Bgy. Isabang, Lucena City	Owned	Good
	SLA – Quezon	Gumaca S.O.; Natl. Hi-way,Villa Bota, Gumaca, Quezon	Owned	Good
	SLA – Batangas	Batangas S.O.; Bo. Balagtas, Batangas City	Owned	Good
	SLA – Batangas	Lipa S.O.; Ayala Hi-way, Lipa City, Batangas	Owned – leased to dealer	Good
	SLA – Cavite	Bacoor S.O.; BINHEPCO Cmpd,Tirona Hi-way, Bacoor, Cavite	Rented	Good
	SLA – Cavite	Dasmarinas S. O., Governor’s Drive, Bgy. Langkaan II, Dasmarinas, Cavite	Rented	Good
	SLA – Southern Tagalog Island Provinces	Puerto Princesa S.O. Bgy. Mandaragat, Puerto Princesa City, Palawan	Owned	Good
	SLA – Southern Tagalog Island Provinces	Bgy. Labangan, San Jose, Occidental Mindoro	Owned – leased to dealer	Good
	SLA – North Bicol	Naga S.O.; Concepcion Grande, Naga City	Owned	Good
	SLA – South Bicol	Gotladera St., Zone 2, Bulan, Sorsogon	Rented	Good
	SLA – South Bicol	Legaspi S.O.; Cogon St., Bgy. Cruzada, Legaspi City, Bicol	Rented	Good
	SLA – South Bicol	Masbate S.O.; Matungao,Tugbo, Masbate	Rented	Good
	Visayas – Central Visayas North	Mandaue S.O.; Mandaue Complex, Mandaue City	Owned	Good
	Visayas – Central Visayas South	Tagbilaran S.O.; CPG Ave., Tagbilaran, Bohol	Rented	Good
	Visayas – Eastern Visayas	Tacloban S.O. Fatima Village, Tacloban City, Leyte	Owned	Good
	Visayas – Panay	Pavia-Solid Manila Bldg., Diversion Road, Bgy. San Rafael, Mandurriao, Iloilo	Rented	Good
	Visayas – Panay	Numancia S.O.; Camansi Norte, Numancia ; Aklan	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Visayas – Panay	Roxas S.O.; Bo. Libas, Roxas City	Owned	Good
	Visayas – Western Visayas Metro	Iloilo S.O.; Muelle Loney St., Bgy. Legaspi, Iloilo City	Owned	Good
	Visayas – Western Visayas Metro	Bacolod S.O.; Bacolod Brewery, Bacolod	Owned	Good
	Visayas – Negros	Sum-Ag Warehouse; Bgy. Sum-Ag, Bacolod City	Owned	Good
	Visayas – Negros	Himamaylan S.O.; Himamaylan, Negros Occidental	Owned	Good
	Visayas – Negros	Dumaguete S.O.; W.Rovira Rd.,Pulantubig, Dumaguete City	Rented	Good
	Mindanao – Caraga	Butuan S.O.; Fort Poyohan, Butuan City	Owned	Good
	Mindanao – Caraga	Tandag S.O. Sema St. Bgy., Bongtod, Tandag City, Surigao del Sur	Owned	Good
	Mindanao – Cotabato Prov	Gen. Santos S.O.; Natinal Highway, Bgy. Lagao, South Cotabato	Owned – Leased to Dealer	Good
	Mindanao – Cotabato Prov	Sergio Osmena, Bgy., Poblacion, Koronadal City	Owned – Leased to Dealer	Good
	Mindanao – Davao Prov	Davao S.O.; Ulas, Davao City	Owned	Good
	Mindanao – Davao Prov	Tagum S.O.; National Highway,Bgy. Magugpo, Tagum City	Owned – Leased to Dealer	Good
	Mindanao – North Mindanao	Opol S.O.; National Highway, Luyong Bonbon, Opol, Misamis Oriental	Owned	Good
	Mindanao – Northwest	Iligan S.O.; Sta. Filomena, Iligan City	Rented	Good
	Mindanao – Northwest	Ozamis S.O.; Bonifacio St., Lam-an, Ozamis City	Rented	Good
	Mindanao – Northwest	Dipolog S.O., Sta. Filomena, Dipolog City	Rented	Good
	Mindanao – Cenmin	Digos, Rizal St., Digos City	Owned – Leased to Dealer	Good
	Mindanao – Zambo-Sulu	Liloy S.O.; Poblacion Liloy,Zamboanga del Norte	Rented	Good
	Mindanao – Zambo-Sulu	Zamboanga S.O.; Baliwasan Drive, Zamboanga City	Owned	Good
2	San Miguel Brewery Hong Kong Ltd.	Yuen Long Industrial Estate, New Territories, Hong Kong	Owned	Good
3	San Miguel (Baoding) Brewery Company Ltd.	Jiangcheng Road, Baoding City, Hebei Province, PRC	Owned	Good
4	San Miguel (Guangdong) Brewery Co., Ltd.	Renmin Road, Longjang Town, Shunde, Guandong, PRC	Owned	Good
5	PT Delta Djakarta Tbk	Inspeksi Tarum Barat, Bekasi Timur, Indonesia	Owned	Good
6	San Miguel Brewery Vietnam Company Ltd.	Suoi Hiep Hamlet, Dien Khanh Dist., Khanh Hoa Province, Vietnam	Owned	Good
7	San Miguel Beer (Thailand) Limited	89 Moo 2 Tivanon Road, Tambol Bann-Mai, Amphur, Muang, Pathumthani, Thailand 12000	Owned	Good
8	Ginebra San Miguel, Inc			

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Canlubang	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good
	Lucena	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good
	Sta. Barbara	Tebag West, Sta. Barbara, Pangasinan	Owned	Good
	Cebu	Subandaku, Mandaue City, Cebu	Owned	Good
	Distileria Bago, Inc. (Alcohol Distillery)	Km 13.5 Bgy. Taloc, Bago City, Negros Occidental	Owned	Good
	Valenzuela Depot	Santiago St., Canuman, Valenzuela	Rented	Good
	Novaliches Sales Office	Bo. Kaligayahan, Quirino Highway, Novaliches, Quezon City	Rented	Good
	Caloocan Sales Office	Assistio St., Bo. Biglang Awa, Caloocan City	Rented	Good
	Pureza Sales Office	Brgy. 425, 489 Pureza, Sta. Mesa Manila	Rented	Good
	Cubao Sales Office	158 2oth Ave., Cubao Quezon City	Rented	Good
	Pasig Sales Office	147 Mercedez Ave., San Miguel Pasig	Rented	Good
	Reliance Sales Office	Reliance cor. Pine Sts. Mandaluyong City	Rented	Good
	Paranaque Sales Office	Bernabe Subdivision, Sucat Paranaque	Rented	Good
	Dasmarinas Sales Office	Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Rented	Good
	Guiguinto Sale Office	Brgy. Sta. Cruz, Guiguinto, Bulacan	Rented	Good
	San Fernando Sales Office	Brgy. San Isidro, McArthur Highway, San Fernando, Pampanga	Rented	Good
	Cebu Sales Office	Tipolo, Mandaue City, Cebu	Rented	Good
	Davao Sales Office	Brgy. Talomo, Ulas, Davao City	Rented	Good
	Reliance Plant	Reliance cor. Pine Sts. Mandaluyong City	Rented	Good
	Research and Development	San Miguel Purefoods Research Plant, Brgy. Ugong Pasig	Rented	Good
	Tropical Fruit Asia Co., (TFAC)	First Bulacan Industrial Complex Bo. Tikay, Malolos Bulacan	Rented	Good
	Integrated Mfg. Service Providers Inc. (IMPSI)	98 Marcos Alvarez Avenue, Talon 1 Las Pinas Metro Manila	Rented	Good
	Lakeside Food and Beverage Co. (LFBC)	Brgy. Tulo, Calamba Laguna	Rented	Good
	Purebev Inc.	Km. 42, Governor's Drive Bo. Hugo Perez, Trece Martires Cavite	Rented	Good
	San Miguel Brewery-Polo Plant line 3	McArthur Highway, Marulas, Valenzuela	Rented	Good
	San Miguel PET and Brewery Plant-San Fernando	San Fernando Complex, Bo. Quebiawan, San Fernando, Pampanga	Rented	Good
	San Miguel PET and Brewery Plant-Cebu	San Miguel Brewery Complex, SMBD Hi-way, Mandaue City	Rented	Good
	San Miguel PET and Brewery Plant-Davao	San Miguel Brewery Complex, Darong Davao City	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Bicutan Sales Office	Sta.Maria Industrial Estate, Bagumbayan, Taguig, Metro Manila	Rented	Good
	Maybunga Sales Office	Joson Compound, Brgy. Maybunga Pasig City	Rented	Good
Packaging				
1	SAN MIGUEL YAMAMURA PACKAGING CORPORATION			
	Main Office	SMPC Bldg., St. Francis Ave., Ortigas	Rented	Good
	SMYPC Rightpak Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMYPC Metal Container Plant	Bgy. San Francisco de Malabon, Gen. Trias, 4107 Cavite	SMYPC Owned	Good
	SMYPC Cebu Bev. Packaging Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC Davao Bev. Packaging Plant	SMC Complex, Darong, Sta. Cruz, Davao City	SMC Owned	Good
	SMYPC San Fernando Bev. Packaging Plant	Barangay Maimpis, City of San Fernando, Pampanga (Gate 2, SMC PET Plant)	SMYPC Owned	Good
	SMYPC Pet Recycling Plant	SMC San Fernando Complex, Quebiauan, San Fernando City	SMC Owned	Good
	SMYPC Canlubang PET & Caps Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMYPC Manila Glass Plant	Muelle dela Industria St., Binondo Manila	SMC Owned	Good
	SMYPC Manila Plastics Plant	Tomas Claudio St., Beata, Pandacan, Manila	SMC Owned	Good
	SMYPC Glass Business Office	Tomas Claudio St., Beata, Pandacan, Manila	SMC Owned	Good
	SMYPC Leasing Operation	Tomas Claudio St., Beata, Pandacan, Manila	SMC Owned	Good
	SMYPC Glass Business Office	023 Halayhay, Tanza, Cavite, 4108	SMYPC Owned	Good
	SMYPC MCLP Canlubang	Silang Canlubang Industrial Park, Canlubang Laguna	SMC Owned	Good
	SMYPC MCLP San Fernando	SMC San Fernando Complex, Quebiauan, San Fernando City	SMC Owned	Good
	SMYPC Mandaue Glass Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC MCLP Mandaue	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC Mandaue Plastics Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC Trading	SMPC Bldg., St. Francis Ave., Ortigas	Rented	Good
	SMYPC Contract Packaging	SMPC Bldg., St. Francis Ave., Ortigas	Rented	Good
2	San Miguel Yamamura Asia Corporation	Km 12, Aguinaldo Highway, Imus, Cavite	Owned	Good
3	San Miguel Yamamura Fuso Mold Corp.	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
4	San Miguel Paper Packaging Corporation	Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Closed
5	Mindanao Corrugated Fibreboard Inc.	Km 12 Sasa, Davao City	Owned	Good
6	Zhaoqing San Miguel Yamamura Glass Company Ltd.	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC	Land Use Rights	Good
7	Foshan San Miguel YamamuraPackaging Company Ltd.	9 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good
8	PT San Miguel Sampoerna Packaging Industries Ltd.	Jalan Jababeka V 42-43, Kawasan Industri Jababeka, Cikarang, Bekasi 17530, Indonesia	Land Use Rights	Good
9	San Miguel Yamamura Haiphong Glass Company Ltd.	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good
10	San Miguel Yamamura Phu Tho Packaging Company Ltd.	152 Lac Long St., District 11, Ho Chi Minh City, Vietnam	Land Use Rights	Good
11	San Miguel Yamamura Plastics Films Sdn. Bhd.	No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia.	Land Lease Rights	Good
12	San Miguel Yamamura Packaging and Printing Sdn. Bhd. - Converting plant	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Salangor Darul Ehsan, Malaysia	Owned	Good
	- Duplex plant	Lot 9, Jalan Perusahaan Empat, Tapak Perindustrian P.K.N.S., 68100Batu Caves, Selangor Darul Ehsan, Malaysia	Rented	Good
13	San Miguel Yamamura Woven Products Sdn. Bhd.	Lot 9 and 10, Ayer Keroh Industrial Estate, Jalan Usuha 4, 75450 Melaka, Malaysia	Land Lease Rights	Good
14	Packaging Research Centre Sdn. Bhd.	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan,Malaysia	Owned	Good
15	San Miguel Yamamura Packaging International Ltd.	9/F Citimark Building, 28 Yuen Shun Circuit, Diu Lek Yuen, Shatin, N.T. Hongkong	Rented	Good
16	JHK Investments Pty. Ltd. Cospak Plastics Pty. Ltd.	1 Culverston Road Minto NSW 2566	Leased	Good
17	Cospak NZ Ltd. Premier Plastics Ltd.	27 Ross Reid Place East Tamaki Auckland New Zealand 2013	Leased	Good
18	Cospak South Africa (Pty.) Ltd.	Wimbledon Road Blackheath 7581 South Africa	Leased	Good
19	Foshan Nanhai Cospak Packaging Company Limited	Room 4120-4121 China Shine Plaza No. 3- 15 Lin He Xi Road, Tianhe District, Guangzhou, Guangdong PRd PC 510610	Leased	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
Foods				
1	San Miguel Purefoods (Vietnam) Co., Ltd.	Cau Sat Hamlet, Lai Hung Village, Ben Cat District, Binh Duong Province, Vietnam	Bldg. - Owned Land - Rented	Good
2	Tien Giang Sales Office 1	Phuoc Hoa Hamlet, Phuoc Thanh Village, Chau Thanh District, Tien Giang Province, Vietnam	Warehouse and Land Rented	Good
3	Dong Nai Sales Office	39/2 An Hoa Hamlet, Tay Hoa Village, Trang Bom District, Dong Nai Province, Vietnam	Warehouse and Land Rented	Good
4	Vinh Long Sales Office	194/2 Pham Hung St, Ward 9, Vinh Long, Vinh Long Province	Warehouse and Land Rented	Good
5	Long An Sales Office	73 High Way 1A, 1 Hamlet, My Yen Village, Ben Luc District, Long An Province, Vietnam	Warehouse and Land Rented	Good
6	Dak Lak Sales Office	Tan Hoa Ward, Buon Ma Thuoc City, Dak Lak	Warehouse and Land Rented	Good
7	Tien Giang Sales Office 2	Tan Thanh Hamlet, Thanh Nhut Village, Go Cong Tay District, Tien Giang Province	Warehouse and Land Rented	Good
8	Bac Ninh Sales Office	Dinh Bang Village, Tu Son District, Bac Ninh Province	Warehouse and Land Rented	Good
9	Dong Nai 2	Bao Hoa Village, Xuan Loc District, Dong Nai Province	Warehouse and Land Rented	Good
10	Cu Chi Sales Office	Tan Thanh Tay Village, Cu Chi District, Ho Chi Minh City	Warehouse and Land Rented	Good
11	Tay Ninh Sales office	O2 Street, Long Binh, Long Thanh Nam Village, Hoa Thanh District, Tay Ninh Province	Warehouse and Land Rented	Good
12	Tra Vinh Sales Office	Xom Trang Hamlet, Nguyet Hoa Village, Chau Thanh District, Tra Vinh Province	Warehouse and Land Rented	Good
13	Soc Trang Sales Office	Dong Hai Hamlet, Dai Hai Village, Ke Sach District, Soc Trang Province	Warehouse and Land Rented	Good
14	Lam Dong Sales Office	1023, Tran Phu Road, Loc Tien Ward, Bao Loc,Lam Dong, Province, Vietnam	Warehouse and Land Rented	Good
15	Le Gourmet Factory	An Tay Village, Ben Cat District, Binh Duong Province	Bldg – Owned Land - Rented	Good
16	Le Gourmet Admin Office Saigon	16 Hat Giang St., Ward 2, Tan Binh District, Ho Chi Minh City	Building and Land Rented	Good
17	San Miguel Pure Foods Company Inc. and Subsidiaries			
	JMT Corporate Condominium Building	ADB Avenue, Ortigas Center, Pasig City	Owned	Good
	Feeds & Poultry Iloilo Office	Melliza St., Iloilo City	Owned	Good
	Processed Meats Marikina Plant	Bo. San Roque, Marikina City	Owned	Idle
	Processed Meats Cavite Plant	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good
	Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good
	Pampanga Poultry Dressing Plant	SMC Complex, Bo. Quebiawan, San Fernando, Pampanga	Rented Lot	Good
	Cabuyao Poultry Dressing Plant	Banay-banay, Cabuyao, Laguna	Owned	Idle
	Cebu Poultry Dressing Plant	Brgy. Canduman, Mandaue City	Owned	Good
	Davao Poultry Dressing Plant	Toril, Sirawan, Davao City	Owned	Good
	Feeds Spent Drying and Rendering Plant	SMC Complex, San Fernando, Pampanga	Owned	Good
	Laguna Feedmill	Brgy. Malitlit, Sta. Rosa, Laguna	Owned	Good
	Tarlac Feedmill	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good
	B-Meg Pangasinan Plant	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Lot Owned by Ginebra San Miguel, Inc.	Good
	General Santos Feedmill	Bo. Calumpang, Gen. Santos City	Owned	Good
	Isabela Feedmill	Bo. Soyung, Echague, Isabela	Owned	Good
	Bataan Feedmill	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Rented Lot	Good
	Feeds Spent Grain Drying Plant	SMC Complex, Highway, Mandaue City	Owned	Good
	Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Rented Lot	Good
	Bukidnon Feedmill	Milmar Cpmd., Impalutao, Impasug-ong, Bukidnon	Owned	Good
	Magnolia Plant	Bo. De Fuego Governor’s Drive, Gen. Trias, Cavite	Owned	Good
	Monterey Meat Plant	Governor’s Drive, Langkaan, Dasmariñas, Cavite	Owned	Good
	Processed Meats Indonesia Plant	Jl. Raya Bogor Km. 37 Sukamaju, Sukmajaya, Indonesia	Owned	Good
	Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good
	Orion Experimental Training Farm	Brgy. Lim, Orion, Bataan	Owned	Good
	Poultry Breeding Farm	San Rafael, San Pablo City	Owned	Idle
	Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta, Maria, Bulacan	Owned	Good
	Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good
	Calauan Experimental Farms	SMC Cmpd., Brgy. Mabacan, Calauan, Laguna	Owned	Good
	Angat Hog Farm	Pulong Yantok Angat, Bulacan	Owned	Idle
	Alfonso Hog Farm	Buck Estate, Alfonso, Cavite	Owned	Idle
	Calamias Hog Farm	Calamias, Ibaan, Batangas	Owned	Idle
	Lipa Hog Farm	San Jose East, Lipa, Batangas	Owned	Idle
	Quilo Hog Farm	Lot No. 2489, Quilo, Ibaan, Batangas	Owned	Idle
	Sta. Maria Hog Farm	Guyong, Sta. Maria, Bulacan	Owned	Idle
	Isabela Cattle Farm	Bo. San Lius, Cauayan, Isabela	Owned	Good
	San Miguel Farm	Pulong Bayabas, San Miguel Bulacan	Owned	Good
	Sumilao Farm	San Vicente, Sumilao, Bukidnon	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Polomolok Cattle Farm	Silway 8, Polomolok, South Cotabato	Lot Owned by San Miguel Properties, Inc.	Good
	Processed Meats Fairview Cold Storage	Consul St., cor Carmel St., District 2, North Fairview, Quezon City	Owned	Good
	Otis Warehouse	Otis, Pandacan, Manila	Owned	Good
	Great Food Solutions Commissary	Lapu-Lapu Ave. cor. North Bay Blvd., Navotas, Metro Manila	Rented	Good
	San Miguel Food Group Admin Office	SMFG Cmpd., Legaspi cor Eagle St., Ugong, Pasig City	Lot Owned by San Miguel Corporation	Good
	San Miguel Food Group Purchasing Office	808 Bldg., No. 8 San Antonio Gate 2, Meralco Ave, Ortigas, Pasig City	Rented	Good
	Food Group Consolidated Warehouse	403 F. Legaspi St., Maybunga, Pasig City	Rented	Good
	Poultry Pangasinan	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Poultry Isabela	Brgy. Rizal, Santiago City, Isabela	Rented	Good
	Poultry Zambales	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	Poultry Batangas	437 V& F Cold Storage, San Roque, Sto. Tomas, Batangas	Rented	Good
	Poultry VAO/ MIPC Office	114 East Science Drive, Laguna Techno Park, Binan, Laguna	Rented	Good
	Poultry Quezon	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Poultry Albay	Brgy. Anislag, Daraga, Albay	Rented	Good
	Poultry Bohol	Albur Dressing Plant, Eastern Poblacion, Alburquerque, Bohol	Rented	Good
	Poultry Bacolod	Daalco IV Bldg., Singcang, Araneta St., Bacolod City	Rented	Good
	Poultry Dumaguete	Brgy. Magatas, Sibulan, Negros Oriental	Rented	Good
	Poultry Tacloban	Robledo Compound, Real St., Brgy. Campitik, Palo, Leyte	Rented	Good
	Poultry Cebu	6th Flr. Cleotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good
	Poultry Ormoc	Door 4, 2nd Flr., Tan Bldg., Lilia Ave., Cogon, Ormoc	Rented	Good
	Poultry Davao	Coaco Road, Sasa, Davao City	Rented	Good
	Poultry Zamboanga	Door #2, Nuño Bldg., MCLL Highway, Guiwan, Zamboanga City	Rented	Good
	Poultry Cagayan de Oro	3rd Flr, HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good
	Poultry Ozamis	Mailen, Clarin, Misamis Occidental	Rented	Good
	Poultry Butuan	Km 9, Tag-ibo, Butuan City	Rented	Good
	Flour Libis Warehouse	Mercury Avenue, Libis, Q. C.	Rented	Good
	Flour Bulacan Warehouse	Sta. Rita, Guiginto, Bulacan	Rented	Good
	Prifoods Corporation (Snacks)	Brgy. Paciano, Calamba, Laguna	Rented	Good
	San Miguel Properties, inc.	Pines cor Reliance St. , Brgy. Highway Hills, Mandaluyong	Rented	Good
	Feeds Cebu Office	Ground Flr, GSMI Bldg., Subangdaku, Mandaue City, Cebu	Rented	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	Bacolod Feeds Sales Office	JA Building, San Patrico, Banago, Bacolod City	Rented	Good
	Feeds Cagayan de Oro Sales Office	HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good
	Feeds Bukidnon Office	Malaybalay, Bukidnon	Rented	Good
	Feeds Butuan Sales Office	Brgy. 23, Langihan Road, Butuan City	Rented	Good
	Feeds Ozamis Sales Office	Elim Cmpd, Lam-an, Ozamis City	Rented	Good
	Tacoma (Feeds)	Tacoma & 2nd St., Port Area, Manila	Rented	Good
	RIDJO (Feeds)	Judge Juan Luna St., San Francisco Del Monte, Quezon City	Rented	Good
	PNOC (Feeds)	Bauan, Batangas	Rented	Good
	NFA Isabela Warehouse (Feeds)	Northern Philippines Grains Complex, Echague, Isabela	Rented	Good
	Plaridel BMEG Warehouse (Feeds)	Plaridel, Bulacan	Rented	Good
	Lucky 103 Realty Corp. (Feeds)	Dampol 1st, Mc Arthur Highway, Pulilan, Bulacan	Rented	Good
	Fieldman Warehouse (Feeds)	Brgy. Poblacion, Bacnotan, La Union	Rented	Good
	Kenwood Warehouse	San Vicente, San Jacinto, Pangasinan	Rented	Good
	Jimmy Sim	Rosales and Urdaneta, Pangasinan	Rented	Good
	Juan Mataragnon	San Juan, Bautista, Tarlac City	Rented	Good
	Morning Star warehouse	Brgy. Rizal, Moncada, Tarlac	Rented	Good
	YKK Warehouse	Mabini, Moncada, Tarlac	Rented	Good
	Warensburg Warehouse	Mariveles, Bataan	Rented	Good
	UGMC Warehouses	Cabatuan, Isabela	Rented	Good
	CLU Warehouses	Cabatuan, Isabela	Rented	Good
	Malitlit Warehouse	Brgy. Malitlit, Sta. Rosa Laguna	Rented	Good
	Alejo Sim (Feeds)	Nancayasan, Urdaneta City, Pangasinan and Villasis, Pangasinan	Rented	Good
	William Sim (Feeds)	Urdaneta, Pangasinan	Rented	Good
	PKS Shipping (Feeds)	Sitio Tawagan, Consolacion, Cebu	Rented	Good
	San Miguel Shipping and Lighterage (Feeds)	Looc, Mandaue City, Cebu	Rented	Good
	Rocksun Warehouse (Feeds)	Marasbaras, Tacloban City	Rented	Good
	Bacolod Warehouse B (Feeds)	JA Building, San Patricio, Banago, Bacolod City	Rented	Good
	SIAIN Warehouse (Feeds)	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good
	Bassett Land, Inc. (Feeds)	Sitio Tawagan, Consolacion, Cebu	Rented	Good
	MARBEMCO (Feeds)	Marvick Compound, Sitio Tawagan, Consolacion Cebu	Rented	Good
	LMDC Enterprises Co. (Feeds)	Tayud, Consolacion Cebu	Rented	Good
	KIMWA Warehouse (Feeds)	KIMWA Const. & Dev't Corp Baloy, Cagayan de Oro City	Rented	Good
	MITIMCO Warehouse (Feeds)	Mitimco Compound, Baloy, Cagayan de Oro City	Rented	Good
	CATIMCO Warehouse (Feeds)	Puntod, Cagayan de Oro City	Rented	Good
	BUDEX (Feeds)	Bangcud, Malaybalay	Rented	Good
	Western Feedmill Warehouse (Feeds)	Coaco Road, Sasa, Davao City	Rented	Good
	LSL Multi-Serve Company	Km 8 Pareñas Compound, Diversion Road, Buhangin, Davao	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Peter Go Warehouse (Feeds)	Dacudao, Davao City	Rented	Good
	MIMIJOE (Feeds)	Ladislawa Village, Buhangin, Davao City	Rented	Good
	Greenhills Milling Corporation	MCLL Highway, Culianan, Zamboanga City	Rented	Good
	Trome Warehouse	Silway 8, Matin-ao, General Santos, City	Rented	Good
	Rojo Warehouse	Sta. Catalinga, Zamboanga City	Rented	Good
	GFI Warehouse (Feeds)	Polomolok, South Cotabato	Rented	Good
	Pampanga Livestock Selling Station (Monterey)	Sta. Barbara, Bacolor, Pampanga	Rented	Good
	Batangas Livestock Selling Station	Brgy. San Felix., Sto. Tomas, Batangas	Rented	Good
	Tacloban Office (Monterey)	17 Justice Romualdez, Tacloban City	Rented	Good
	Mandaue Office (Monterey)	SFI Bldg., S. E. Jayme St., Pakna-an, Mandaue City	Rented	Good
	Bukidnon Live Operations Office (Monterey)	Malaybalay, Bukidnon	Rented	Good
	Cebu (Great Food Solutions office)	SMDCI Bldg., SMC Complex, Highway, Mandaue City	Rented	Good
	Davao (Great Food Solutions office)	Coaco Road, Bo. Pampanga, Lanang, Davao City	Rented	Good
	Pasig Office (San Miguel Integrated Sales)	El Magnifico Bldg., No. 19 General Atienza St., San Antonio Village, Pasig City	Rented	Good
	Pampanga Office (San Miguel Integrated Sales)	2F Rickshaw Arcade, Greenfield Square, Km. 76, Mc Arthur Highway, Sindalan, San Fernando City, Pampanga	Rented	Good
	Bacolod Office (San Miguel Integrated Sales)	William Lines Warehouse, Magsaysay, Araneta St., Singcang, Bacolod City	Rented	Good
	Iloilo Office (San Miguel Integrated Sales)	YK Marine Bldg., Iloilo Fishing Complex, Brgy. Tanza, Bay-bay, Iloilo City	Rented	Good
	Mandaue Office (San Miguel Integrated Sales)	Mandaue Brewery, SMC Complex, Mandaue City	Rented	Good
	Tacloban Office (San Miguel Integrated Sales)	Barangay No. 91, Abucay, Tacloban City	Rented	Good
	Cagayan de Oro Office (San Miguel Integrated Sales)	San Miguel Brewery Cmpd., Luyong Bon Bon Opol, Misamis Oriental	Rented	Good
	Davao Office (San Miguel Integrated Sales)	Door #6 Plug Holding Cmpd., R. Castillo St., Agdao, Davao City	Rented	Good
	Bandung Office (PT SMPF Indonesia)	Jl. Soekarno Hatta No 606 Bandung	Rented	Good
	Surabaya Office (PT SMPF Indonesia)	Perumahan Citra Harmoni Block C1 No. 25 Troso Bo Jawa Timur	Rented	Good
	Yogyakarta Office (PT SMPF Indonesia)	Jl. Anggajaya II Gg. Merak No. 219A Condong Catur Sleman Yogyakarta	Rented	Good
	Bali Office (PT SMPF Indonesia)	Jl. Cargo Kenanga IV No. 16, Depan GOR Merpati, Depasar	Rented	Good
	Medan Office (PT SMPF Indonesia)	Jl. Tirtosari No. 102 B, Kel Bantan, Kec Tembung, Medan	Rented	Good
	Makasar Office (PT SMPF Indonesia)	Jl. Ujungpandang Baru No. 24 Kode Pos 90214 Makassar	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Tiga Raksa Satria (PT SMPF Indonesia)	Jl. Soekarno Hatta No 606 Bandung	Rented	Good
	PT Haga Jaya Kemasindo Sarana (PT SMPF Indonesia)	Graha Cempaka Block C28, Jl. Letjend Suprapto, Jakarta Pusat	Rented	Good
	A. Raqub Salim (PT SMPF Indonesia)	Jl. Cargo Kenanga IV No. 16 Depan GOR Merpati, Depasar	Rented	Good
	UD Sari Jaya (PT SMPF Indonesia)	Jl. Tirtosari No 102 B, Kel Bantan, Kec Tembung, Medan	Rented	Good
	Angin Selatan (PT SMPF Indonesia)	Jl. Prof. Ir. Sutami No. 46-55 Makasar	Rented	Good
	PT. Sewu Segar Nusantara (PT SMPF Indonesia)	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/09 Taman Sepayang Surabaya	Rented	Good
	Joko P (PT SMPF Indonesia)	Jl. Ring Road Utara Pandega Patma DP 16D Yogyakarta	Rented	Good
	Vifel (Poultry)	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Diaz Dressing Plant (Poultry)	Km. 104, Brgy. Tabuating, San Leonardo, Nueva Ecija	Rented	Good
	Kenwood Construction (Poultry)	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Lolim’s Dressing Plant (Poultry)	Brgy. Rabon, Rosario, La Union	Rented	Good
	Cheers Tradestar, Inc. (Poultry)	Brgy. Rizal. Santiago City, Isabela	Rented	Good
	New Breed Dressing Plant (Poultry)	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	Johanna’s Chicken Proc. Center (Poultry)	Brgy. Bocohan, Lucena City	Rented	Good
	IP3 (Poultry)	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Cariño & Sons Agri-Dev’t Inc. (Poultry)	Brgy. Aya, San Jose, Batangas	Rented	Good
	Gallintina Ind Corp (Poultry)	GIC Compound, Brgy. Tagbong Pili, Camarines Sur	Rented	Good
	Palmas Agri Bus Inc. (Poultry)	Brgy. Anislag, Daraga, Albay	Rented	Good
	Silangan Poultry Farms (Poultry)	San Jose, Lipa City	Rented	Good
	MKC Poultry Dressing Plant (Poultry)	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good
	Technofreeze, Inc.	114 East Science Drive, Laguna Technopark, Binan, Laguna	Rented	Good
	Corden Agro (Poultry)	Brgy. Tungay, Sta. Barbara, Iloilo	Rented	Good
	Albur Dressing Plant (Poultry)	Eastern Poblacion, Alburquerque, Bohol	Rented	Good
	Malogo Agri Ventures	Singko de Nyubembre St., Silay City, Negros Occidental	Rented	Good
	First Farmers Foods Corp. (Poultry)	Brgy. Dos Hermanos, Talisay City, Neg. Occidental	Rented	Good
	FBIC Reefer Corporation (Poultry)	Dumaguete, Negros Oriental	Rented	Good
	DCTV Network (Poultry)	Riverside, Canduman, Mandaue City, Cebu	Rented	Good
	Big Blue Logistics (Poultry & Monterey)	S. E. Jayme St., Brgy. Pakna-an, Mandaue City, Cebu	Rented	Good
	Coldlink Asia Logistics Corp. (Poultry)	PC Suico St., Tabok, Madaue City, Cebu	Rented	Good
	Cebu Sherilin Agro-Industrial Corp. (Poultry)	Brgy. Pangdan, Naga, Cebu	Rented	Good
	Mindanao Coolers (Poultry)	Dacudao Cmpd., Corrales Ext., Cagayan de Oro City	Rented	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	ECA Cold Storage (Poultry)	Tambler, General Santos City		
	Davao Fresh Foods Corporation (Poultry)	Km. 20 Los Amigos, Tugbok, Davao City	Rented	Good
	Sirawan Ice Plant (Poultry)	Brgy. Toril, Sirawan, Davao City	Rented	Good
	Polar Bear Corporation (Poultry)	Phividec, Tagoloan, Misamis Oriental & Davao Fishing Port Complex, Toril, Davao City	Rented	Good
	Green Pine Dressing Plant (Poultry)	Km 9., Tag-ibo, Butuan City	Rented	Good
	St. Jude Dressing Plant (Poultry)	Mohon, Tagoloan, Misamis Oriental	Rented	Good
	MK Business Ventures	Boalan, Zamboanga City	Rented	Good
	Elim Dressing Plant (Poultry)	Mialen Clarin, Misamis Occidental	Rented	Good
	PMC Logistics (Purefoods-Hormel)	Marcos Highway, Barrio Mayamot, Antipolo City	Rented	Good
	Estrella Ice Plant (Purefoods-Hormel)	Valenzuela, Bulacan	Rented	Good
	Vifel Ice Plant and Cold Storage (Purefoods-Hormel)	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Royal Cargo Combined Logistic (Purefoods-Hormel, Magnolia & Monterey)	Emilio Aguinaldo Hi-way, Salitran 1, Dasmariñas, Cavite	Rented	Good
	Magnolia Cebu	SMC Complex, Hi-Way, Mandaue City	Lot Owned by San Miguel Corporation	Good
	Koldstor Center Philippines, Inc. (Magnolia & Monterey)	Anabu Hills Industrial Estate, Annabu I-C, Imus, Cavite	Rented	Good
	Icon Reefer Corp. (Monterey)	Unit 526 5F Valero Plaza Building, Salcedo Village, Makati City	Rented	Good
	Supreme Aqua Resources Corporation (Monterey)	17 Justice Romuladez St., Tacloban City, Leyte	Rented	Good
	Sunpride Foods, Inc. (Monterey)	SFI Bldg., S. E. Jayme St., Pakna-an, Mandaue City, Cebu	Rented	Good
	Great Food Solutions Cebu Depot	2 Zuellig Ave., North Reclamation Area, Mandaue City	Rented	Good
	Great Food Solutions Bacolod Depot	Zone 2 Calong Calong, Airport Subd., Bacolod City	Rented	Good
	Great Food Solutions Iloilo Depot	Fishing Port, Tanza, Iloilo City	Rented	Good
	Great Food Solutions Cagayan de Oro Depot	Door 4 Alwana Business Park, Cugman, Cagayan de Oro City	Rented	Good
	Great Food Solutions Davao Depot	Km. 6 Amon Building, Lanang, Davao City	Rented	Good
	San Miguel Integrated Sales Pasig Depot	8 Elisco Road, Kalawaan Sur, Pasig City	Rented	Good
	San Miguel Integrated Sales Dagupan Depot	Barangay Bolosan, Dagupan City	Rented	Good
	San Miguel Integrated Sales Naga Depot	Olivan Compound, Concepcion Pequeña, Naga City	Rented	Good
	San Miguel Integrated Sales Pampanga Depot	San Fernando Brewery, San Fernando, Pampanga	Rented	Good
	San Miguel Integrated Sales Cebu Depot	SMC-SL Compound, M. Ceniza St., Brgy. Looc, Ouano Wharf, Mandaue City	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	San Miguel Integrated Sales Bacolod Depot	Calong-calong, Airport Subd., Brgy. Singcang, Bacolod City	Rented	Good
	San Miguel Integrated Sales Iloilo Depot	Iloilo Fishing Port, Tanza, Iloilo City	Rented	Good
	San Miguel Integrated Sales Cagayan de Depot	Door #4 Misco Compound, Alwana Business Park, Cugman, Cagayan de Oro City	Rented	Good
	San Miguel Integrated Sales Davao Depot	Amon Bldg., Km. 6, Lanang, Davao City and Km. 8, Ulas Talomo, Davao City	Rented	Good
	Retiro (Food Shop)	474-486 N. S. Amoranto Ave., Sta. Mesa Heights, Q. C.	Rented	Good
	Novaliches (Food Shop)	248 Gen. Luis St., Novaliches Proper, Novaliches, Quezon City	Rented	Good
	Redemptorist (Food Shop)	83 Redemptorist Rd., Baclaran, Parañaque City	Rented	Good
	Ruby (Food Shop)	Ground Floor. Agustin I Bldg., Ruby St., near cor. Julia Vargas St., Ortigas Center, Pasig City	Rented	Good
	Mabalacat (Food Shop)	Mc Arthur Highway, Mabalacat, Brgy. Tabun, Pampanga	Rented	Good
18	San Miguel Corporation - Agribusiness			
	Iligan Coconut Oil Mill	Sta. Filomena, Iligan City	Owned	Good
	San Miguel Corporation			
	Land	Bo. Sagcahan, Tacloban City	Owned	Good
	Land	Bo.Sabang,Naic,Cavite	Owned	Good
	Land	14 Memorial Lots At Golden Haven Memorial Park (Manila)	Owned	Good
	Land	A. Del Rosario Ave, Brgy. Tipolo, Mandaue City	Owned	Good
	Land	Agbalo, Capiz	Owned	Good
	Land	Alacayan & San Jose, Victorias, Negros Occ.	Owned	Good
	Land	Alijis, Negros Occ.	Owned	Good
	Land	Almendras Cor. Molave St. Pilar Vill., San Isidro, San Fernando, Pampanga	Owned	Good
	Land	Alta Tiera Subd., Balabago-Jaro, Iloilo	Owned	Good
	Land	Angeles S.O.; S. Jacinto St., S. Angelo Subd., Angeles City	Owned	Good
	Land	Antipolo, Rizal	Owned	Good
	Land	Anupul, Bamban, Tarlac	Owned	Good
	Land	Apalit, Pampanga	Owned	Good
	Land	Bacolod City Negros Occidental	Owned	Good
	Land	Bacolod Shrimp Processing Plant	Owned	Good
	Land	Bag O, Davao City	Owned	Good
	Land	Bagombong Caloocan City	Owned	Good
	Land	Baguio City	Owned	Good
	Land	Baguio City Bmd Warehouse	Owned	Good
	Land	Bagumbayan, San Jose Antique	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Land	Bagumbong, Caloocan	Owned	Good
	Land	Bairan, Toboso, Negros Occ.	Owned	Good
	Land	Balayong, Malolos, Bulacan	Owned	Good
	Land	Balibagohan, Mabini, Batangas	Owned	Good
	Land	Balingasa, Cloverleaf Balintawak, Quezon City	Owned	Good
	Land	Banauan, Davao Ppc	Owned	Good
	Land	Banaybanay, Lipa City Batangas	Owned	Good
	Land	Bantay, Ilocos Sur	Owned	Good
	Land	Barangay Bignay Valenzuela City	Owned	Good
	Land	Barcaistegue, San Miguel	Owned	Good
	Land	Batal, Santiago, Isabela	Owned	Good
	Land	Baungon, Bukidnon	Owned	Good
	Land	Bayan Luma, Imus, Cavite	Owned	Good
	Land	Baybay, Leyte	Owned	Good
	Land	Bayombong Nueva Vizcaya	Owned	Good
	Land	Bernabe Subdivision, Bo. San Dionisio, Paranaque	Owned	Good
	Land	Binalonan (Sumabmit) Pangasinan	Owned	Good
	Land	Binicuil, Kabankalan, Negros Occ.	Owned	Good
	Land	Bo. Canumay, , Valenzuela	Owned	Good
	Land	Bo. Daga, Cadiz, Negros Occ.	Owned	Good
	Land	Bo. Halayhay, Tanza, Cavite	Owned	Good
	Land	Bo. Kapalaran, Tambulig, Zamboanga Del Sur	Owned	Good
	Land	Bo. Luray, Toledo City, Cebu	Owned	Good
	Land	Bo. Matina Davao	Owned	Good
	Land	Bo. Muricay, Pagadian, Zamboanga Del Sur	Owned	Good
	Land	Bo. P. Villacampa, Bais, Negros Oriental	Owned	Good
	Land	Bo. San Dionisio, Paranaque	Owned	Good
	Land	Bo. San Roque, Zamboanga, Zamboanga Del Sur	Owned	Good
	Land	Bo.Balocboc, Sibulan,Negros	Owned	Good
	Land	Bo.San Roque Arbol, Lubao, Pampanga	Owned	Good
	Land	Bo.Sta Clara, Bulacan	Owned	Good
	Land	Bolo, Roxas, Capiz	Owned	Good
	Land	Brgy. 171 Nova Hills, , Caloocan	Owned	Good
	Land	Brgy. Amaya Caba Subd., Tanza, Cavite	Owned	Good
	Land	Brgy. Balibago, La Paz, Iloilo	Owned	Good
	Land	Brgy. Bignay, Valenzuela	Owned	Good
	Land	Brgy. I, Ilaya, Capiz	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Land	Brgy. Pamplona Tres, Camella Homes Iv, Las Piñas	Owned	Good
	Land	Brgy. Tabuc-Suba, La Paz, Iloilo	Owned	Good
	Land	Brgy. Villamonte (Capitol Heights Subd.), Bacolod, Negros Occ.	Owned	Good
	Land	Buenavista, Bago, Negros Occidental	Owned	Good
	Land	Bula, Gen. Santos City, South Cotabato	Owned	Good
	Land	Bulawen, Palaueg, Zambales	Owned	Good
	Land	Cabcaben, Mariveles, Bataan	Owned	Good
	Land	Cabiao, Nueva Ecija	Owned	Good
	Land	Caggay, Tuguegarao, Cagayan	Owned	Good
	Land	Cainta, Rizal	Owned	Good
	Land	Calamba, Laguna	Owned	Good
	Land	Calauan	Owned	Good
	Land	Calle O'Donnell, Sta. Cruz, Manila	Owned	Good
	Land	Camanjao, Dumaguete City	Owned	Good
	Land	Camarines Sur	Owned	Good
	Land	Cambugnon, Himamaylan, Negros Occ.	Owned	Good
	Land	Canlubang Laguna	Owned	Good
	Land	Canlubang Laguna Mclp Plant	Owned	Good
	Land	Canlubang, Laguna	Owned	Good
	Land	Carlatan S.O. Madayegdeg, San Fernando, La Union	Owned	Good
	Land	Carmen Rosales, Pangasinan	Owned	Good
	Land	Carmen S.O. Carmen East, Rosales, Pangasinan	Owned	Good
	Land	Carmen, Cagayan De Oro, Misamis Oriental	Owned	Good
	Land	Catalunan Grande, Talomo, Mindanao	Owned	Good
	Land	Cebu City	Owned	Good
	Land	Cristina Village, Cadiz, Negros Occ.	Owned	Good
	Land	Cupang, Antipolo, Rizal	Owned	Good
	Land	Damar Village	Owned	Good
	Land	Dampol, Pulilan, Bulacan	Owned	Good
	Land	Diliman, Up Village, Quezon City	Owned	Good
	Land	E.B. Magalona, Saravia, Negros Occ.	Owned	Good
	Land	Eco Land Subd.Matina,Davao City	Owned	Good
	Land	Farola Complex Manila Manila Glass Plant	Owned	Good
	Land	Funda Felipe, San Jose , Antique	Owned	Good
	Land	Gem Village,Ma-A,Davao City	Owned	Good
	Land	Gen. Luna, Toboso, Negros Occ.	Owned	Good
	Land	Gen. Mariano, Dasmariñas, Cavite	Owned	Good
	Land	Gen. Santos Feed Center	Owned	Good
	Land	Gen. Santos Feed Center	Owned	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	Land	Gen. T. De Leon, Marcos Hi-Way, Tondo	Owned	Good
	Land	Gen. T. De Leon, Marcos Hi-Way, Tondo	Owned	Good
	Land	Gen. T. De Leon, Marcos Hi-Way, Tondo	Owned	Good
	Land	Guadalupe Rotunda, Guadalupe, Cebu	Owned	Good
	Land	Guanco, Sta. Cruz Arevalo, Iloilo	Owned	Good
	Land	Guiguinto S.O. Brgy., Sta. Cruz, Guiguinto, Bulacan	Owned	Good
	Land	Guiguinto, Bulacan	Owned	Good
	Land	Guinhalaran, Silay, Negros Occ.	Owned	Good
	Land	Hermelinda Homes , Mansilingan, Negros Occ.	Owned	Good
	Land	Himamaylan Negros Occidental	Owned	Good
	Land	Ibazeta Farm	Owned	Good
	Land	Iloilo City	Owned	Good
	Land	Inviernes, Manila	Owned	Good
	Land	J.Panganiban Cam/Norte	Owned	Good
	Land	Kabangkalan, Negros Occidental	Owned	Good
	Land	Karaan Farm	Owned	Good
	Land	Kaytaiyan Tanay, Rizal	Owned	Good
	Land	Kisolon Sumbo, Bukidnon	Owned	Good
	Land	La Huerta (Don Bosco), Parañaque	Owned	Good
	Land	Labogon Mandaue City	Owned	Good
	Land	Lambaquin Jaen, Nueva Ecija	Owned	Good
	Land	Las Piñas City Metro Manila	Owned	Good
	Land	Limay, Bataan	Owned	Good
	Land	Lipa City Batangas	Owned	Good
	Land	Loboc, Oroquieta, Misamis Occidental	Owned	Good
	Land	Looc Ouano, Mandaue City	Owned	Good
	Land	Lucena City, Quezon	Owned	Good
	Land	Lumbangan Nasugbu, Batangas	Owned	Good
	Land	Lumbangan, Nasugbu, Batangas	Owned	Good
	Land	Luna, Surigao, Surigao Del Norte	Owned	Good
	Land	Makati City	Owned	Good
	Land	Malabon, Meto Manila	Owned	Good
	Land	Malaybalay, Bukidnon	Owned	Good
	Land	Malolos Bulacan	Owned	Good
	Land	Mandaue City, Cebu	Owned	Good
	Land	Mandaue Plastics Plant, Mandaue City	Owned	Good
	Land	Mandue Glass Plant Mandaue City	Owned	Good
	Land	Mandue Mclp Plant, Mandaue City	Owned	Good
	Land	Manila Plastics Plant	Owned	Good
	Land	Mansilingan, Mansilingan, Negros Occ.	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Land	Marcos Highway Bagiuo City	Owned	Good
	Land	Mariveles, Bataan	Owned	Good
	Land	Marvel Coronadal South Cotabato	Owned	Good
	Land	Maura Aparri	Owned	Good
	Land	Maura, Aparri, Cagayan	Owned	Good
	Land	Maybalo Mabatang, Abucay, Bataan	Owned	Good
	Land	Muelle Dela Industria St., Binondo Manila	Owned	Good
	Land	Nangka, Markina City	Owned	Good
	Land	Novaliches, Caloocan	Owned	Good
	Land	Opol, Misamis	Owned	Good
	Land	Ormoc City Leyte	Owned	Good
	Land	Ouano Wharf, Mandaue City, Cebu	Owned	Good
	Land	Pagoring Libmana Cam. Sur	Owned	Good
	Land	Paranaque City	Owned	Good
	Land	Paranaque, Metro Manila	Owned	Good
	Land	Payompon, Mamburao, Occ. Mindoro	Owned	Good
	Land	Pob San Pablo City Laguna	Owned	Good
	Land	Poblacion Sariaya Quezon	Owned	Good
	Land	Poblacion, Pontevedra, Negros Occ.	Owned	Good
	Land	Poblacion, San Jose , Antique	Owned	Good
	Land	Poblacion, Valencia, Bukidnon	Owned	Good
	Land	Pura Tarlac City	Owned	Good
	Land	Pusok Lapu-Lapu City Mactan	Owned	Good
	Land	Quirino, San Roque, Quezon City	Owned	Good
	Land	Rizal, Santiago, Isabela	Owned	Good
	Land	Sabang, Naic, Cavite	Owned	Good
	Land	Salitran, Dasmariñas, Cavite	Owned	Good
	Land	San Bartolome, Quezon City	Owned	Good
	Land	San Carlos, Cabiao, Nueva Ecija	Owned	Good
	Land	San Esteban Vill. (Lag-Asan), Bago, Negros Occ.	Owned	Good
	Land	San Fernando Pampanga	Owned	Good
	Land	San Fernando Pampanga Mclp Plant	Owned	Good
	Land	San Fernando Shrimp Processing Plant	Owned	Good
	Land	San Fernando, Pampanga	Owned	Good
	Land	San Francisco San Fernando La Union	Owned	Good
	Land	San Francisco St., Putatan, Muntinlupa	Owned	Good
	Land	San Isidro S.O.-Gapan-Olongapo Rd., Pob. S. Isidro, N.E.	Owned	Good
	Land	San Isidro, Paombong, Bulacan	Owned	Good
	Land	San Jose City, Nueva Ecija	Owned	Good
	Land	San Jose Tacloban Leyte	Owned	Good
	Land	San Matias, San Fernando Pampanga	Owned	Good
	Land	San Miguel Bulacan	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Land	San Miguel Cruesot Loire	Owned	Good
	Land	San Miguel Vill., Banlat Road, Tandang Sora, Quezon City	Owned	Good
	Land	San Miguel Village, Quezon City	Owned	Good
	Land	San Pedro San Fernando, Pampanga	Owned	Good
	Land	San Rafael, Lubao, Pampanga	Owned	Good
	Land	San Ricardo, Talavera, Nueva Ecija	Owned	Good
	Land	San Vicente Apalit Pampanga	Owned	Good
	Land	Santiago City, Isabela	Owned	Good
	Land	Santisima, Sta. Cruz, Laguna	Owned	Good
	Land	Sigamot Libmanan Camarines Sur	Owned	Good
	Land	Silang Junction West, Tagaytay, Batangas	Owned	Good
	Land	Singcang, Bacolod	Owned	Good
	Land	St. Joseph Subd., Jaro, Iloilo	Owned	Good
	Land	Sta. Lucia, San Fernando, Pampanga	Owned	Good
	Land	Sto. Cristo, San Jose Del Monte, Bulacan	Owned	Good
	Land	Sto. Tomas, Batangas	Owned	Good
	Land	Sunshine Valley Subd. , Estefania, Negros Occ.	Owned	Good
	Land	T. Padilla St., Tejero, Cebu	Owned	Good
	Land	Takian La Trinidad, Benguet	Owned	Good
	Land	Talungon, Bais, Negros Occ.	Owned	Good
	Land	Tarlac S.O.; San Rafael, Tarlac, Tarlac	Owned	Good
	Land	Teresa Rizal	Owned	Good
	Land	Tomas Claudio St., Beata, Pandacan Manila	Owned	Good
	Land	Tunasan, Muntinlupa City	Owned	Good
	Land	Ulas Property Davao	Owned	Good
	Land	Upper Loboc, Oroquieta, Misamis Oriental	Owned	Good
	Land	Ups Iii Marcelo, Parañaque	Owned	Good
	Land	Valenzuela City, Metro Manila	Owned	Good
	Land	Valladolid, Carcar Cebu	Owned	Good
	Land	Velasquez, Tondo	Owned	Good
	Land	Walmakar Gen. Santos City	Owned	Good
	Land and Building	Km. 71, Aguinaldo Highway, Amuyong, Alfonso, Cavite	Owned	Good
	Office Building	8Th-10Th Flr Smpi Center, St. Francis St., Ortigas Center Mandaluyong	Owned	Good
	Office Building	Meralco Ave., Pasig City	Rented	Good
	Warehouse	Darong, Sta. Cruz, Davao Del Sur	Owned	Good
	Warehouse	Northbay Blvd., Navotas, Metro Manila	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Warehouse	Smc Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Warehouse	Smc Mandaue Complex, Hi-Way, Mandaue City	Owned	Good
	Mandaue Power Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	Others			
1	San Miguel Properties, Inc.			
	The Legacy	Las Piñas, Metro Manila	Owned	Good
	Bel Aldea	Gen. Trias, Cavite	Owned	Good
	Maravilla	Gen. Trias, Cavite	Owned	Good
	Office spaces	The Enterprise Center, Ayala Avenue, Makati,	Owned	Good
	Office spaces	PET Plans Tower, Makati	Owned	Good
	Office spaces	San Miguel Properties Centre, Mandaluyong	Owned	Good
	Office building, land	San Miguel Avenue, Mandaluyong	Owned	Good
	Industrial plant, land	Reliance Street, Mandalyong	Owned	Good
	Industrial plant, land	Aurora Avenue, Quezon City	Owned	Good
	Land	Meralco Avenue, Pasig	Owned	Good
	Land	Filinvest Corporate City, Muntinlupa	Owned	Good
	Land	Canlubang, Laguna	Owned	Good
	Land	Gen. Trias, Cavite	Owned	Good
	Land	Alfonso, Cavite	Owned	Good
	Land	Lubao, Pampanga	Owned	Good
	Land	Masbate	Owned	Good
	Land	Sta. Cruz, Davao del Sur	Owned	Good
	Land	Polomolok, South Cotabato	Owned	Good
	Land	Boracay Is., Bo. Yapak, Malay, Aklan	Owned	Good
	Land	Cauayan, Isabela	Owned	Good
	Office building	Edsa, Ortigas Center, Mandaluyong City	Owned	Good
	Legacy Homes, Inc.			
	Villa de Calamba	Calamba, Laguna	Owned	Good
	Primavera Hills	Liloan, Cebu	Owned	Good
	Buenavista Homes	Jugan, Cebu	Owned	Good
	Excel Unified Land Resources Corp.			
	Wedge Woods	Silang, Cavite	Owned	Good
	Bright Ventures Realty, Inc.			
	Land	Mabini St., Addition Hills, San Juan	Owned	Good
	Bel-Aldea Realty, Inc.			
	Residential House & Lot	La Loma, Quezon City	Owned	Good
	Highriser Group, Inc.			
	Warehouse, land	Pasay Road, Makati	Owned	Good
	Tanauan Resources, Inc.			

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Land	McKinley, Forbes Park, Makati City property	Owned	Good
	Sta. Cruz Resource Management, Inc.			
	Land	Bel-Air, Makati City	Owned	Good
	Prestigio Realty, Inc.			
	Land and Residential Building	Greenhills, Mandaluyong City	Owned	Good
	Dimanyan Wakes Holdings, Inc.			
	Land	Coron, Palawan	Owned	Good
	Busuanga Bay Holdings Inc.			
	Land	Coron, Palawan	Owned	Good
	Bulalacao Property Holdings, Inc.			
	Land	Coron, Palawan	Owned	Good
	Calamian Prime Holdings, Inc.			
	Land	Coron, Palawan	Owned	Good
	Palawan White Sands Holdings Corp.			
	Land	Coron, Palawan	Owned	Good
	Coron Islands Holdings, Inc.			
	Land	Coron, Palawan	Owned	Good
	Maison 17 Properties, Inc.			
	Land	Legaspi St., Makati City	Owned	Good
	Carnell Realty, Inc.			
	Land	Lee St., Mandaluyong City	Owned	Good
2	San Miguel Stock Transfer Service Corp.	1505,1506,1507 Condominium Units 15th Robinson's Equitable Tower ADB Avenue cor Poveda St, Pasig City	Owned	Good
3	Brewery Properties Inc.			
	Land	Alua, San Isidro Nueva Ecija	Owned	Good
	Land	Angeles S.O.; S. Jacinto St., S. Angelo Subd., Angeles City	Owned	Good
	Land	Bacolod Brewery, Bacolod City	Owned	Good
	Land	Baguio S.O, Irisan, Baguio City	Owned	Good
	Land	Batangas S.O., Bo. Balagtas, Batangas City	Owned	Good
	Land	Butuan S.O., Fort Poyohan, Butuan City	Owned	Good
	Land	Caloocan S.O., Asistio., Bo. Biglang Awa, Caloocan City	Owned	Good
	Land	Candon Whse, Tablac, Candon Ilocos Sur	Owned	Good
	Land	Canlubang Indusrial Estate, Canlubang Laguna	Owned	Good
	Land	Cauayan S.O. -Nat'L Highway, S. Fermin, Cauayan, Isabela	Owned	Good
	Land	Cubao S.O., 20Th Ave., Cubao Q.C.	Owned	Good
	Land	Dagupan S.O.;Carangalan Dist., Dagupan City	Owned	Good

Company Name / Subsidiary		Address	Rented / Owned	Condition
	Land	Davao Brewery, Darong Sta. Cruz, Davao Del Sur	Owned	Good
	Land	Gen. Santos S.O. , Lagao Road, South Cotabato	Owned	Good
	Land	Gumaca S.O.;Natl Hi-Way, Villa Bota, Gumaca, Quezon	Owned	Good
	Land	Himamaylan S.O., Himamaylan, Negros Occidental	Owned	Good
	Land	Iloilo S.O., Muelle Loney, Iloilo	Owned	Good
	Land	Lal-Lo S.O., Sta. Maria, Lal-Lo, Cagayan	Owned	Good
	Land	Lipa S.O., Ayala Hi-Way, Lipa City, Batangas	Owned	Good
	Land	Lucena S.O.; Brgy. Isabang, Lucena City	Owned	Good
	Land	Mandaue Brewery, Mandaue City, Cebu	Owned	Good
	Land	Mandaue City, Cebu	Owned	Good
	Land	Mandaue Sales Office, Mandaue City, Cebu	Owned	Good
	Land	Marbel, Koronadal City	Owned	Good
	Land	Naga S.O., Concepcion Grande, Naga City	Owned	Good
	Land	Numancia S.O., Camansi Norte, Numancia Aklan	Owned	Good
	Land	Opol Sales Office, Opol, Misamis	Owned	Good
	Land	Polo Brewery-Mc Arthur Highway, Malabon City	Owned	Good
	Land	Puerto Princesa S.O., Puerto Princesa	Owned	Good
	Land	Roxas S.O., Bo.Libas, Roxas City	Owned	Good
	Land	San Jose Occidental Mindoro	Owned	Good
	Land	San Nicolas Ilocos Norte	Owned	Good
	Land	Santiago S.O.; Mabini, Santiago, Isabela	Owned	Good
	Land	SMCComplex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Land	Sum-Ag Warehouse, Brg. Sum-Ag, Bacolod City	Owned	Good
	Land	Tacloban S.O., Fatima Vill, Tacloban City	Owned	Good
	Land	Tagum S.O. National Highway, Tagum City	Owned	Good
	Land	Tandag S.O., Sema St. Brgy. Bongtod, Tandag City Surigao Del Sur	Owned	Good
	Land	Tondo S.O., Honorio Lopez St., Tondo Manila	Owned	Good
	Land	Zamboanga S.O., Baliwasan Drive, Zamboanga City	Owned	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
4.	Brewery Landholdings, Inc.			
	Land	Paranaqe Sales Office, San Dionision, Paranaque Cit, Metro Manila	Owned	Good
	Land	Pureza Sales Office, Pureza Sta. Mesa Manila	Owned	Good
	Land	Taytay Sales Office, East Road Taytay, Rizal	Owned	Good

Note : All owned properties are free of liens and encumbrances.

ANNEX "D"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009, 2008 and 2007

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Corporation is responsible for all information and representations contained in the consolidated financial statements which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's Audit Committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the stockholders, has examined the consolidated financial statements in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the stockholders.

EDUARDO M. COJUANGCO, JR.	**RAMON S. ANG**
Chairman and Chief Executive Officer	President and Chief Operating Officer

FERDINAND K. CONSTANTINO

Senior Vice President and
Chief Finance Officer / Treasurer

SUBSCRIBED AND SWORN to before me this April 15, 2010, affiant exhibiting to me their passports as follows:

Name	Passport No.	Date of Issue	Place of Issue
Ramon S. Ang	ZZ202387	December 20, 2006	Manila
Ferdinand K. Constantino	XX0167306	November 24, 2007	Manila

mb

MAJALLA S. BAUN
Commission No. 0223-09
Notary Public for Mandaluyong City
Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45349
PTR No. 0668995; 1/14/10; Mandaluyong City
IBP No.811957; 01/11/10; Makati City

Doc. No. 318;
Page No. 65;
Book No. VII;
Series of 2010.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009, 2008 and 2007

Manabat Sanagustin & Co., CPAs
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited the accompanying consolidated financial statements of San Miguel Corporation and Subsidiaries which comprise the consolidated statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Corporation and Subsidiaries as of December 31, 2009 and 2008, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2009, in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 2092726 MB
Issued January 7, 2010 at Makati City

April 14, 2010
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

		December 31	
	Note	**2009**	2008
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 35, 36*	**P209,411**	P116,939
Trade and other receivables - net	*4, 8, 35, 36*	**49,082**	50,814
Inventories	*4, 9*	**25,458**	25,836
Current portion of biological assets - net	*4, 13*	**2,525**	2,932
Prepaid expenses and other current assets	*30, 35, 36*	**8,891**	7,742
		295,367	204,263
Assets held for sale	*6, 10*	**2,746**	-
Total Current Assets		**298,113**	204,263
Noncurrent Assets			
Investments and advances - net	*4, 10, 35, 36*	**39,356**	32,253
Property, plant and equipment - net	*4, 11, 27*	**65,919**	68,313
Investment properties - net	*4, 12*	**1,867**	1,838
Biological assets - net of current portion	*4, 13*	**1,847**	1,814
Goodwill - net	*4, 10, 14, 27, 33*	**6,408**	5,201
Other intangible assets - net	*4, 14, 27*	**3,630**	3,812
Deferred tax assets	*4, 19*	**8,883**	7,638
Other noncurrent assets - net	*4, 10, 15, 27, 30, 35, 36*	**12,468**	14,241
Total Noncurrent Assets		**140,378**	135,110
		P438,491	P339,373

LIABILITIES AND EQUITY			
Current Liabilities			
Drafts and loans payable	*16, 35, 36*	**P56,789**	P48,560
Accounts payable and accrued expenses	*17, 30, 35, 36*	**31,404**	23,292
Income and other taxes payable	*19*	**4,186**	4,429
Dividends payable	*31*	**573**	1,563
Current maturities of long-term debt - net of debt issue costs	*18, 35, 36*	**1,077**	9,044
Total Current Liabilities		**94,029**	86,888

Forward

		December 31	
	Note	**2009**	2008
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*18, 35, 36*	**P71,885**	P40,719
Deferred tax liabilities	*19*	**12,037**	17,851
Other noncurrent liabilities	*29, 30, 35, 36*	**19,602**	25,691
Total Noncurrent Liabilities		**103,524**	84,261
Equity	*20, 31, 34*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common		**16,150**	16,112
Capital stock - preferred		**4,852**	-
Additional paid-in capital		**99,085**	31,183
Revaluation increment		**18**	18
Cumulative translation adjustments		**5,845**	4,837
Retained earnings:			
Appropriated		**5,497**	5,522
Unappropriated		**151,911**	96,298
Treasury stock		**(69,541)**	(4,053)
		213,817	149,917
Non-controlling Interests	*2*	**27,121**	18,307
Total Equity		**240,938**	168,224
		P438,491	P339,373

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Millions, Except Per Share Data)

	Note	**2009**	2008	2007
SALES		**P174,213**	P168,041	P148,022
COST OF SALES	*21*	**124,295**	124,072	110,062
GROSS PROFIT		**49,918**	43,969	37,960
SELLING AND ADMINISTRATIVE EXPENSES	*22*	**(30,249)**	(29,151)	(26,333)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*16, 18, 25*	**(7,926)**	(6,032)	(7,117)
INTEREST INCOME	*26*	**5,989**	6,630	2,087
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES	*6, 10*	**2,816**	(1,132)	164
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*10, 11*	**50,630**	8,746	2,224
OTHER INCOME (CHARGES) - Net	*27*	**(6,843)**	(2,262)	3,614
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**64,335**	20,768	12,599
INCOME TAX EXPENSE	*19*	**3,706**	6,098	4,520
INCOME FROM CONTINUING OPERATIONS		**60,629**	14,670	8,079
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS	*6*	**-**	5,413	272
NET INCOME		**P60,629**	P20,083	P8,351
Attributable to:				
Equity holders of the Parent Company		**P57,799**	P19,348	P8,630
Non-controlling interests		**2,830**	735	(279)
		P60,629	P20,083	P8,351
Earnings Per Share From Continuing Operations, attributable to equity holders of the Parent Company	*32*			
Basic		**P19.21**	P4.41	P2.59
Diluted		**P19.10**	P4.40	P2.58

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In Millions)

	Note	**2009**	2008	2007
NET INCOME		**P60,629**	P20,083	P8,351
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		**521**	689	(3,022)
SHARE IN COMPREHENSIVE GAIN (LOSS) OF ASSOCIATES	*10*	**252**	(19)	-
NET GAIN (LOSS) ON CASH FLOW HEDGES	*36*	**222**	(221)	(17)
INCOME TAX BENEFIT (EXPENSE)		**(67)**	66	6
NET GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		**(33)**	(17)	190
INCOME TAX BENEFIT (EXPENSE)		**3**	2	(19)
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX		**898**	500	(2,862)
TOTAL COMPREHENSIVE INCOME - NET OF TAX		**P61,527**	P20,583	P5,489
Comprehensive Income Attributable to:				
Equity holders of the Parent Company		**P58,807**	P19,314	P8,887
Non-controlling interests		**2,720**	1,269	(3,398)
		P61,527	P20,583	P5,489

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Millions)

	Note	**2009**	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations		**P64,335**	P20,768	P12,599
Income (loss) before income tax from discontinued operations	*6*	**-**	(19)	2,681
Gain (loss) from disposal of discontinued operations	*6*	**-**	5,425	(1,235)
Income before income tax		**64,335**	26,174	14,045
Adjustments for:				
Depreciation, amortization and others - net	*5*	**14,724**	9,303	10,236
Interest expense and financing charges	*6, 25*	**7,926**	6,032	10,101
Interest income		**(5,989)**	(6,630)	(2,404)
Equity in net losses (earnings) of associates	*10*	**(2,816)**	1,132	(246)
Loss (gain) from disposal of discontinued operations	*6*	**-**	(5,425)	1,235
Gain on sale of investments and property and equipment		**(50,630)**	(8,746)	(2,219)
Operating income before working capital changes		**27,550**	21,840	30,748
Changes in noncash current assets, certain current liabilities and others	*33*	**(1,195)**	(1,291)	15,192
Cash generated from operations		**26,355**	20,549	45,940
Interest paid		**(6,348)**	(5,665)	(9,449)
Income taxes paid		**(6,651)**	(7,835)	(6,201)
Net cash flows provided by operating activities		**13,356**	7,049	30,290
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	*33*	**(1,494)**	-	-
Additions to investments and advances		**(5,771)**	(6,667)	-
Additions to property, plant and equipment	*11*	**(6,249)**	(6,437)	(9,310)
Increase in other noncurrent assets and others		**(950)**	(16,010)	(14,820)

Forward

	Note	2009	2008	2007
Payments by (advances to) related parties		**P3,243**	P31,708	(P35,721)
Proceeds from sale of investments and property and equipment		**55,127**	13,663	6,269
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	*6*	**-**	9,083	90,684
Interest received		**5,249**	6,558	2,374
Dividends received		**-**	-	59
Net cash flows provided by investing activities		**49,155**	31,898	39,535
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**691,093**	608,756	345,789
Long-term borrowings		**67,786**	64	84,398
Payments of:				
Short-term borrowings		**(683,569)**	(605,088)	(337,512)
Long-term borrowings		**(44,657)**	(13,336)	(88,342)
Cash dividends paid	*31*	**(3,301)**	(4,463)	(3,228)
Proceeds from issuance of capital stock	*20*	**7,087**	3	503
Dividends paid to non-controlling shareholders		**(2,192)**	(393)	(123)
Increase in non-controlling interests		**315**	592	-
Net cash flows provided by (used in) financing activities		**32,562**	(13,865)	1,485
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,601)**	(1,424)	(1,016)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**92,472**	23,658	70,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**116,939**	93,281	24,280
CASH AND CASH EQUIVALENTS ASSOCIATED TO ASSETS HELD FOR SALE		**-**	-	(1,293)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P209,411**	P116,939	P93,281

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company											Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total		
	Note	Common	Preferred			Translation Reserve	Hedging Reserve	Fair Value Reserve	Appro-priated	Unappro-priated				
As of January 1, 2009		**P16,112**	**P -**	**P31,183**	**P18**	**P4,882**	**(P123)**	**P78**	**P5,522**	**P96,298**	**(P4,053)**	**P149,917**	**P18,307**	**P168,224**
Foreign currency translation differences		-	-	-	-	662	-	-	-	-	-	662	(141)	521
Share in comprehensive gain of associates	*10*	-	-	-	-	193	-	59	-	-	-	252	-	252
Effective portion of changes in fair value of cash flow hedges, net of tax	*36*	-	-	-	-	-	123	-	-	-	-	123	32	155
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	-	-	(29)	-	-	-	(29)	(1)	(30)
Other comprehensive income		-	-	-	-	855	123	30	-	-	-	1,008	(110)	898
Net income for the year		-	-	-	-	-	-	-	-	57,799	-	57,799	2,830	60,629
Total comprehensive income for the year		-	-	-	-	855	123	30	-	57,799	-	58,807	2,720	61,527
Issuance of capital stock	*20*	38	486	6,563	-	-	-	-	-	-	-	7,087	-	7,087
Exchange of capital stock	*20*	-	4,366	61,122	-	-	-	-	-	-	(65,488)	-	-	-
Stock options	*34*	-	-	217	-	-	-	-	-	-	-	217	-	217
Addition to non-controlling interests	*2, 10*	-	-	-	-	-	-	-	-	-	-	-	8,392	8,392
Appropriations - net	*20*	-	-	-	-	-	-	-	(25)	25	-	-	-	-
Cash dividends	*31*	-	-	-	-	-	-	-	-	(2,211)	-	(2,211)	(2,298)	(4,509)
As of December 31, 2009	*20*	**P16,150**	**P4,852**	**P99,085**	**P18**	**P5,737**	**P -**	**P108**	**P5,497**	**P151,911**	**(P69,541)**	**P213,817**	**P27,121**	**P240,938**

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company: Capital Stock: Common	Capital Stock: Preferred	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments: Translation Reserve	Cumulative Translation Adjustments: Hedging Reserve	Cumulative Translation Adjustments: Fair Value Reserve	Retained Earnings: Appro-priated	Retained Earnings: Unappro-priated	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2008		P16,109	P -	P30,930	P18	P4,699	P -	P172	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093
Foreign currency translation differences		-	-	-	-	183	-	-	-	-	-	183	506	689
Share in comprehensive loss of an associate	*10*	-	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Effective portion of changes in fair value of cash flow hedges, net of tax	*36*	-	-	-	-	-	(123)	-	-	-	-	(123)	(32)	(155)
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	-	-	(75)	-	-	-	(75)	60	(15)
Other comprehensive income (loss)		-	-	-	-	183	(123)	(94)	-	-	-	(34)	534	500
Net income for the year		-	-	-	-	-	-	-	-	19,348	-	19,348	735	20,083
Total comprehensive income (loss) for the year		-	-	-	-	183	(123)	(94)	-	19,348	-	19,314	1,269	20,583
Issuance of capital stock	*20*	3	-	-	-	-	-	-	-	-	-	3	-	3
Stock options	*34*	-	-	253	-	-	-	-	-	-	-	253	-	253
Addition to non-controlling interests	*2, 10*	-	-	-	-	-	-	-	-	-	-	-	6,217	6,217
Appropriations - net	*20*	-	-	-	-	-	-	-	(512)	512	-	-	-	-
Cash dividends	*31*	-	-	-	-	-	-	-	-	(4,417)	-	(4,417)	(508)	(4,925)
As of December 31, 2008	*20*	P16,112	P -	P31,183	P18	P4,882	(P123)	P78	P5,522	P96,298	(P4,053)	P149,917	P18,307	P168,224

Forward

		Equity Attributable to Equity Holders of the Parent Company											Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total		
	Note	Common	Preferred			Translation Reserve	Hedging Reserve	Fair Value Reserve	Appro-priated	Unappro-priated				
As of January 1, 2007		P16,067	P -	P30,211	P18	P4,567	P9	P1	P6,036	P76,637	(P4,053)	P129,493	P21,604	P151,097
Foreign currency translation differences		-	-	-	-	95	-	-	-	-	-	95	(3,117)	(3,022)
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	(9)	-	-	-	-	(9)	(2)	(11)
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	-	-	171	-	-	-	171	-	171
Other comprehensive income (loss)		-	-	-	-	95	(9)	171	-	-	-	257	(3,119)	(2,862)
Net income for the year		-	-	-	-	-	-	-	-	8,630	-	8,630	(279)	8,351
Total comprehensive income (loss) for the year		-	-	-	-	95	(9)	171	-	8,630	-	8,887	(3,398)	5,489
Issuances of capital stock	*20*	42	-	461	-	-	-	-	-	-	-	503	-	503
Stock options	*34*	-	-	258	-	-	-	-	-	-	-	258	-	258
Addition to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	2,061	2,061
Appropriations - net	*20*	-	-	-	-	-	-	-	(2)	2	-	-	-	-
Non-controlling interest associated with discontinued operations	*6*	-	-	-	-	-	-	-	-	-	-	-	(8,824)	(8,824)
Cash dividends	*31*	-	-	-	-	-	-	-	-	(4,414)	-	(4,414)	(114)	(4,528)
		16,109	-	30,930	18	4,662	-	172	6,034	80,855	(4,053)	134,727	11,329	146,056
Amounts recognized directly in equity relating to assets held for sale	*6*	-	-	-	-	37	-	-	-	-	-	37	-	37
As of December 31, 2007	*20*	P16,109	P -	P30,930	P18	P4,699	P -	P172	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Reporting Entity

San Miguel Corporation (SMC or "Parent Company") was incorporated in the Philippines. The consolidated financial statements as at and for the year ended December 31, 2009 comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The Group is primarily engaged in the production, processing and marketing of beverage, food and packaging products. The Group is also engaged in the management and development of real estate properties. The Parent Company is authorized to invest corporate funds and/or engage in the power generation/transmission, water and other utilities, mining and infrastructure business. The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City.

The consolidated financial statements as at and for the year ended December 31, 2009 were authorized for issue by the Board of Directors (BOD) on April 14, 2010.

2. Basis of Preparation

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale (AFS) financial assets are measured at fair value;
- defined benefit asset is measured as the net total of the plan assets, less unrecognized actuarial gains and the present value of the defined benefit obligation; and
- agricultural produce are measured at fair value less estimated costs to sell at the point of harvest.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded to the nearest million (P000,000), except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its Subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership	Country of Incorporation
Beverage Business:		
San Miguel Brewery Inc. (SMB) [a, e] and subsidiary, Iconic Beverages, Inc. (IBI)	51.00	Philippines
San Miguel Brewing International Ltd. (SMBIL) and subsidiaries [including San Miguel Brewery Hong Kong Limited (SMBHK), PT Delta Djakarta Tbk (PT-Delta), San Miguel Bada (Baoding) Utility Co. Ltd. (SMBB), San Miguel (Baoding) Brewery Co. Ltd., San Miguel Brewery Vietnam Ltd. (SMBV) and San Miguel Beer (Thailand) Ltd. (SMHT)]	100.00	British Virgin Islands (BVI)
Ginebra San Miguel, Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc. and Ginebra San Miguel International, Ltd. (GSMIL)]	79.53	Philippines
San Miguel Beverages, Inc. (SMBI) [c]	100.00	Philippines
San Miguel (Thailand) Co. Ltd.	100.00	Thailand
San Miguel (Guangdong) Foods & Beverages Co. Ltd.	100.00	China
San Miguel (Vietnam) Co. Ltd.	100.00	Vietnam
PT San Miguel Marketing Indonesia	100.00	Indonesia
San Miguel (Malaysia) Sdn. Bhd.	100.00	Malaysia
Food Business:		
San Miguel Foods and Beverage International Limited (SMFBIL) and subsidiaries [including PT San Miguel Indonesia Foods & Beverages (PTSMIFB) and San Miguel Pure Foods Investment (BVI) Limited (SMPFI) and subsidiary, San Miguel Pure Foods (Vn) Co. Ltd. (SMPFVN)]	100.00	BVI
Star Dari, Inc. (SDI)	100.00	Philippines
San Miguel Pure Foods Company, Inc. (SMPFC) and subsidiaries [including San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. (SMMI), The Purefoods-Hormel Company, Inc., Magnolia Inc. (Magnolia), San Miguel Super Coffeemix Co., Inc. (SMSCCI), Monterey Foods Corporation (MFC) [f], RealSnacks Mfg. Corporation (RealSnacks) [b,d], P.T. San Miguel Pure Foods Indonesia (PTSMPFI) [b] and San Miguel Pure Foods International, Limited (SMPFIL) [d]]	99.92	Philippines
Packaging Business:		
San Miguel Yamamura Packaging Corporation (SMYPC) [e, k] and subsidiary, San Miguel Yamamura Fuso Molds Corporation (SYFMC) [h]	65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL) [e, l] and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Co. Ltd. [m], Zhaoqing San Miguel Yamamura Glass Co., Ltd. [n], Foshan San Miguel Yamamura Packaging Co. Ltd. [o], PT San Miguel Sampoerna Packaging Industries Ltd., San Miguel Yamamura Packaging & Printing Sdn. Bhd. [p], San Miguel Yamamura Woven Products Sdn. Bhd. [q], Packaging Research Centre Sdn. Bhd., San Miguel Plastic Films Sdn. Bhd. and JHK Investments Pty Ltd. (JHK Investments) [u]]	65.00	BVI
Mindanao Corrugated Fibreboard, Inc. (Mincorr) [b]	100.00	Philippines

Forward

	Percentage of Ownership	Country of Incorporation
San Miguel Paper Packaging Corporation (SMPPC) [(b, x)]	100.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC)	60.00	Philippines
Real Estate Business:		
San Miguel Properties, Inc. (SMPI) and subsidiaries [(b)]	99.68	Philippines
Brewery Properties Inc. (BPI) [(i)] and subsidiary, Brewery Landholdings, Inc. (BLI)	100.00	Philippines
Others:		
SMC Stock Transfer Service Corporation	100.00	Philippines
ArchEn Technologies, Inc.	100.00	Philippines
SMITS, Inc. [(b)]	100.00	Philippines
SM Bulk Water Company Inc. (SMBW) and subsidiary, Kaliwa Water Development Corp. (Kaliwa) [(d, v)]	100.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC)	58.33	Philippines
Pacific Central Properties, Inc.	100.00	Philippines
Philippine Breweries Corporation (PBC)	99.52	Philippines
San Miguel Holdings Corp. (SMHC) [(r)] and subsidiaries [(b)] including Rapid Thoroughfares Inc. (Rapid)	100.00	Philippines
Seaside Industrial Estate, Inc. [(b)]	100.00	Philippines
Navotas Ridge Realty Corp. (NRRC) [(b, d)]	100.00	Philippines
SMC Shipping and Lighterage Corporation (SMCSLC)	70.00	Philippines
Vega Telecom, Inc. (Vega) [(s)]	100.00	Philippines
Challenger Aero Air Corp.	100.00	Philippines
San Miguel Distribution Co., Inc. (SMDCi) [(g)]	100.00	Philippines
San Miguel Kuok Food Security, Inc. (SMKFSI) [(d, j)]	100.00	Philippines
Strategic Power Devt. Corp. (SPDC) [(t)]	100.00	Philippines
Panasia Energy Holdings Inc. (Panasia)	100.00	Philippines
Northlink Toll Management, Inc. (Northlink) [(w)]	60.00	Philippines

(a) This was formerly the Domestic Beer Division of the Parent Company and was incorporated on July 26, 2007 (Note 10).
(b) The financial statements of these subsidiaries were audited by other auditors.
(c) Consolidated effective January 10, 2007.
(d) Not yet operating as of December 31, 2009.
(e) The Parent Company's percentage of ownership was 100% in 2007.
(f) Consolidated to SMPFC effective January 1, 2007.
(g) Consolidated effective June 18, 2007.
(h) Consolidated to SMYPC effective January 2008. As of December 31, 2007, SYFMC was 60% owned by the Parent Company.
(i) Consolidated effective December 16, 2008.
(j) Consolidated effective September 5, 2008.
(k) Formerly San Miguel Packaging Specialists, Inc. (SMPSI).
(l) Formerly San Miguel Packaging International Limited (SMPIL).
(m) Formerly San Miguel Phu Tho Packaging Co. Ltd.
(n) Formerly Zhaoqing San Miguel Glass Co. Ltd.
(o) Formerly Foshan San Miguel Packaging Co. Ltd.
(p) Formerly San Miguel Packaging & Printing Sdn. Bhd.
(q) Formerly San Miguel Woven Products Sdn. Bhd.
(r) Formerly San Miguel Logistics Asia Corporation.
(s) Formerly SM View Realty Corp.
(t) Formerly Big Bucks Realty Corp.
(u) Consolidated to SMYPIL effective December 17, 2009. JHK Investments was renamed "San Miguel Yamamura Knox Pty. Ltd." in February 2010.
(v) Consolidated effective November 6, 2009.
(w) Incorporated on December 15, 2009.
(x) Formerly San Miguel Rengo Packaging Corporation (SMRPC).

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company.

Non-controlling interests represent the interests not held by the Group in GSMI, SMPFC, SMYAC, SMPI, PBC, SMCSLC, AIBC, PT-Delta, SMHT, SMBHK, SMBB, SMBV, PTSMIFB, SMPFI, PTSMPFI, SMB, SMYPIL and SMYPC in 2009 and 2008 and also Mincorr and SMPPC in 2008.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in the consolidated financial statements, except for the changes as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of new or revised standards, amendments to standards, and interpretations as part of PFRS. Accordingly, the Group changed its accounting policies in the following areas:

Adopted effective 2009

- PFRS 8, *Operating Segments,* introduces the "management approach" to segment reporting.

  Starting January 1, 2009, the Group determined and presented operating segments based on the information internally provided to the BOD. Previously, operating segments were determined and presented in accordance with PAS 14, *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

  - Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on basic and diluted earnings per share (EPS).

- An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the BOD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

- Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Parent Company's headquarters), certain head office expenses, and deferred tax assets and liabilities.

- Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

- Revised PAS 1, *Presentation of Financial Statements* (2007), introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.

  The Group applied Revised PAS 1, which became effective as of January 1, 2009. The Group presented all non-owner changes in equity in the consolidated statements of comprehensive income and consolidated statements of changes in equity.

  Comparative information has been re-presented to be also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on basic and diluted EPS.

- Revised PAS 23, *Borrowing Costs,* removes the option to charge to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

  Prior to this revised standard, the Group already capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*, require disclosures relating to fair value measurements using a three-level fair value hierarchy that: reflects the significance of the inputs used in measuring fair values; provides more direction on the form of quantitative disclosures about fair value measurements; and requires information to be disclosed in a tabular format unless another format is more appropriate. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk.

  The said new required disclosures have been included in Note 36 to the consolidated financial statements. As allowed by the amendments, in the first year of application, comparative information is not required to be disclosed.

- *Embedded Derivatives* - Amendments to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments: Recognition and Measurement,* clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the consolidated financial statements. The amendments are effective for annual periods ending on or after June 30, 2008.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes,* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation takes effect for annual periods beginning on or after July 1, 2008.

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

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*, provides additional guidance on the accounting for the contributed property, plant and equipment by "access providers" (i.e., by the entity receiving the contribution) from customers. The interpretation clarifies: the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services; the recognition of revenue; and the accounting for transfers of cash from customers. The interpretation is effective for all transfers on or after July 1, 2009.

- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation,* became effective for financial years beginning on or after January 1, 2009. The standards have been amended to require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

- Amendments to PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations,* became effective for financial years beginning on or after January 1, 2009. The standards have been amended: to clarify the definition of vesting conditions (which are service conditions and performance conditions only); introduce the concept of non-vesting conditions; require non-vesting conditions to be reflected in grant-date fair value; and provide the accounting treatment for non-vesting conditions and cancellations.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate,* became effective for financial years beginning on or after January 1, 2009. The amendments to PAS 27 remove the definition of "cost method" currently set out in PAS 27, and instead require all dividend from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established.

- *Improvements to PFRS 2008* - various standards *(*except as related to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations),* discusses 35 amendments and is divided into two parts: a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board expects to have either no or only minimal effects on accounting. These improvements are effective for annual periods beginning on or after January 1, 2009.

- *Improvements to PFRS 2009* - Amendment to PAS 18, *Revenue, Determining whether an entity is acting as a principal or as an agent.* The appendix accompanying PAS 18 is amended to specify that an entity acts as a principal when it is exposed to the significant risks and rewards associated with the sale of goods or rendering of services. The amendments also include in the appendix to PAS 18 a number of indicators for consideration in assessing whether an entity is acting as a principal or as an agent. As this is an amendment to an appendix, there is no related effective date and therefore is applicable immediately.

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 consolidated financial statements. Additional disclosures required by the revised standards and improvements were included in the consolidated financial statements, where applicable.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

The Group will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

- 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 becomes mandatory for the 2010 consolidated financial statements, will be 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 will become 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 will become 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.

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*, addresses issues in respect of the accounting by the debtor in a debt for equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt for equity swap are consideration paid in accordance with PAS 39 paragraph 41. The interpretation is applicable for annual periods beginning on or after July 1, 2010.

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011.

- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC 14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)*. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The amendments are effective for annual periods beginning on or after January 1, 2011.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate,* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition. The interpretation is effective for annual periods beginning on or after January 1, 2012.

- PFRS 9, *Financial Instruments*, is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. The new standard is effective for annual periods beginning on or after January 1, 2013.

The Group will assess the impact of the new or revised standards, amendments to standards and interpretations on the consolidated financial statements upon adoption.

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.

Financial Assets

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 (Note 36).

The carrying values of financial assets under this category amounted to P202 and P191 as of December 31, 2009 and 2008, respectively (Note 36).

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 (Notes 7, 8 and 15).

The combined carrying values of financial assets under this category amounted to P264,426 and P175,192 as of December 31, 2009 and 2008, respectively (Note 36).

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 December 31, 2009 and 2008, 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 (Note 10).

The carrying values of financial assets under this category amounted to P351 and P590 as of December 31, 2009 and 2008, respectively (Note 36).

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 (Note 17).

The carrying values of financial liabilities under this category amounted to P111 and P2,353 as of December 31, 2009 and 2008, respectively (Notes 17 and 36).

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 (Notes 16, 17, 18 and 36).

The combined carrying values of financial liabilities under this category amounted to P179,882 and P144,222 as of December 31, 2009 and 2008, respectively (Note 36).

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.

Derivative Financial Instruments and Hedging

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

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are 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 December 31, 2009, the Group has no outstanding derivative accounted for as cash flow hedge. As of December 31, 2008, the Group has outstanding commodity options accounted for as cash flow hedge amounting to P208.

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

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 year incurred.

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.

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.

Inventories
Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods and goods in process	-	at cost which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; cost of goods in process includes unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method;
Materials and supplies	-	at cost using the moving-average method.

Net realizable value of finished goods and goods in process is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realizable value of materials and supplies is the current replacement cost.

Containers (i.e., returnable bottles and shells) are stated at deposit values less any impairment in value. The excess of the acquisition cost of the containers over their deposit value is presented under deferred containers included under “Other noncurrent assets” account in the consolidated statements of financial position and is amortized over the estimated useful lives of two to ten years. Amortization of deferred containers is included under “Selling and administrative expenses” account in the consolidated statements of income.

Biological Assets and Agricultural Produce

The Group’s biological assets include breeding, growing poultry livestock, hogs and cattle and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Growing hogs, cattle and poultry livestock and goods in process are carried at accumulated cost while breeding stocks are carried at accumulated cost net of amortization and any impairment in value. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group’s biological assets have no active market and no active market for similar assets prior to point of harvest are available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs, efficiency values, production) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result to a reliable basis for determining the fair value.

The carrying values of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group’s agricultural produce, which consists of grown broilers and marketable hogs and cattle harvested from the Group’s biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs and cattle, the fair value is based on the quoted prices in the market at any given time.

The Group in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers, hogs and cattle or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

Amortization is computed using straight-line method over the following estimated productive lives of breeding stocks:

	Number of Years
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Cattle	2.5 - 3 years
Poultry breeding stock	40 - 44 weeks

Investments in Shares of Stock of Associates

The Group's investments in shares of stock of associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Under the equity method, the investment in an associate is carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statements of income include the Group's share of the total recognized earnings and losses of the associate on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income. The Group's share of those changes is recognized in other comprehensive income. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

An investment in an associate is accounted for using the equity method from the date when it becomes an associate. Upon acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with PFRS 3, *Business Combinations*. Consequently:

a. goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

b. any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share in the associate's profit or loss in the period in which the investment is acquired.

The Group discontinues applying the equity method when its investment in an associate is reduced to zero. Additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes applying the equity method only after its share of the profits equals the share of net losses not recognized during the period the equity method was suspended.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. The accounting policies of the associates conform to those used by the Group for like transactions and events in similar circumstances.

Interest in Joint Venture
The Group recognizes its interest in joint venture using proportionate consolidation. The Group combines its share in each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The joint venture is proportionately consolidated until the date when the Group ceases to have joint control over the joint venture.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	5 - 50
Machinery and equipment	3 - 40
Transportation equipment	5 - 7
Tools and small equipment	2 - 5
Office equipment, furniture and fixtures	2 - 6
Molds	2 - 5
Leasehold improvements	5 - 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values, depreciation and amortization method are reviewed and adjusted, if appropriate, periodically to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are credited or charged to current operations.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the period of retirement or disposal.

Investment Properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation. Investment properties, except for land, are measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	5 - 50
Machinery and equipment	3 - 40
Tools and small equipment	2 - 5

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Business Combinations

Business combinations are accounted for using the purchase method of accounting. The cost of acquisition is the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control over the net assets of the acquired company, plus any directly attributable costs. The identifiable assets, liabilities and contingent liabilities that satisfy certain recognition criteria have to be measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interests.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

When a business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of goodwill associated with that transaction. Any adjustment to fair values relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in the consolidated statements of income.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than an operating segment or determined in accordance with PFRS 8, *Operating Segments.*

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Negative goodwill which is not in excess of the fair values of acquired identifiable nonmonetary assets of subsidiaries and associates is charged directly to income.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Computer software	2 - 8
Franchise	13 - 20
Leasehold rights	20 or term of the lease, whichever is shorter
Land use rights	25 - 50 or term of the lease, whichever is shorter

The Group assessed the useful life of the trademarks and brand names to be indefinite because based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

Impairment of Non-financial Assets

The carrying values of investments and advances, property, plant and equipment, investment properties, containers, biological assets, other intangible assets with definite useful lives and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Group has: a) a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Share Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

Preferred shares are classified as equity if it is non-redeemable, or redeemable only at the Parent Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD.

Preferred shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery.

Agricultural Produce. Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at point of harvest.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend. Revenue is recognized when the Group's right as a shareholder to receive the payment is established.

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized if the Group disposes of its investment in a subsidiary or associate. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Rent. Revenue from investment properties is recognized on a straight-line basis over the term of the lease. Rent income is included as part of other income.

Cost and Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

Share-based Transactions
The cost of Long-term Incentive Plan for Stock Options (LTIP) is measured by reference to the option fair value at the date when the options are granted. The fair value is determined using Black-Scholes option pricing model. In valuing LTIP transactions, any performance conditions are not taken into account, other than conditions linked to the price of the shares of the Parent Company. The cost of Employee Stock Purchase Plan (ESPP) is measured by reference to the market price at the time of the grant less subscription price.

The cost of share-based transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for share-based transactions, at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as Lessee. Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased property, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statements of income.

Leased asset is depreciated over its estimated useful life. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Retirement Costs

The Parent Company and majority of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. Retirement costs are actuarially determined using the projected unit credit method. This method reflects service rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized past service costs, recognition of actuarial gains and losses, effect of asset limit and effect of any curtailments or settlements. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to the plan, past service cost is recognized immediately as an expense. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed the greater of 10% of the present value of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The transitional liability as of January 1, 2005, the date of adoption of PAS 19, *Employee Benefits*, is recognized as an expense over five years from date of adoption.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan, net actuarial losses of the current period and past service costs of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service costs of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service costs of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service costs of the current period are recognized immediately.

Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting date. All differences are taken to the consolidated statements of income. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency gains and losses are reported on a net basis.

The functional currency of the Group's foreign operations is United States (US) dollar. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date and their income and expense accounts are translated at the quarterly weighted average exchange rates for the year. The resulting translation differences are recognized in other comprehensive income and presented under the "Translation reserve" account in equity. On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in the consolidated statements of income as a component of the gain or loss on disposal.

Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Deferred Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Assets Held for Sale
Noncurrent assets or disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Discontinued Operations
A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of income are re-presented as if the operation had been discontinued from the start of the comparative period and show the results of discontinued operation separate from the results of continuing operation.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, 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 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.

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 5 to the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's consolidated financial position at reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating Leases. The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent expense charged to operations amounted to P2,120, P1,796 and P1,450 in 2009, 2008 and 2007, respectively (Notes 21 and 22).

Contingencies. The Group currently has several tax assessments, legal and administrative claims. The Group's estimate of the probable costs for the resolution of these assessments and claims has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these tax assessments, legal and administrative claims will have a material adverse effect on its consolidated financial position and consolidated financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 38).

Estimates
The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Allowance for Impairment Losses on Trade and Other Receivables. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current assets.

The allowance for impairment losses amounted to P2,729 and P2,884 as of December 31, 2009 and 2008, respectively. The carrying values of trade and other receivables amounted to P49,082 and P50,814 as of December 31, 2009 and 2008, respectively (Note 8).

Allowance for Inventory Losses. The Group provides allowance for inventory losses whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The allowance for inventory losses amounted to P1,149 and P901 as of December 31, 2009 and 2008, respectively. The carrying values of inventories amounted to P25,458 and P25,836 as of December 31, 2009 and 2008, respectively (Note 9).

Estimated Useful Lives of Investment Properties, Containers and Property, Plant and Equipment. The Group estimates the useful lives of investment properties, containers and property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties, containers and property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of investment properties, containers and property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment properties, containers and property, plant and equipment would increase recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Accumulated depreciation and amortization of investment properties and property, plant and equipment amounted to P56,714 and P52,965 as of December 31, 2009 and 2008, respectively. Property, plant and equipment, net of accumulated depreciation and amortization amounted to P73,892 and P72,873 as of December 31, 2009 and 2008, respectively (Note 11). Investment properties, net of accumulated depreciation amounted to P2,263 and P2,253 as of December 31, 2009 and 2008, respectively (Note 12). Deferred containers net of accumulated amortization amounted to P4,446 and P3,708 as of December 31, 2009 and 2008, respectively (Note 15).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives amounted to P1,491 and P1,561 as of December 31, 2009 and 2008, respectively (Note 14).

Impairment of Goodwill and Trademarks and Brand Names with Indefinite Lives. The Group determines whether goodwill, trademarks and brand names are impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying values of goodwill as of December 31, 2009 and 2008 amounted to P6,408 and P5,201, respectively (Note 14).

The carrying values of trademarks and brand names amounted to P2,139 and P2,251 as of December 31, 2009 and 2008, respectively (Note 14).

Purchase Price Allocation in Business Combinations. Purchase method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and trademarks and brand names with indefinite lives.

The total carrying values of goodwill and trademarks and brand names with indefinite useful lives arising from business combinations as of December 31, 2009 and 2008 amounted to P8,547 and P7,452, respectively (Note 14).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P8,883 and P7,638 as of December 31, 2009 and 2008, respectively (Note 19).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, investment properties, containers, biological assets, other intangible assets with definite useful lives and idle assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses of property, plant and equipment and investment properties amounted to P8,369 and P4,975 as of December 31, 2009 and 2008, respectively. The aggregate amount of investments and advances, property, plant and equipment, investment properties, biological assets, other intangible assets with definite useful lives, containers, and idle assets, amounted to P117,686 and P112,484 as of December 31, 2009 and 2008, respectively (Notes 10, 11, 12, 13, 14 and 15).

Present Value of Defined Benefit Obligation. The present value of the retirement obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate, expected return on plan assets and salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The assumption of the expected return on plan assets is determined on a uniform basis, taking into consideration the long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement obligations.

The Group has a net cumulative unrecognized actuarial gain (loss) amounting to P3,271 and (P268) as of December 31, 2009 and 2008, respectively (Note 30).

Fair Value of Agricultural Produce. The Group determines the fair value of its agricultural produce based on most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transactions and reporting date. Costs to sell are estimated based on most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest.

Unrealized gain (loss) on fair value adjustments included in the cost of inventories as of December 31, 2009 and 2008 amounted to P63 and (P2), respectively (Note 9).

Financial Assets and Financial Liabilities. The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgments. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial assets and financial liabilities would affect profit and loss and equity.

Fair value of financial assets and financial liabilities are discussed in Note 36.

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling property and equipment and other costs of restoring the leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2009 and 2008.

5. 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.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

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.

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

Operating Segments

Financial information about reportable segments follow:

For the Years Ended December 31, 2009, 2008 and 2007

Continuing Operations

	Beverage			Food			Packaging			Others			Eliminations		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Sales															
External sales	**P82,735**	P78,599	P69,334	**P77,220**	P73,830	P63,516	**P14,258**	P15,612	P15,172	**P -**	P -	P -	**P -**	P -	P -
Inter-segment sales	**1,067**	-	425	**15**	50	10	**5,413**	4,246	3,605	**-**	-	-	**(6,495)**	(4,296)	(4,040)
Total sales	**P83,802**	P78,599	P69,759	**P77,235**	P73,880	P63,526	**P19,671**	P19,858	P18,777	**P -**	P -	P -	**(P6,495)**	(P4,296)	(P4,040)
Result															
Segment result	**P14,035**	P14,556	P11,359	**P4,559**	P865	P2,341	**P1,562**	P1,315	P146	**(P2,769)**	(P2,216)	(P1,684)	**P2,282**	P298	(P535)

	Continuing Operations – Total			Discontinued Operations (Note 6)		**Total Operations**		
	2009	2008	2007	2008	2007	**2009**	2008	2007
Sales								
External sales	**P174,213**	P168,041	P148,022	P181	P93,948	**P174,213**	P168,222	P241,970
Inter-segment sales	**-**	-	-	-	-	**-**	-	-
Total sales	**P174,213**	P168,041	P148,022	P181	P93,948	**P174,213**	P168,222	P241,970
Result								
Segment result	**P19,669**	P14,818	P11,627	(P10)	P5,522	**P19,669**	P14,808	P17,149
Interest expense and financing charges	**(7,926)**	(6,032)	(7,117)	-	(2,984)	**(7,926)**	(6,032)	(10,101)
Interest income	**5,989**	6,630	2,087	-	317	**5,989**	6,630	2,404
Equity in net earnings (losses) of associates	**2,816**	(1,132)	164	-	82	**2,816**	(1,132)	246
Gain (loss) on sale of investments and property and equipment	**50,630**	8,746	2,224	-	(5)	**50,630**	8,746	2,219
Other income (charges) - net	**(6,843)**	(2,262)	3,614	(9)	(251)	**(6,843)**	(2,271)	3,363
Income tax benefit (expense)	**(3,706)**	(6,098)	(4,520)	7	(1,174)	**(3,706)**	(6,091)	(5,694)
Gain (loss) from discontinued operations	**-**	-	-	5,425	(1,235)	**-**	5,425	(1,235)
Net income	**P60,629**	P14,670	P8,079	P5,413	P272	**P60,629**	P20,083	P8,351
Attributable to:								
Equity holders of the Parent Company	**P57,799**	P13,935	P8,160	P5,413	P470	**P57,799**	P19,348	P8,630
Non-controlling interests	**2,830**	735	(81)	-	(198)	**2,830**	735	(279)
Net income	**P60,629**	P14,670	P8,079	P5,413	P272	**P60,629**	P20,083	P8,351

	For the Years Ended December 31, 2009, 2008 and 2007																	
	Beverage			Food			Packaging			Others			Eliminations			Consolidated		
	2009	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007	**2009**	2008	2007
Other Information																		
Segment assets	**P76,816**	P100,242	P76,617	**P43,126**	P71,122	P63,300	**P33,689**	P33,021	P34,787	**P315,548**	P241,782	P210,355	**(P91,069)**	(P154,247)	(P115,834)	**P378,110**	P291,920	P269,225
Investments in and advances to associates	-	-	-	-	-	-	-	-	-	**39,005**	31,663	220	-	-	-	**39,005**	31,663	220
Goodwill, trademarks and brand names																**8,547**	7,452	7,310
Other assets																**1,200**	700	6,381
Assets held for sale																**2,746**	-	-
Deferred tax assets																**8,883**	7,638	4,973
Consolidated total assets																**P438,491**	P339,373	P288,109
Segment liabilities	**P9,722**	P26,443	P22,438	**P23,337**	P24,095	P16,767	**P7,714**	P7,659	P16,178	**P96,547**	P146,348	P84,594	**(P87,690)**	(P155,935)	(P119,603)	**P49,630**	P48,610	P20,374
Drafts and loans payable																**56,789**	48,560	44,231
Long-term debt and redeemable preferred shares																**72,962**	49,763	55,834
Income and other taxes payable																**4,186**	4,429	3,327
Dividends payable and others																**1,949**	1,936	5,529
Deferred tax liabilities																**12,037**	17,851	12,721
Consolidated total liabilities																**P197,553**	P171,149	P142,016
Capital expenditures	**P1,399**	P3,471	P4,851	**P781**	P215	P1,065	**P1,010**	P1,354	P2,550	**P3,059**	P1,397	P844	P -	P -	P -	**P6,249**	P6,437	P9,310
Depreciation and amortization of property, plant and equipment	**2,415**	2,251	2,372	**940**	868	2,260	**1,533**	1,491	1,144	**366**	323	304	-	-	-	**5,254**	4,933	6,080
Noncash items other than depreciation and amortization of property, plant and equipment	**763**	795	1,037	**1,167**	966	806	**172**	(81)	103	**2,612**	2,368	466	-	-	-	**4,714**	4,048	2,412
Loss on impairment of goodwill, property, plant and equipment, and other noncurrent assets	**3,705**	-	1,461	**54**	-	-	**695**	-	283	**302**	322	-	-	-	-	**4,756**	322	1,744

6. Discontinued Operations and Assets Held for Sale

a. Bank of Commerce (BOC) (Note 10)

On February 15, 2010, SMPI's BOD authorized the divestment of SMPI's 31.23% interest in BOC. The carrying amount of the investment as of December 31, 2009 of P2,746 representing 16,396,689 common shares is presented as "Assets held-for-sale" in the consolidated statements of financial position.

b. Agribusiness Division of the Parent Company

In 2008, the Parent Company ceased the operations of its Agribusiness Division, in particular the operations of its Iligan Coconut Oil Mill.

c. San Miguel Australia Holdings Ltd. (SMAH)

On November 8, 2007, the Parent Company through San Miguel Beverages (L) Pte. Ltd. signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag, to Lion Nathan Australia Pty. Ltd., an Australian alcoholic beverages company, for which enterprise value amounted to Australian Dollar (A$)325.

The closing audit was completed on January 2, 2008 and the Parent Company received A$277 as payment of purchase price, net of adjustments. The Group recognized a gain of P5,425, net of deferred income tax in 2008.

d. San Miguel Foods Australia Holdings Pty. Ltd. (SMFAH)

On November 8, 2007, the Parent Company through San Miguel Foods (L) Pte. Limited reached an agreement with Kirin Holdings (Australia) Pty. Ltd. to sell its Australian dairy and juice business, SMFAH, for a purchase price of A$752 (net of external debt and shareholder loans) subject to adjustments at completion of closing audit. The sale also includes National Foods Limited's shares in Berri Ltd., King's Creameries (S) Pte. and Lactos Pty. Ltd.

On December 27, 2007, the Parent Company received A$2,090 representing payment of the purchase price and settlement of shareholder loans.

Based on the results of the closing audit on April 30, 2008, an adjustment in the purchase price of A$28 was received by the Parent Company five (5) business days after completion of the closing audit. The loss realized from the sale amounted to P513, net of P1,922 net income of SMFAH in 2007.

e. Coca-Cola Bottlers Philippines, Inc. (CCBPI)

On February 22, 2007, the Parent Company and Coca-Cola South Asia Holdings, Inc. (CCSAHI) executed a Deed of Sale of Shares of Stock covering the Parent Company's 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class "A" preferred shares for US$590. The payments to the Parent Company are scheduled on various dates over a five-year period subject to fulfillment of specific conditions attached to each and every payment due. Receivable from CCSAHI amounting to P4,620 and P4,752 as of December 31, 2009 and 2008, respectively are presented as part of "Noncurrent receivables and deposits" under "Other noncurrent assets" account (Note 15).

On August 23, 2007, the closing audit for the sale transaction was completed and the selling price was adjusted to US$520. The gain realized from the sale amounted to P824, net of P376 net loss of CCBPI (from January 1 to February 22, 2007).

The adjustment in selling price from US$590 to US$520 (net of the assigned receivables amounting to US$17) is a result of a compromise agreement between the Parent Company and CCSAHI.

As required by PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the financial performance of Agribusiness in 2008 and 2007, SMFAH and SMAH in 2007 and CCBPI for the period ended February 22, 2007, were presented as a separate item under "Income After Income Tax from Discontinued Operations" in the consolidated statements of income.

The results of discontinued operations are presented below:

	Note	2008	2007
Net sales		P181	P93,948
Cost of sales		168	59,568
Gross profit		13	34,380
Selling and administrative expenses		(23)	(28,858)
Interest expense and financing charges	*25*	-	(2,984)
Interest income	*26*	-	317
Equity in net earnings of associates		-	82
Gain on sale of investments and property, plant and equipment		-	(5)
Other charges - net		(9)	(251)
Income (loss) before income tax		(19)	2,681
Income tax expense (benefit)	*19*	(7)	1,174
Income (loss) from discontinued operations		(12)	1,507
Gain (loss) on sale from disposal of investment - net of tax of P2,921 and P4,596 in 2008 and 2007, respectively	*19*	5,425	(1,235)
Net income from discontinued operations		P5,413	P272
Attributable to:			
Equity holders of the Parent Company	*32*	P5,413	P470
Non-controlling interests		-	(198)
		P5,413	P272

Basic and diluted earnings per share from discontinued operations, attributable to equity holders of the Parent Company, are presented in Note 32.

Cash flows provided by discontinued operations are presented below:

	2008	2007
Net cash flows provided by operating activities	P1,312	P4,173
Net cash flows provided by investing activities	7,786	97,762
Net cash flows used in financing activities	-	(11,221)
Net cash flows provided by discontinued operations	P9,098	P90,714

The effect of disposal on the consolidated financial position follows:

	2008
Assets held for sale	P5,324
Liabilities directly associated with assets held for sale	(3,642)
Amounts recognized directly in equity relating to assets held for sale	(37)
Net assets disposed of	P1,645
Cash consideration received	P9,083

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2009	2008
Cash in banks and on hand	**P25,926**	P8,220
Short-term investments	**183,485**	108,719
	P209,411	P116,939

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

8. Trade and Other Receivables

	Note	**2009**	2008
Trade		**P17,188**	P18,668
Amounts owed by related parties	*28*	**3,170**	6,491
Non-trade	*29, 34*	**31,453**	28,539
		51,811	53,698
Less allowance for impairment losses		**2,729**	2,884
		P49,082	P50,814

Trade receivables are non-interest bearing and are generally on a 30 to 45-day term.

The movements in the allowance for impairment losses are as follows:

	2009	2008
Balance at beginning of year	**P2,884**	P2,541
Charges for the year	**398**	604
Amounts written off	**(257)**	(283)
Reversals and others	**(296)**	22
Balance at end of year	**P2,729**	P2,884

As at December 31, 2009 and 2008 the aging of receivables is as follows:

2009	**Total**	**Trade**	**Owed by related parties**	**Non-trade**
Current	**P43,988**	**P11,142**	**P3,170**	**P29,676**
Past due				
Less than 30 days	**2,609**	**2,334**	**-**	**275**
30-60 days	**789**	**613**	**-**	**176**
61-90 days	**804**	**729**	**-**	**75**
Over 90 days	**3,621**	**2,370**	**-**	**1,251**
	P51,811	**P17,188**	**P3,170**	**P31,453**

2008	Total	Trade	Owed by related parties	Non-trade
Current	P44,831	P11,610	P6,491	P26,730
Past due				
Less than 30 days	3,633	3,245	-	388
30-60 days	1,078	814	-	264
61-90 days	629	437	-	192
Over 90 days	3,527	2,562	-	965
	P53,698	P18,668	P6,491	P28,539

The Parent Company has outstanding advances to San Miguel Corporation Retirement Plan (SMCRP) amounting to P2,785 and P6,323 (Note 28) as of December 31, 2009 and 2008, respectively, subject to interest of 6.5% per annum. Interest pertaining to the said advances amounted to P639, P2,310 and P1,148 for the years ended December 31, 2009, 2008 and 2007, respectively (Note 26).

SMCRP used the proceeds of the advances mainly for the purchase of the Parent Company's common shares. Such investment accounts for more than 46% of the total plan assets as of December 31, 2008.

On December 27, 2007, SMCRP entered into a Stock Purchase Agreement (the Agreement) with a third party (Buyer) for the sale of the SMC common shares (857,115,914 shares). The contract provides among others, that the shares be sold at an agreed price, payable on or before December 31, 2008, extendible for additional three months up to March 31, 2009, subject to interest.

Under the terms of the Agreement, all rights to, interests and title in and ownership of the shares shall remain with SMCRP provided that upon receipt of the agreed downpayment, the voting rights shall be transferred to the Buyer. All dividends and other benefits, except for stock dividends, declared by the Parent Company in relation to the shares shall accrue fully to SMCRP. All stock dividends declared by the Parent Company in relation to the shares shall accrue to SMCRP and the Buyer proportionately based on the consideration paid by the Buyer.

On November 25, 2008, SMCRP and the Buyer through amendments to the Agreement, agreed to extend the maturity of the contract up to December 31, 2009, subject to a partial payment. Upon remittance of the partial payment, interest at 7% per annum shall accrue on the remaining balance of the contract.

On November 27, 2009, the Buyer paid the remaining balance of the contract.

9. Inventories

Inventories at net realizable value consist of:

	2009	2008
Finished goods and goods in process	**P8,547**	P8,073
Materials and supplies	**15,355**	16,392
Containers	**1,556**	1,371
	P25,458	P25,836

The cost of finished goods and goods in process amounted to P8,877 and P8,257 as of December 31, 2009 and 2008, respectively.

The cost of materials and supplies as of December 31, 2009 and 2008 amounted to P15,879 and P16,733, respectively.

Containers at deposit value amounted to P1,851 and P1,747 as of December 31, 2009 and 2008, respectively.

Finished goods and goods in process include net unrealized gain of P63 and net unrealized loss of P2 on fair valuation of agricultural produce as of December 31, 2009 and 2008, respectively (Note 4). The fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P287 and P557 as of December 31, 2009 and 2008, respectively, with corresponding cost at point of harvest amounting to P224 and P559, respectively.

10. Investments and Advances

Investments in Shares of Stock of Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries in 2009 and 2008:

a. SMB

On July 24, 2007, the stockholders of the Parent Company, during the annual stockholders' meeting, approved the transfer of the Parent Company's domestic beer business assets (excluding land and brands) to a wholly-owned subsidiary of the Parent Company, in exchange for shares of stock. The transfer of such assets to a wholly-owned subsidiary is pursuant to the listing with the PSE and the public offering of the shares of SMB.

On July 26, 2007, the Parent Company incorporated SMB, a wholly-owned subsidiary with an initial authorized capital stock of P100 and paid-up capital of P6.25. Pursuant to the stockholders approval obtained on July 24, 2007, the Parent Company's domestic beer business net assets as of June 30, 2007, excluding land, brands and certain payables were transferred to SMB in exchange for additional shares of stock effective October 1, 2007.

On September 27, 2007, the Securities and Exchange Commission (SEC) approved the transfer of the domestic beer business net assets to SMB and the increase in SMB's authorized capital stock from P100 to P25,000.

Shares totaling 15,308,416,960, were issued to the Parent Company pursuant to such transfer under a tax-free asset-for-share agreement, as confirmed by the Bureau of Internal Revenue (BIR) in its certification No. SN-300-2007.

As a standard condition of the SEC for approval of applications for increase in authorized capital stock, where the payment for the shares issued pursuant to such increase is made in the form of motor vehicles and receivables, 2,557,573,242 common shares that were issued by SMB to the Parent Company in exchange for motor vehicles and receivables, out of the 15,308,416,960 common shares issued by SMB, are being held in escrow by the SEC pending the transfer of ownership of those motor vehicles in the name of SMB and proof of collection of receivables.

On November 5, 2008, SMB submitted to the SEC the required documentation for the transfer of ownership of motor vehicles and proof of collection of receivables. This is still being reviewed by the SEC as of April 14, 2010.

On May 12, 2008, SMB listed its shares in the PSE pursuant to its listing application approved on March 26, 2008. SMB sold 77,052,000 shares to the public by way of a primary offer, and the Parent Company sold to the public 809,050,000 shares of its existing shares in SMB (including shares to cover for over-allotments) by way of a secondary offer, pursuant to a registration statement rendered effective by the SEC on April 28, 2008. The total shares offered represents 5.75% stake in SMB. The Group recognized a net gain of P5,650 from the transaction.

On February 20, 2009, the Parent Company signed a share purchase agreement for the acquisition by Kirin Holdings Company, Limited ("Kirin"), of a 43.2499% stake in SMB. Under the terms of the agreement, purchase price of the shares amounted to P8.841 per share, implying a total acquisition price at P58,924. Further to the agreement, the Parent Company, Kirin and SMB negotiated exclusively for SMB's purchase of shares in Parent Company's overseas beer business.

On April 30 and May 22, 2009, the Parent Company sold its 2,185,402,491 and 4,479,621,199 common shares, respectively, representing 43.2499% stake in SMB to Kirin at P8.841 per share for a total purchase price of P58,924. The Group recognized a net gain of P50,537 from the sale.

b. SMBIL

On August 17, 2009, the Parent Company assigned its international trademarks, trade dress, know-how, copyrights, patents and other intellectual property rights ("International IP Rights") used in connection with the international beer business of the Parent Company and its international subsidiaries valued at US$31.5 to SMIL. Common shares totaling 2,863,636 were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-233-2009.

On December 18, 2009, SMB's BOD approved the purchase of the international beer and malt-based beverages business of the Parent Company through the purchase of the shares of San Miguel Holdings Ltd. (SMHL) in SMBIL, comprising 100% of the issued and outstanding capital stock of SMBIL (SMBIL Shares), with an enterprise value of US$300. The BOD of the Parent Company likewise approved the sale of its international beer and malt-based beverage business to SMB, through the sale by SMHL, its wholly-owned subsidiary, of the SMBIL Shares to SMB, on the same day.On the same date, the Parent Company, SMB and SMHL entered into a Share Purchase Agreement (SPA) for the SMBIL Shares.

On December 21, 2009, SMIL's BOD approved the assignment of International IP Rights to SMHL valued at US$31.5 in exchange for 286,363 SMHL common shares. The assignment was also approved by SMHL's BOD on the same date.

Also on the same date, SMHL's BOD approved the assignment of International IP Rights to SMBIL valued at US$31.5 in exchange for 2,863,636 SMBIL shares. The assignment was also approved by SMBIL's BOD on the same date.

On January 28, 2010, SMB entered into a US$300 unsecured loan facility agreement. Proceeds of the loan were used to finance SMB's acquisition of SMBIL Shares. The sale was completed on January 29, 2010, with SMB acquiring the SMBIL Shares for a purchase price of US$302, after adjustments in accordance with the terms of the SPA.

c. IBI

On December 8, 2008, the BOD of the Parent Company approved the transfer of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how ("Domestic IP Rights") to a wholly-owned subsidiary, in exchange for shares of stock.

On December 16, 2008, the Parent Company formed IBI, a wholly-owned subsidiary, with an authorized capital stock of P1. IBI was incorporated primarily to engage in the manufacturing, buying, selling (on wholesale) and dealing in alcoholic and non-alcoholic beverages and to own, purchase, license and/or acquire such trademarks and other intellectual property rights necessary for the furtherance of its business. On the same date, the BOD and stockholders of IBI approved the increase in its authorized capital stock from P1 to P10,000 divided into 100,005,000 shares at P100.00 par value per share. To fund such increase, the Parent Company and IBI executed a Deed of Assignment of Domestic Intellectual Rights dated December 16, 2008 as supplemented for the transfer of the Domestic IP Rights in exchange for common shares in IBI.

On January 27, 2009, the Parent Company's BOD approved the sale of its Domestic IP Rights to SMB, through the sale of all its interests in IBI. On the same date, the BOD of SMB approved the purchase of the IP Rights through the purchase of all of the Parent Company's interests in IBI after the completion of such transfer by the Parent Company of the IP Rights to IBI.

On February 27, 2009, the SEC approved the increase in the authorized capital stock of IBI. With such approval, the SEC likewise approved the transfer of the Domestic IP Rights by the Parent Company to IBI in exchange for 100,000,000 shares in IBI. The said shares were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-405-2008.

On April 29, 2009, the Parent Company sold its 100% interest in IBI to SMB for a total purchase price of P32,000. Following such sale, IBI became a wholly-owned subsidiary of SMB.

d. BPI

On December 8, 2008, the BOD of the Parent Company approved the transfer of certain parcels of land used in the domestic beer operations to a wholly-owned subsidiary, in exchange for shares of stock.

On December 16, 2008, the Parent Company formed BPI, a wholly-owned subsidiary, with an authorized capital stock of P1. BPI was incorporated primarily to own, use, improve, develop, sell, exchange, lease and hold investment or otherwise, real estate of all kinds, including buildings and other structures.

On January 27, 2009, the BOD of the Parent Company approved the sale of certain parcels of land used in the domestic beer operations, partly to BLI, a wholly-owned subsidiary of San Miguel Brewery Inc. Retirement Plan (SMBRP) at P239, and the rest to SMB, through the sale of all its interests in BPI, the company to which the rest of such parcels of land will be transferred at the purchase price of P6,829, corresponding to the appraised value of the land transferred by the Parent Company to BPI.

On the same date, SMB's BOD likewise approved the purchase of all of SMC's interests in BPI after: (i) SMC has transferred certain parcels of land used in the domestic beer operations to BPI in exchange for common shares: and (ii) SMBRP has transferred its shares in BLI to BPI in exchange for preferred shares. The acquisition will be financed using part of the proceeds of the bond offering of SMB.

The sale by the Parent Company of its interests in BPI to SMB will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

On January 28, 2009, the BOD of BPI approved the increase in the par value of its common shares from P100.00 to P350.00 per share and the increase in its authorized capital stock from P1 divided into 10,000 shares with a par value of P100.00 per share to P800 divided into 2,400,000 preferred shares and 1,600,000 common shares with a par value of P100.00 and P350.00 per share, respectively. To fund the increase in BPI's authorized capital stock, SMC transferred certain parcels of land used in the domestic beer business of SMB to BPI in exchange for 1,592,281 common shares, out of its existing unissued capital stock and the increase in its authorized capital stock, and SMBRP transferred its 2,389,494 common shares (with a par value of P100.00 per share) in BLI as payment for its subscription to 2,389,494 preferred shares of BPI (with a par value of P100.00 per share).

On February 25, 2009, the Parent Company sold certain parcels of land to BLI for a total consideration of P239 and recognized a gain of P232.

On September 10, 2009, the SEC approved the increase in the par value of BPI's common shares and the increase in its authorized capital stock. With such approval, the transfer of: (i) the certain parcels of land (used in the domestic beer business of SMB) of the Parent Company to BPI in exchange for additional common shares from the existing unissued authorized capital stock of BPI and increase in authorized capital stock: and (ii) the common shares of SMBRP in BLI to BPI as payment for SMBRP's subscription to BPI preferred shares were also approved by the SEC. The transfer was under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-121-2009. Following the approval, BLI became a subsidiary of BPI.

BLI and BPI started commercial operations on February 25, 2009 and September 10, 2009, respectively.

e. Packaging Businesses

On April 12, 2007, the BOD approved the sale of up to 40% of the Parent Company's interests in its domestic packaging businesses under SMPSI and in its regional packaging businesses under SMPIL.

On April 27, 2007, the Parent Company executed the SMPSI Stock Purchase Agreement (SMPSI SPA) with Nihon Yamamura Glass Co., Ltd. (NYG), a leading Japanese manufacturer of glass and plastics packaging, for the sale of the Parent Company's 35% stake in its domestic packaging businesses, subject to the completion of the closing terms and conditions under the SMPSI SPA. On the same date, the Parent Company and its wholly-owned foreign subsidiary, SMHL, also executed the SMPIL Stock Purchase Agreement (SMPIL SPA) with NYG for the sale of SMHL's 35% stake in its regional packaging businesses, subject to the completion of the closing terms and conditions under the SMPIL SPA.

On November 16, 2007, the Parent Company and NYG entered into the SMPSI Shareholder's Agreement and, together with SMHL, also entered into the SMPIL Shareholder's Agreement, in compliance with the requirements of the SMPSI SPA and the SMPIL SPA. The shareholders' agreements provide the terms and conditions that govern the relationship among the Parent Company, SMHL and NYG as shareholders.

Also on the same date, the authorized capital stock of SMPIL was increased from US$0.001 to US$100. And pursuant to a written resolution of the BOD of SMPIL dated November 23, 2007, SMPIL approved, among others, the conversion of SMHL's shareholder advances in the amount of US$64.3 into 64,281,176 fully paid shares in SMPIL.

On December 18, 2007, the Parent Company entered into several deeds of assignment with SMPSI for the following assignments by the Parent Company in favor of SMPSI: (i) its receivables of P187.5 as full payment of the Parent Company's incorporation subscription payables; (ii) its receivables of P6,083 as full payment of the Parent Company's additional subscription of 5,294,180 SMPSI shares; (iii) effective January 1, 2008, its 60% equity in SYFMC with an aggregate book value of P68 as full payment of the Parent Company's additional subscription of 58,977 SMPSI shares; and (iv) certain fixed assets with an aggregate carrying value of P123 as full payment of the Parent Company's additional subscription of 106,627 SMPSI shares, subject to the approval by the SEC of SMPSI's applications for confirmation of valuation in respect of the issuances of shares from its existing unissued capital stock and the increase in its authorized capital stock.

On January 21, 2008, the SEC approved the increase in the authorized capital stock of SMPSI from P10,000 divided into 10,000,000 shares to P11,000 divided into 11,000,000 shares with the same par value of P1,000 each and the valuation of the assets assigned by the Parent Company in favor of SMPSI as consideration for the issuance by SMPSI of shares from its existing unissued capital stock.

On January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, the Parent Company and NYG entered into a deed of assignment of shares of stock pursuant to which the Parent Company assigned, transferred and ceded all its rights, interest and/or title over the Parent Company's 3,756,501 shares in SMPSI for P4,317. On the same date, and effective on the closing of the SMPIL SPA on January 31, 2008, SMHL and NYG entered into a deed of assignment of shares of stock pursuant to which SMHL assigned, transferred and ceded all its rights, interest and/or title over SMHL's 20,726,119 shares in SMPIL for US$21.

Also on January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, SMPSI and NYG entered into a deed of assignment of shares pursuant to which NYG assigned its 20% stake in SYFMC with an aggregate book value of P23 as full payment for its subscription of 19,659 SMPSI shares. On March 14, 2008, the SEC approved the valuation of NYG's shares in SYFMC. The relevant Certificate of Approval of Valuation was amended on April 23, 2008 to rectify the typographical error in the corporate name of SMPSI from "San Miguel Packaging Specialist, Inc." to "San Miguel Packaging Specialists, Inc."

On the closing of the SMPSI SPA and the SMPIL SPA both on January 31, 2008, the Parent Company and SMHL received P3,691 and US$17, respectively, from NYG. The Group recognized a gain of P154 from the sale of 35% interest in SMPSI and SMPIL.

In connection with the sale, SMPSI changed its corporate name to "San Miguel Yamamura Packaging Corporation" as approved by the SEC on June 4, 2008. In addition, the BOD of SMPIL likewise approved the change in the corporate name of SMPIL to "San Miguel Yamamura Packaging International Limited" on January 3, 2008, and such change became effective on June 11, 2008.

f. JHK Investments

On December 3, 2009, SMYPIL's BOD approved the increase in the authorized capital stock of SMYPIL from US$100 to US$120. The proposed increase in capital stock would cover the additional capital to be issued by SMYPIL to finance the acquisition of JHK Investments and its subsidiaries.

On December 14, 2009, an amendment to the Articles of Association increasing SMYPIL's authorized capital from US$100 to US$120 was filed with the Registrar of Corporate Affairs of BVI.

Subsequently, while maintaining their respective ownership interests, SMHL and NYG made additional investments in SMYPIL amounting to US$23.6 and US$12.7, respectively.

On December 17, 2009, the Parent Company through its offshore subsidiary, SMYPIL, acquired from James Huntly Knox 60,705,521 shares in JHK Investments, the parent company of the Cospak Group, for up to a maximum amount of Australian Doallar A$34.65 (US$31.64). SMYPIL paid A$24.74 (US$22.59) for the shares. The balance of the purchase price in the amount of A$9.91 (US$9.05) will be paid by SMYPIL through an earn-out scheme based on the attainment by JHK Investments of an agreed Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA) for the period ended December 31, 2009 and for the six months period ending June 30, 2010.

On the same date, SMYPIL also subscribed to an additional 12,269,939 shares in JHK Investments for A$5 (US$4.57).

SMYPIL owns an aggregate of 65% of the outstanding shares of JHK Investments.

In February 2010, JHK Investments was renamed "San Miguel Yamamura Knox Pty. Ltd."

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Cash	US$27.16
Contingent consideration	9.05
	US$36.21

Contingent Consideration
As disclosed above, the contingent consideration will be paid through an earn-out scheme based on the attainment by JHK Investments of an agreed EBITDA for certain periods. As of the date of acquisition, the SMYPIL believes that it is probable that JHK Investments will achieve the agreed EBITDA.

Identifiable assets acquired and liabilities assumed as a result of acquisition are disclosed in Note 33.

g. SMPPC and Mincorr

On April 17, 2009, the Parent Company acquired Rengo Co. Ltd.'s 30% and 20% stake in SMPPC (then SMRPC) and Mincorr, respectively, for a total purchase price of P250. Subsequently, on April 29, 2009, the Parent Company acquired all the interests of Macondray Fibreboard Corporation in Mincorr for P27.1.

The acquisitions of the said interests by the Parent Company resulted in SMPPC and Mincorr becoming wholly-owned subsidiaries of the Parent Company in 2009.

SMRPC was renamed "San Miguel Paper Packaging Corporation", as approved by the SEC on September 3, 2009.

h. Highbreed Livestock Corporation (HLC)

In April 2009, MFC, a majority-owned subsidiary of SMPFC, acquired the subscription rights of certain individuals in HLC, a Philippine company engaged in livestock farming, processing, selling meat products (mainly pork and beef) and leasing of properties. As such, HLC became a subsidiary of MFC and was consolidated into SMPFC through MFC. On June 22, 2009, the respective BOD and stockholders of MFC and HLC approved the merger of HLC into MFC, with MFC as the surviving corporation. The consideration of the assignment of the subscription, net of the effect of the merger, amounted to P6.25. The SEC approved the merger on October 22, 2009. The BIR confirmed the tax-free merger of HLC into MFC in its certification No. S40-052-2009.

i. SMFI

On May 1, 2009, the Parent Company ceased the operations of Centralized Key Accounts Group and transferred its receivables, inventories and fixed assets to SMFI for a total consideration of P2,353.

j. SMMI

Pursuant to the Deed of Assignment executed by SMFI and SMMI in 2005 transferring certain assets and liabilities of SMFI's Flour Division at historical book value of P1,646 in exchange for SMMI's shares to be effective January 1, 2006, and the SEC's approval of such transfer and SMMI's increase in its authorized capital stock on March 27, 2007, SMMI issued to SMFI 16,454,816 of its common shares on April 10, 2007 in exchange for the transfer of said assets and liabilities. SMFI subsequently declared as property dividend its shares in SMMI in favor of the Parent Company.

In January 2008, the Parent Company executed a Deed of Assignment assigning its 16,454,816 shares in SMMI to SMPFC effective December 28, 2007. Following the Parent Company's transfer of its interest, SMFI became a wholly-owned subsidiary of SMPFC.

As of April 14, 2010, the declaration of the SMFI's shares in SMMI as property dividend in favor of the Parent Company is still pending issuance of a certificate of filing of property dividend declaration by SEC.

k. RealSnacks

As of December 31, 2009, RealSnacks has not yet started commercial operations.

l. SMPI

In 2009, SMPI executed the Deed of Absolute Sale completing the purchase of all the interests of certain individuals in Maison 17 Properties, Inc. (MPI) for a total purchase price of P311, including related taxes. SMPI fully paid the balance of the purchase price for the acquisition of shares of stock of MPI amounting to P157 (net of P154 advanced in 2008). As a result, MPI became a wholly-owned subsidiary of SMPI.

In 2009, SMPI acquired certain parcels of land at Boracay Island, Barangay Yapak, Malay, Aklan, with a total area of about 35,515 square meters, for a total consideration of P269.

In January 2009, SMPI acquired certain parcels of land located in Cauayan, Isabela (the Cauayan Property) for a total consideration of P128. The Cauayan Property has a total lot area of about 80,346 square meters.

Certain subsidiaries of SMPI acquired several parcels of land located in Metro Manila in 2009 and in Palawan in 2008 for a total consideration of P324 and P91, respectively.

m. Panasia

On September 11, 2009, the Power Sector Assets and Liabilities Management Corporation (PSALM) issued the Notice of Award to San Miguel Energy Corporation (SMEC) as the winning buyer of the 620 MW Limay Combined Cycle Power Plant (the "Limay Power Plant"). SMEC and PSALM entered into the Asset Purchase Agreement and Land Lease Agreement (collectively, the "Limay Agreements") with Effective Date of September 18, 2009.

On November 3, 2009, as part of the corporate restructuring of the Parent Company's power and energy business cluster, Panasia became a direct wholly-owned subsidiary of the Parent Company as a result of SMEC's sale of its 100% equity ownership interest in Panasia in favor of the Parent Company for P2.5. On November 13, 2009, SMEC and Panasia entered into an Assignment Agreement with Assumption of Obligations, wherein Panasia assumed all the rights and obligations of SMEC under the Limay Agreements subject to the written consent of PSALM to such assignment. PSALM's consent to the assignment was secured by SMEC and Panasia, as set out in the Amendment, Accession and Assumption Agreement executed by the parties on January 11, 2010.

On January 18, 2010, the physical possession of the Limay Power Plant was turned over and transferred to Panasia. Panasia started operations of the Limay Power Plant on February 16, 2010.

n. Kaliwa

On November 6, 2009, the Parent Company's wholly-owned subsidiary SMBW, incorporated Kaliwa with an authorized capital stock of P1. Kaliwa's primary purpose is to construct, maintain, and operate dams, reservoirs, conduits, aqueducts, tunnels, conveyance water lines, hydropower stations, water treatment plants, water mains, pipes, pumping stations, storage facilities, off-take facilities, machineries, equipment, facilities and other waterworks necessary or required for the storage, treatment and supply of potable water in areas such as, but not limited to, the Kaliwa River Basin; to develop physical infrastructure and other amenities such as roads, water supply, drainage systems and sewerage facilities; and to purchase, acquire or lease property, machinery, equipment and operating facilities for the pursuit of the aforesaid objectives. Kaliwa has not yet started commercial operations as of April 14, 2010.

o. SPDC

Following the December 15, 2009 bidding conducted by PSALM for the Appointment of the IPP Administrator for the Contracted Capacity of the 345 MW San Roque Multi-Purpose Hydroelectric Power Plant located at Barangay San Roque, San Miguel, Pangasinan (the “San Roque Power Plant”), PSALM issued on December 28, 2009 the Notice of Award to SPDC as the winning bidder thereof. As of January 26, 2010, SPDC assumed the administration of the Contracted Capacity of the San Roque Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the San Roque Power Plant with Execution Date of December 29, 2009.

On February 11, 2010, SPDC’s BOD approved the following: (i) subscription by the Parent Company and Global 5000 Investment Inc. (Global) of 1,500 and 6,000 shares, respectively, of SPDC’s remaining unissued capital stock; and (ii) increase in the authorized capital stock of SPDC from P1 divided into 10,000 shares with par value of P100.00 per share to P100 divided into 1,000,000 shares with par value of P100.00 per share, with the Parent Company and Global subscribing to 396,000 and 594,000 shares of SPDC, respectively, out of the increase in the authorized capital stock, at P100.00 per share. The aforementioned increase in the authorized capital stock of SPDC was likewise approved by the stockholders of SPDC in a meeting held on the same date. The application for the increase in authorized capital stock of SPDC is yet to be filed with the SEC as of April 14, 2010.

On March 15, 2010, the Parent Company and Global executed the Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SPDC. On March 19, 2010, the Parent Company paid in full its remaining unpaid subscription to the 2,495 common shares of stock in SPDC amounting to P0.1875.

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.

p. Northlink

Northlink was incorporated on December 15, 2009, with an authorized capital stock of P1 divided into 1,000,000 shares with the par value of P1.00 per share. Northlink is a joint venture company formed by the Parent Company and Star Tollway Corporation (STC), under a 60-40 equity arrangement. The Parent Company and STC have subscribed to 149,997 and 99,998 shares of stock of Northlink, respectively.

q. SMBI

On November 1, 2008, GSMI entered into an Asset Purchase Agreement with SMBI for the purchase of SMBI's assets at net book value totaling P1,039, subject to adjustments as may be warranted by circumstances transpiring prior to closing date and which affect the value of the assets. Twenty-five percent (25%) of the purchase price was settled upon execution of the agreement, and thereafter the remaining balance shall be payable in six (6) equal monthly installments. On December 8, 2008, GSMI also entered into a service agreement with SMBI whereby the latter rendered various services to GSMI related to the production, promotion, sale and distribution of non-alcoholic beverages products as well as the operation of beverage assets. In consideration of the services rendered by SMBI, GSMI paid a monthly service fee in the amount of P21. The term of the agreement is for six (6) months commencing on November 1, 2008 and expired on April 30, 2009.

On December 31, 2008, the closing date of the transaction, the purchase price was adjusted to P1,117.

r. SMDCi

On December 31, 2009, SMDCi ceased its commercial operations.

s. SMKFSI

On July 3, 2008, the Parent Company, the Kuok Group and the Philippine government, acting through several agencies, signed a Memorandum of Understanding on the Philippine Food Security Program (MOU) for the development and cultivation of up to one (1) million hectares of land for the purpose of producing basic food staples. Under the MOU, the Philippine government will identify and make available for cultivation or food production suitable tracts of land under its control, possession or ownership. In turn, the Parent Company and Kuok Group will, after conducting an evaluation and review of the suitability of the identified tracts of land, provide financing, technical support and management for agricultural crop production determined to be suitable for the identified areas, which will include, but will not be limited to, irrigation, access roads, post-harvest investments, and ready market for the agricultural produce.

On September 2008, SMKFSI was incorporated with the primary purpose to develop a sustainable food security program for the Philippines by harnessing idle lands of the government and private parties for the production of rice, corn, cassava, banana and other commercial agricultural products. The Parent Company intends to use SMKFSI as the corporate vehicle for the implementation of the project described in the MOU.

SMKFSI is currently undertaking site suitability assessments, feasibility studies and planning activities for prospective project areas in the Philippines. Land use arrangements are being worked out with the concerned government agencies.

Investments in Shares of Stock of Associates and Advances to Associates and Other Investments

Investments in shares of stock and advances to associates and other investments consist of:

	Note	**2009**	2008
Investments in associates - at equity:			
Acquisition cost			
Balance at beginning of year		**P32,826**	P232
Additions		**6,794**	32,594
Transferred to assets held for sale	*6*	**(3,159)**	-
		36,461	32,826
Accumulated equity in net earnings (losses):			
Balance at beginning of year		**(1,163)**	(12)
Equity in net earnings (losses) during the year		**2,816**	(1,132)
Share in comprehensive gains (losses)		**252**	(19)
Impairment loss and others	27	**(178)**	-
Dividends		**(752)**	-
Accumulated equity on investments transferred to assets held for sale	*6*	**413**	-
Balance at end of year		**1,388**	(1,163)
		37,849	31,663
Advances		**1,156**	-
AFS financial assets	*35, 36*	**351**	590
		P39,356	P32,253

The carrying values of investments in shares of stock of associates are as follows:

		2009		2008	
	Country of Incorporation	**Percentage of Ownership**	**Amount**	Percentage of Ownership	Amount
Manila Electric Company (Meralco)	Philippines	**27.00**	**P32,029**	27.00	P30,971
BOC	Philippines	**31.23**	**-**	30.00	465
Northpine Land, Inc.	Philippines	**20.00**	**237**	20.00	227
SMEC	Philippines	**40.00**	**294**	-	-
Liberty Telecoms Holdings, Inc. (LTHI)	Philippines	**32.70**	**3,714**	-	-
Private Infra Dev Corporation (PIDC)	Philippines	**35.00**	**1,575**	-	-
			P37,849		P31,663

Following are the unaudited condensed and combined financial information of the associates:

	2009	2008	2007
Current assets	**P100,853**	P93,633	P1,678
Current liabilities	**140,332**	131,582	889
Noncurrent assets	**297,501**	172,880	8,079
Noncurrent liabilities	**182,838**	82,829	2,808
Revenue	**194,795**	198,577	735
Net income (loss)	**8,262**	(3,493)	515

a. Meralco

On October 27, 2008, the Parent Company entered into a sale and purchase agreement with the Government Service Insurance System (GSIS) to acquire the latter's 300,963,189 shares in Meralco for a total consideration of P27,087 plus an additional fixed term interest of P3,758. On November 10, 2008, the Parent Company paid P5,417 representing downpayment for said shares with the balance payable in three (3) years. The current portion of the Parent Company's outstanding payable as of December 31, 2009 amounted to P6,527 (included under "Accounts payable and accrued expenses" account). The noncurrent portion of P18,148 and P25,428 as of December 31, 2009 and 2008, respectively, is reported as part of "Other noncurrent liabilities" account.

The fair value of the Parent Company's investment in Meralco amounted to P61,396 and P16,553 as of December 31, 2009 and 2008, respectively.

b. BOC

In October 2007, SMPI and SMCRP entered into a subscription agreement pursuant to which SMPI and SMCRP agreed to subscribe, subject to certain terms and conditions, to 10,000,000 unissued and unsubscribed common shares of BOC with an aggregate par value of P1,000 (P100.00 per share) for P2,000 (P200.00 per share), equivalent to 34% of the total outstanding capital stock of BOC, with SMPI and SMCRP holding 30% and 4% equity ownership interest, respectively.

In April 2008, SMPI and SMCRP paid the balance of its payable to BOC for its subscription amounting to P1,500, of which P1,249 and P251 were paid by SMPI and SMCRP, respectively.

In May 2008, SMPI and SMCRP entered into a subscription agreement with BOC for a total of 10,000,000 additional shares in BOC, wherein SMPI subscribed to an additional 3,001,779 shares, from the increase in the authorized capital stock of BOC with an aggregate par value of P300 (P100.00 per share) for P600 (P200.00 per share) to maintain its 30% stake in BOC, while SMCRP increased its holdings in BOC to 21%. As of December 31, 2008, SMPI has made an advance payment of P150 which is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account (Note 15).

Pursuant to the second subscription agreement for a total consideration of P600, SMPI appropriately applied the advance payment as of December 31, 2008 and fully paid the remaining subscription payable in April 2009 amounting to P150 and P450, respectively. On July 2, 2009, SMPI exercised its pre-emptive right and subscribed an additional 4,001,197 shares (equivalent to 30% ownership interest) for P694. Such subscription was fully settled on August 8, 2009. On August 14, 2009, SMPI subscribed to portion of unexercised pre-emptive rights of certain stockholders acquiring additional 4% interest (equivalent to 596,898 shares) in BOC for P104 thereby increasing equity ownership interest from 30% to 34% starting September 30, 2009. On October 1, 2009, SMPI acquired additional 50,000 shares from existing stockholder of BOC with a selling price of US$4.68 per share or about US$0.234 (equivalent to P11). Also in the same month, the remaining unexercised pre-emptive rights were exercised by other existing stockholders thus, decreasing equity ownership interest from 34% to 31.23%. As of December 31, 2009, SMPI fully paid all of its subscriptions payable to BOC.

BOC is required to meet certain ratios under Bangko Sentral ng Pilipinas (BSP) regulations to manage the risks inherent in the banking business. As of December 31, 2009 and 2008, BOC has complied with the statutory and regulatory capital requirements which were computed based on the regulatory accounting policies that differ from PFRS in some aspects.

Certain accounting policies applied by BOC in the preparation of its financial statements are not in accordance with PFRS. In computing for the equity in net earnings (losses) and comprehensive income (losses) of BOC, SMPI made adjustments to the 2009 and 2008 audited financial statements of BOC to conform BOC's accounting policies with PFRS and make them consistent with the Group's accounting policies. The adjustments made by SMPI relate to the correction of: (a) inadequate reserves on non-performing assets, investment properties and financial assets; and (b) deferral of losses on sale of non-performing loans.

Based on the adjusted account balances of BOC as of December 31, 2009, management determined that the carrying amount of the investment is not fully recoverable thus, an impairment loss on the investment amounting to P163 was recognized and is included in "Other income (charges)" account (Note 27). No impairment loss on the investment was recognized in 2008.

On February 15, 2010, SMPI's BOD authorized the divestment of SMPI's 31.23% interest in BOC. The carrying amount of the investment as of December 31, 2009 amounted to P2,746, representing 16,396,689 common shares (Note 6).

c. SMEC

As a result of the bidding conducted by PSALM on August 28, 2009 for the Appointment of the IPP Administrator for the Contracted Capacity of the Sual 2x500 MW Coal Fired Power Station ("Sual Power Plant"), SMEC was declared the winning bidder thereof as set out in the Notice of Award issued by PSALM on September 1, 2009. As of November 6, 2009, SMEC assumed the administration of the Contracted Capacity of the Sual Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the Sual Power Plant with Execution Date of September 8, 2009.

On October 26, 2009, SMEC's BOD approved the following: (i) subscription by the Parent Company and Global of 15,000 and 60,000 shares, respectively, of SMEC's remaining unissued capital stock; and (ii) increase in the authorized capital stock of SMEC from P10 divided into 100,000 shares with par value of P100.00 per share to P300 divided into 3,000,000 shares with par value of P100.00 per share, with the Parent Company and Global subscribing to 1,160,000 and 1,740,000 shares of SMEC, respectively, out of the increase in the authorized capital stock, at P100.00 per share. The aforementioned increase in the authorized capital stock of SMEC was likewise approved by the stockholders of SMEC in a meeting held on the same date. The application for the increase in authorized capital stock of SMEC is yet to be filed with the SEC as of April 14, 2010.

The Parent Company, on November 16, 2009, and Global, on November 17, 2009, executed the Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SMEC. On November 26, 2009, the Parent Company paid in full its remaining unpaid subscription to the 24,995 common shares of stock in SMEC amounting to P1.835.

With the new subscription, Global owns an aggregate of 60% equity ownership interest in SMEC, while the Parent Company retains an aggregate of 40% equity ownership interest in SMEC.

d. LTHI

On July 8, 2009, Vega, a wholly-owned subsidiary of the Parent Company, acquired 579,111,669 common shares (approximately 32.7% of the outstanding capital stock) of LTHI from LTHI's existing stockholders for a total consideration of P2,041.

On July 21, 2009, Vega entered into a subscription agreement with LTHI for the subscription of 587,951,737 voting, nonredeemable and participating preferred shares of LTHI at an issue price of P3.00 per share or approximately P1,764. As of December 31, 2009, Vega paid P735 as deposit for the subscription.

On January 5, 2010, Vega paid P588 as additional deposit for the subscription of LTHI's 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 SEC on January 18, 2010.

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

The fair value of the Group's capital stock investment in LTHI amounted to P1,564 as of December 31, 2009.

e. PIDC

On September 11, 2009, Rapid, a wholly-owned subsidiary of the Parent Company, acquired 35% stake in PIDC, a consortium of construction companies behind the Tarlac-Pangasinan-La Union Expressway Project. Rapid subscribed to 1,575,000 common shares of PIDC amounting to P1,575 and paid a portion of the subscription price amounting to P561 on September 11, 2009.

f. KSA Realty Corporation (KSA)

On December 14, 2007, the Parent Company through SMPI entered into a Share Purchase Agreement to sell its 354,862 common shares (equivalent to 29.38% ownership) in KSA with carrying amount equivalent to its acquisition cost plus accumulated equity in net earnings of P468 to Shang Properties, Inc. for a total consideration of P1,812. The Group recognized a gain of P1,182, net of capital gains tax of P162. The transaction was completed on January 14, 2008.

g. NutriAsia Pacific San Miguel Holdings Ltd. (NSMH)

In April 2007, the Parent Company, through San Miguel Foods Asia Limited (SMFAL), entered into a Share Purchase Agreement with Well Grounded Limited for the sale of SMFAL's 42.22% equity and other interest in NSMH for US$150. NSMH is the holding company of Nutri Asia Pacific Limited, which in turn is the parent company of Del Monte Pacific Ltd. The amount of US$130 was received on April 25, 2007 as partial payment for the transaction. The balance of US$20 shall be subject to interest of 7.2% per annum. The principal amount and all interest accrued were paid on April 24, 2009. The Group recognized a gain from the said transaction amounting to US$46 (P2,149).

h. Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading Co. Ltd. (TGT)

On August 27, 2008 and September 11, 2008, GSMI incorporated Global Beverage Holdings, Limited (GBHL) and Siam Holdings Limited (SHL), respectively, as wholly-owned subsidiaries. GSMI subscribed to 1,000 shares of GBHL at par value of US$1.00 per share for a total subscription value of US$0.001 (P0.05) and 1,000 shares of SHL at par value of US$1.00 per share for a total subscription value of US$0.001 (P0.05). Both entities are established as holding companies for the acquisition of additional investment in TSML and TGT, both a joint venture by GSMI with Thai Life Group of Companies.

On October 14, 2008, GSMI, through SHL, acquired 24,500 shares representing 49% ownership of the outstanding shares of Siam Wine and Liquor Limited (SWL), a limited company organized under the laws of Thailand, for Thailand Baht THB2 (P3). On the same date, SWL acquired 1,000,000 shares representing 10% ownership of the outstanding capital stock of TSML for THB106.48 (P148). SHL's share on the share purchase is THB52.2 (P72) for 490,000 shares at THB108.68 per share representing 4.9% ownership. Accordingly, GSMI group's share in TSML increased from 40% to 44.9%.

On October 14, 2008, GSMI advanced a total amount of US$3 (P147) to GBHL. On October 10, 2008, GBHL ("Lender") entered into a loan agreement with SWL ("Borrower") for the same amount, to finance the latter's working capital requirements and purchase of additional shares in TSML and TGT.

On March 6, 2009, the BOD of TSML approved the increase in the capital stock of TSML from THB1,000 to THB1,250. On the same date, GSMIL, a wholly-owned subsidiary of GSMI, subscribed to 40% of the said increase for a total subscription price of THB100 (P134.6) to maintain its 40% stake in TSML. On March 9, 2009, GSMIL remitted to TSML THB60 (P81.5), representing 60% of the subscription price as deposit for future stock subscription.

On March 6, 2009, SWL subscribed to 10% of the increase in capital stock of TSML for a total of THB25 (P33.6) to retain its 10% stake in TSML. On March 9, 2009, SWL remitted to TSML THB15 (P20.2) representing 60% of the subscription as deposit for future stock subscription. With the subscriptions of GSMIL and SWL in TSML, the GSMI group's interest in TSML remained at 44.9%.

On December 11, 2009, GSMIL and SWL remitted to TSML THB40 (P57.3) and THB10 (P14.2), respectively, representing 40% of the subscription in the increase in the capital stock of TSML on March 6, 2009. The payment made by SWL was financed by the proceeds of the loan agreement dated December 11, 2009 entered into by SHL and SWL in the amount of THB10 (P14.2).

On February 25, 2010, GSMIL acquired additional shares to retain the 40% ownership of the outstanding shares of TSML for THB40 (P56). On the same date, SHL ("Lender") entered into a loan agreement with SWL ("Borrower") for THB10 to purchase additional shares in TSML.

Presented below is the Group's share in the assets, liabilities, income and expenses of the joint venture as of and for the years ended December 31, 2009, 2008 and 2007 of TSML which is included in the Group's consolidated financial statements:

	2009	2008	2007
Current assets	**P556**	P459	P323
Noncurrent assets	**896**	911	843
Current liabilities	**409**	288	86
Noncurrent liabilities	**416**	526	526
Revenue	**474**	402	-
Cost of sales	**397**	398	-
Operating expenses	**136**	70	34
Other income	**1**	1	1
Net loss	**58**	65	33

The Group's share in the cash flows of TSML for the years ended December 31, 2009, 2008 and 2007 are as follows:

	2009	2008	2007
Net cash flows provided by (used in) operating activities	**(P69)**	P88	(P62)
Net cash flows provided by (used in) investing activities	**17**	(70)	(483)
Net cash flows provided by (used in) financing activities	**(111)**	(20)	536

On October 14, 2008, SWL acquired 5,000 shares representing 10% ownership of the outstanding capital stock of TGT for THB0.5 (P0.7). SHL's share on the share purchase is THB0.2 (P0.3) for 2,450 shares at THB100.00 per share representing 4.9% ownership. Accordingly, the GSMI group's share in TGT increased from 40% to 44.9%.

Presented below is the Group's share in the assets, liabilities, income and expenses of the joint venture as of and for the years ended December 31, 2009 and 2008 of TGT which is included in the Group's consolidated financial statements:

	2009	2008	2007
Current assets	**P102**	P142	P3
Noncurrent assets	**30**	44	1
Current liabilities	**237**	219	2
Noncurrent liabilities	**16**	29	-
Revenue	**228**	153	-
Cost of sales	**206**	121	-
Operating expenses	**80**	92	2
Other income	**2**	1	-
Net loss	**56**	59	2

The Group's share in the cash flows of TGT for the periods ended December 31, 2009 and 2008 is as follows:

	2009	2008	2007
Net cash flows provided by (used in) operating activities	**P1**	P18	(P7)
Net cash flows provided by (used in) investing activities	**14**	(43)	(1)
Net cash flows provided by (used in) financing activities	**(13)**	29	-

TSML and TGT both started commercial operations in March 2008.

i. SMPI Advances

In 2009, SMPI provided US dollar-denominated non-interest bearing cash advances to Primeria Commercio Holdings, Inc. (PCHI), a future investee of SMPI, amounting to US$17 (P794) as of December 31, 2009. These advances will be applied against future subscriptions of SMPI to the shares of stock of PCHI.

In June 2009, SMPI entered into a Joint Venture Agreement (JVA) with certain individuals and corporations (collectively referred to as Co-Venturer) to transfer title of the properties and develop and later operate the properties into a mixed commercial and residential estate. On July 28, 2009, as part of the terms of the JVA, Integrated Geosolutions Inc. (IGI) was incorporated with an authorized capital stock of P1,000 divided into 1,000,000,000 common shares with a par value of P1.00 per share. On the same date, the Co-Venturer subscribed to 600,000,000 common shares of IGI for P600.

Pursuant to the terms and conditions of the JVA, SMPI made cash advances in favor of the Co-Venturer amounting to P311 as of December 31, 2009. Under a Deed of Assignment, such advances will be applied as payment for SMPI's subscription to sufficient number of IGI shares of stock to give SMPI a 51% ownership interest, pending its execution.

On October 31, 2007, SMPI entered into a JVA with the GSIS to establish a Joint Venture Corporation (JVC). The JVC will hold ownership to the real property owned by GSIS, develop the property into a first class high-rise service apartment and manage and operate the same. The JVC will have an authorized capital stock of P600 divided into 600,000,000 shares with a par value of P1.00 per share. The parties agreed to an equal equity participation wherein the real estate property owned by GSIS is valued at P300 while SMPI has committed to contribute P300 to the JVC. On October 23, 2008, SMPI-GSIS JVC was incorporated.

Under the JVA, SMPI grants GSIS the option to sell to SMPI all the shares of stock of the JVC issued in the name of GSIS and its nominees under certain terms and conditions. As of December 31, 2009, SMPI has made unsecured non-interest bearing cash advances to the JVC amounting to P51. The JVC has not yet started commercial operations as of April 14, 2010. SMPI is yet to complete its subscription to the JVC's shares of stock with the assignment of its investment in MPI as part of the consideration.

j. Philippine Nutrition Technologies, Inc. (PNTI)

In 2007, SMPFC provided full allowance for the impairment in value of its investment in PNTI, a joint venture between SMPFC and the Great Wall Group of Taiwan. Application with the SEC for the dissolution of PNTI, through shortening of its corporate term, which was approved by the BOD and stockholders of PNTI in August 2005, will be filed by SMPFC following the receipt on February 4, 2010 of the tax clearance from the BIR and the completion of other SEC requirements necessary for such filing.

k. AFS financial assets pertain to various investments in shares of stock carried at fair value.

11. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Cost:										
December 31, 2007	P8,881	P21,214	P68,696	P2,701	P1,932	P2,451	P395	P825	P7,461	P114,556
Additions	350	1,234	5,143	406	115	97	140	24	(1,072)	6,437
Disposals/reclassifications	(187)	(50)	(7)	(226)	(282)	(4)	(17)	(9)	(1,623)	(2,405)
Currency translation adjustments	145	1,575	3,513	39	89	62	9	-	613	6,045
December 31, 2008	9,189	23,973	77,345	2,920	1,854	2,606	527	840	5,379	124,633
Additions	424	897	2,766	729	210	126	144	115	838	6,249
Disposals/reclassifications	977	(245)	(781)	(349)	315	(190)	(17)	(35)	(513)	(838)
Currency translation adjustments	37	(219)	(439)	5	(25)	-	3	1	(30)	(667)
December 31, 2009	**10,627**	**24,406**	**78,891**	**3,305**	**2,354**	**2,542**	**657**	**921**	**5,674**	**129,377**
Accumulated depreciation and amortization:										
December 31, 2007	1,074	5,279	33,977	1,888	1,559	2,005	288	309	-	46,379
Additions	90	663	3,511	231	121	169	108	40	-	4,933
Disposals/reclassifications	(124)	(97)	(704)	(122)	(249)	(57)	1	(15)	-	(1,367)
Currency translation adjustments	14	354	1,292	30	79	40	6	-	-	1,815
December 31, 2008	1,054	6,199	38,076	2,027	1,510	2,157	403	334	-	51,760
Additions	83	721	3,696	226	139	182	161	46	-	5,254
Disposals/reclassifications	7	(132)	(732)	(270)	42	(166)	(55)	(9)	-	(1,315)
Currency translation adjustments	10	(57)	(156)	4	(23)	5	2	1	-	(214)
December 31, 2009	**1,154**	**6,731**	**40,884**	**1,987**	**1,668**	**2,178**	**511**	**372**	**-**	**55,485**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Accumulated impairment losses:										
December 31, 2007	P -	P918	P2,884	P1	P11	P6	P2	P -	P -	P3,822
Disposals/reclassifications	-	-	(46)	-	(3)	8	-	-	-	(41)
Currency translation adjustments	-	172	604	-	2	1	-	-	-	779
December 31, 2008	-	1,090	3,442	1	10	15	2	-	-	4,560
Additions for the year	208	1,571	1,852	6	3	6	-	-	-	3,646
Disposals/reclassifications	-	(280)	210	-	-	(1)	-	-	-	(71)
Currency translation adjustments	-	(68)	(94)	(1)	-	-	1	-	-	(162)
December 31, 2009	**208**	**2,313**	**5,410**	**6**	**13**	**20**	**3**	**-**	**-**	**7,973**
Net book value:										
December 31, 2008	P8,135	P16,684	P35,827	P892	P334	P434	P122	P506	P5,379	P68,313
December 31, 2009	**P9,265**	**P15,362**	**P32,597**	**P1,312**	**P673**	**P344**	**P143**	**P549**	**P5,674**	**P65,919**

Depreciation, amortization and impairment losses charged to operations amounted to P8,900, P4,933 and P7,824 in 2009, 2008 and 2007, respectively. Of the said amounts, P1,659 in 2007 was presented as part of discontinued operations and P1,461 was presented as part of loss on impairment of property, plant and equipment and idle assets under "Other income (charges)" account in 2007 (Notes 6, 23 and 27). These amounts include annual amortizations of capitalized interest amounting to P2, P2 and P23 in 2009, 2008 and 2007, respectively. No interest was capitalized in 2009 and 2008.

In 2008, the Group, through SMPI, sold its parcel of land, including improvements located along Aurora Boulevard, Quezon City for a total consideration of P1,616. The gain recognized by the Group relating to the sale amounting to P1,562, is presented as part of "Gain on sale of investments and property and equipment".

Land and land improvements include a 144-hectare property in Bukidnon, acquired by SMFI in 2002, which later became the subject of a petition for revocation of conversion order filed by MAPALAD, a group of Sumilao farmers, with the Department of Agrarian Reform (DAR), and appealed to the Office of the President (OP). Total acquisition and development costs included in the account as of December 31, 2008 amounted to P37.

To settle the land dispute, a Memorandum of Agreement (MOA) was executed between SMFI, MAPALAD, OP and DAR on March 29, 2008. The MOA provided for the release of a 50-hectare portion of the property to qualified farmer-beneficiaries, and the transfer of additional 94 hectares outside of the property to be negotiated with other Sumilao landowners. Under the MOA, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion. Implementation of the MOA provisions is ongoing.

The cost of farm improvements, buildings, machinery and equipment and construction in progress incurred for Monterey's hog farm expansion project situated in Sumilao amounted to P676 and P481 in 2009 and 2008, respectively.

12. Investment Properties

The movements in investment properties, including the effects of currency translation adjustments are as follows:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Tools and Small Equipment	Total
Cost:					
December 31, 2007	P1,591	P537	P633	P9	P2,770
Additions/reclassifications	59	64	380	-	503
Disposals	(12)	(15)	-	-	(27)
Currency translation adjustments	127	85	-	-	212
December 31, 2008	1,765	671	1,013	9	3,458
Additions/reclassifications	71	7	-	-	78
Disposals	(2)	(38)	-	-	(40)
Currency translation adjustments	7	(11)	-	-	(4)
December 31, 2009	**1,841**	**629**	**1,013**	**9**	**3,492**
Accumulated depreciation:					
December 31, 2007	56	143	541	9	749
Additions	7	13	7	-	27
Disposals/reclassifications	23	33	353	-	409
Currency translation adjustments	(13)	33	-	-	20
December 31, 2008	73	222	901	9	1,205
Additions	8	11	15	-	34
Disposals/reclassifications	-	(7)	-	-	(7)
Currency translation adjustments	-	(3)	-	-	(3)
December 31, 2009	**81**	**223**	**916**	**9**	**1,229**
Accumulated impairment losses:					
December 31, 2007	335	38	-	-	373
Additions	5	-	-	-	5
Disposals	-	(13)	-	-	(13)
Currency translation adjustments	2	48	-	-	50
December 31, 2008	342	73	-	-	415
Additions	3	-	-	-	3
Disposals	-	(24)	-	-	(24)
Currency translation adjustments	4	(2)	-	-	2
December 31, 2009	**349**	**47**	**-**	**-**	**396**
Net book value:					
December 31, 2008	P1,350	P376	P112	P -	P1,838
December 31, 2009	**P1,411**	**P359**	**P97**	**P -**	**P1,867**

The fair value of investment properties as of December 31, 2009 and 2008 amounted to P2,886 and P2,758, respectively, which were determined based on valuations performed by independent appraisers.

13. Biological Assets

This account consists of poultry, hogs and cattle as follows:

	2009	2008
Current:		
Growing stocks	**P2,309**	P2,707
Goods in process	**216**	225
Total Current	**2,525**	2,932
Noncurrent breeding stocks - net	**1,847**	1,814
	P4,372	P4,746

The amortization of breeding stocks charged to operations amounted to P909 in 2009, P863 in 2008 and P754 in 2007.

Growing stocks pertain to growing broilers, hogs and cattle and goods in process pertain to hatching eggs and carcass.

The movements in biological assets, including the effects of foreign exchange adjustments are as follows:

	2009	2008
Gross:		
Balance at beginning of year	**P6,767**	P5,054
Increase (decrease) due to:		
Purchases	**13,391**	14,608
Production	**11,147**	33,540
Mortality	**(492)**	(31)
Sales	**(7,535)**	(2,745)
Harvest	**(15,957)**	(43,593)
Currency translation adjustments	**(21)**	(66)
Balance at end of year	**7,300**	6,767
Accumulated amortization:		
Balance at beginning of year	**2,021**	1,411
Additions	**909**	863
Disposals and others	**(2)**	(253)
Balance at end of year	**2,928**	2,021
Net book value	**P4,372**	P4,746

The Group harvested approximately 348.1 million kgs. and 322.9 million kgs. of grown broilers, in 2009 and 2008, respectively, and 784,689 and 674,458 heads of marketable hogs and cattle, in 2009 and 2008, respectively.

14. Goodwill and Other Intangible Assets

The movements in goodwill, including effects of currency translation adjustments are as follows:

	Note	**2009**	2008
Balance at beginning of year		**P5,201**	P5,348
Additions		**1,296**	-
Impairment	*27*	**(33)**	(322)
Currency translation adjustments		**(56)**	175
Balance at end of year		**P6,408**	P5,201

The movements in other intangible assets, including the effects of currency translation adjustments are as follows:

	Note	**Trademarks and Brand Names**	**Others**	**Total**
Cost:				
December 31, 2007		P1,962	P2,027	P3,989
Additions		78	73	151
Disposals and reclassifications		-	241	241
Currency translation adjustments		211	273	484
December 31, 2008		2,251	2,614	4,865
Additions		-	92	92
Disposals and reclassifications		-	118	118
Currency translation adjustments		21	(49)	(28)
December 31, 2009		**2,272**	**2,775**	**5,047**
Accumulated amortization and impairment losses:				
December 31, 2007		-	787	787
Additions		-	92	92
Disposals and reclassifications		-	102	102
Currency translation adjustments		-	72	72
December 31, 2008		-	1,053	1,053
Additions	*27*	133	131	264
Disposals and reclassifications		-	119	119
Currency translation adjustments		-	(19)	(19)
December 31, 2009		**133**	**1,284**	**1,417**
Net book value:				
December 31, 2008		P2,251	P1,561	P3,812
December 31, 2009		**P2,139**	**P1,491**	**P3,630**

Goodwill acquired through business combinations and trademarks and brand names with indefinite lives have been allocated to individual cash-generating units, which are also reportable segments, for impairment testing as follows:

	2009		2008	
	Goodwill	**Trademarks and Brand Names**	Goodwill	Trademarks and Brand Names
Beverage	**P1,265**	**P1,906**	P1,311	P2,012
Food	**2,943**	**233**	2,950	239
Packaging	**2,139**	**-**	879	-
Others	**61**	**-**	61	-
Total	**P6,408**	**P2,139**	P5,201	P2,251

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 6% to 14% in December 31, 2009 and 2008. The discount rates also impute the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The calculations of value in use are most sensitive to the following assumptions:

Gross Margins. Gross margins are based on average values achieved in the period immediately before the budget period. These are increased over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Discount Rates. The Group uses the weighted average cost of capital as the discount rates, which reflect management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.

Raw Material Price Inflation. Forecast consumer price are obtained from indices during the budget period from which raw materials are purchased. Value assigned to key assumption is consistent with external sources of information.

Impairment loss on goodwill amounting to P33 and P322 was recognized and is included in "Other income (charges)" account in 2009 and 2008, respectively (Note 27). No impairment loss on goodwill was recognized in 2007.

15. Other Noncurrent Assets

	Note	2009	2008
Noncurrent receivables and deposits - net	*6, 10, 29, 34, 35, 36*	**P5,933**	P7,439
Deferred containers - net	*4*	**4,446**	3,708
Others	*30, 35, 36*	**2,089**	3,094
		P12,468	P14,241

Noncurrent receivables and deposits include advances to Meralco and SMEC amounting to P68 and P2, respectively as of December 31, 2009 (Note 28).

Idle assets included under "Others" amounted to P235 and P65 as of December 31, 2009 and 2008, respectively (Note 27).

As of December 31, 2009, the Group has no derivative assets included under "Other noncurrent assets". Derivative assets included under "Others" amounted to P1 as of December 31, 2008 (Notes 35 and 36).

16. Drafts and Loans Payable

This account consists of:

	Note	2009	2008
Parent Company			
Peso-denominated		**P34,331**	P22,700
Foreign currency-denominated		**3,188**	6,605
Subsidiaries			
Peso-denominated		**16,125**	16,783
Foreign currency-denominated		**3,145**	2,472
	35, 36	**P56,789**	P48,560

Drafts and loans payable mainly represent unsecured peso and foreign currency-denominated amounts payable to local and foreign banks. Interest rates for peso-denominated loans range from 3.10% to 6.79% and 7.25% to 9.75% in 2009 and 2008, respectively. Interest rates for foreign currency-denominated loans range from 1.32% to 12.08% and 2.69% to 15.77% in 2009 and 2008, respectively.

17. Accounts Payable and Accrued Expenses

	Note	2009	2008
Trade	*35, 36*	**P8,791**	P9,061
Non-trade	*35, 36*	**18,076**	8,985
Amounts owed to related parties	*28, 35, 36*	**32**	24
Others	*30, 35, 36*	**4,505**	5,222
		P31,404	P23,292

Derivative liabilities included under "Others" amounted to P111 and P2,353 as of December 31, 2009 and 2008, respectively (Notes 35 and 36).

Non-trade payables consist of freight payable, contract growers/breeders' fee, guarantee deposits, expense payable and the unpaid balance due next year related to the acquisition of Meralco shares of stock.

Others include payroll-related accruals and accrued interest payable.

18. Long-term Debt

	2009	2008
Parent Company		
Unsecured term notes:		
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus an agreed margin, with maturities up to 2012 (a)	**P26,397**	P -
Floating interest rate based on LIBOR plus an agreed margin, with maturities up to 2012 (b)	**-**	43,454
Peso-denominated:		
Floating interest rate based on 3month PDST-F plus an agreed margin with maturities up to 2012 and 2014 (c)	**2,982**	-
	29,379	43,454
Subsidiaries		
Unsecured term notes:		
Bonds:		
Fixed interest rate of 8.25%, 8.875% and 10.5% maturing in 2012, 2014 and 2019, respectively (d)	**38,416**	-
Fixed interest rate of 6.50% and 7.25% maturing in 2012 and 2014, respectively (e)	**2,214**	2,211
Foreign currency-denominated:		
Floating interest rate based on VNIBOR, THBFIX and discount from PBOC lending rate, plus an agreed margin (f)	**2,953**	4,098
	43,583	6,309
	72,962	49,763
Less current maturities	**1,077**	9,044
	P71,885	P40,719

a. The amount represents drawdown by the Parent Company in 2009 from the US$600 loan facility for general working capital purposes. Unamortized debt issue costs related to this loan facility amounted to P1,323 as of December 31, 2009.

b. The amount represents drawdown by the Parent Company from the US$1,200 loan facility to refinance a portion of its short-term loans and the remaining balance of its long-term loans. Unamortized debt issue costs related to this loan facility amounted to P407 as of December 31, 2008.

On June 3, 2009, the Parent Company paid off the remaining balance of US$923 from the proceeds of the 6,665,023,690 shares sold by the Parent Company to Kirin representing 43.2499% stake in SMB.

c. The amount represents drawdown by the Parent Company in 2009 from the P2,000 five-year term loan and from the P1,000 floating rate corporate notes issued by the Parent Company for general financing and corporate requirements. Unamortized debt issue costs related to this loan amounted to P18 as of December 31, 2009.

d. SMB offered for sale and subscription to the public Philippine peso-denominated fixed rate bonds in the aggregate principal amount of P38,800 (Bonds) on April 3, 2009 (Issue Date). The Bonds was issued in three (3) series: Series A Bonds with an aggregare principal amount of P13,590 having a term of 3 years beginning on Issue Date and ending in April 3, 2012, with a fixed interest rate of 8.25% per annum; Series B Bonds with an aggregate principal amount of P22,400 having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate amount of P2,810 having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.50% per annum. Proceeds from the issuance of the bonds was used to finance SMB's acquisition of the interest of the Parent Company in IBI for P32,000 and the balance will be used to acquire the interest of the Parent Company in BPI. Unamortized debt issue costs related to these bonds amounted to P384 as of December 31, 2009.

   On November 17, 2009, the Philippine Dealing & Exchange Corp. (PDEX) approved SMB's application to list its peso-denominated fixed rate bonds for trading on the PDEX.

e. The amount represents syndicated loans obtained by SMYAC which were used for capital expenditures. Unamortized debt issue costs related to these loans amounted to P11 and P14 as of December 31, 2009 and 2008, respectively.

f. The amount includes loan obtained by SMFBIL's subsidiaries and SMYHG, which was used to finance their capital expenditures. It also includes the 44.9% share of the loan of TSML in 2009 and 2008 to finance its plant constructions and start up operations. Unamortized debt issue costs related to these loans amounted to P2 and P3 as of December 31, 2009 and 2008, respectively.

The debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

As of December 31, 2009 and 2008, the Group is in compliance with the covenants of the debt agreements.

The movements in debt issue costs are as follows:

	Note	**2009**	2008
Balance at beginning of year		**P424**	P797
Additions		**1,889**	1
Amortization	*25*	**(575)**	(374)
Balance at end of year		**P1,738**	P424

Repayment Schedule
As of December 31, 2009, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2010	P1,081	P4	P1,077
2011	1,481	954	527
2012	44,280	511	43,769
2013	519	4	515
2014	24,529	235	24,294
2019	2,810	30	2,780
	P74,700	**P1,738**	**P72,962**

19. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2009	2008
Unrealized intercompany charges and others	**P4,998**	P2,752
Allowance for impairment losses on trade and other receivables and inventory	**1,163**	1,136
MCIT	**1,145**	916
NOLCO	**753**	775
Undistributed net earnings of foreign subsidiaries - net	**(11,213)**	(15,792)
	(P3,154)	(P10,213)

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	2009	2008
Deferred tax assets	*4*	**P8,883**	P7,638
Deferred tax liabilities		**(12,037)**	(17,851)
		(P3,154)	(P10,213)

The undistributed earnings of foreign subsidiaries and cumulative translation adjustments for which deferred tax liabilities have not been recognized totaled P11,425 and P10,100 as of December 31, 2009 and 2008, respectively.

As of December 31, 2009, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2007	December 31, 2010	P954	P388
2008	December 31, 2011	566	410
2009	December 31, 2012	990	347
		P2,510	**P1,145**

The components of income tax expense are shown below:

	Note	**2009**	2008	2007
Current		**P10,254**	P7,907	P435
Deferred		**(6,548)**	(1,809)	4,085
Income tax expense from continuing operations		**3,706**	6,098	4,520
Income tax expense (benefit) from ordinary activities of discontinued operations	*6*	**-**	(7)	1,174
Income tax expense from gain on disposal of discontinued operations	*6*	**-**	2,921	4,596
		P3,706	P9,012	P10,290

The reconciliation between the statutory income tax rate on income before income tax from continuing operations and the Group's effective income tax rates are as follows:

	2009	2008	2007
Statutory income tax rate	**30.00%**	35.00%	35.00%
Increase (decrease) in income tax rate resulting from:			
Gain on sale of investments subject to final or capital gains tax	**(23.52)**	(12.05)	(6.03)
Interest income subject to final tax	**(2.79)**	(11.17)	(5.80)
Equity in net losses (earnings) of associates	**(1.31)**	1.91	(0.46)
Loss (gain) on derivatives	**(0.45)**	18.06	4.44
Others, mainly income subject to different tax rates and change in tax rate - net	**3.83**	(2.38)	8.73
Effective income tax rate	**5.76%**	29.37%	35.88%

20. Stockholders' Equity

a. On July 24, 2007, the stockholders of the Parent Company approved the increase in the Parent Company's authorized capital stock from P22,500 to P37,500, which will be made up of 3,600,000,000 Class "A" common shares, 2,400,000,000 Class "B" common shares and 1,500,000,000 preferred shares, all with a par value of P5.00 per share.

On July 23, 2009, during the Parent Company's annual stockholders' meeting, the stockholders approved amendments to the Parent Company's Articles of Incorporation providing for the reclassification of the common shares comprising the authorized capital stock of P22,500. The authorized capital stock of the Parent Company was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares and 1,110,000,000 Series "1" preferred shares, and defined the terms and features of the Series "1" preferred shares. The preferred shares shall be peso-denominated, perpetual, cumulative and non-voting Series "1" preferred shares with an issue price of P75.00 per share and a dividend rate of 8% per annum computed in reference to the issue price. The SEC approved these amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009. The stockholders also approved in the same stockholders' meeting, further amendments to the resolutions on the increase in the authorized capital stock of the Parent Company which were passed during the 2007 annual stockholders' meeting to provide for the division of the increased authorized capital stock of the Parent Company into common shares and two series of preferred shares. The proposed increase in the authorized capital stock of the Parent Company has not been submitted to the SEC for approval.

Also, on July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series "1" preferred shares. The exchange ratio was one (1) common share for one (1) Series "1" preferred share and the qualified shareholders of record as of July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class "A" common shares and 396,876,601 Class "B" common shares for Series "1" preferred shares.

On October 15, 2009, the Parent Company's BOD approved the issuance, through private placement, of up to 226,800,000 Series "1" preferred shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series "1" preferred shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series "1" preferred share.

b. *Capital Stock*

Common Stock

Class "A" common shares and Class "B" common shares have the same rights and privileges. Only Philippine citizens or corporations or associations that are at least 60% owned by Filipino citizens can own Class "A" common shares.

The movements in the number of issued and outstanding shares of common stock are as follows:

	2009	2008
Class "A"		
Balance at beginning of year	**1,975,940,615**	1,975,292,245
Issuances during the year	**4,652,540**	648,370
Issued shares at end of year	**1,980,593,155**	1,975,940,615
Less treasury shares	**530,959,512**	54,662,760
Issued and outstanding shares at end of year	**1,449,633,643**	1,921,277,855
Class "B"		
Balance at beginning of year	**1,246,527,833**	1,246,527,833
Issuances during the year	**2,823,954**	-
Issued shares at end of year	**1,249,351,787**	1,246,527,833
Less treasury shares	**407,689,212**	10,812,611
Issued and outstanding shares at end of year	**841,662,575**	1,235,715,222

Preferred Shares

Series "1" preferred shares has a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the Parent Company's BOD at a fixed rate of 8% per annum calculated in respect of each Series "1" preferred share by reference to the Issue Price thereof in respect of each dividend period. Unless the Series "1" preferred shares are redeemed by the Parent Company, the dividend rate shall be adjusted at the end of the fifth year after the date of issue.

Series "1" preferred shares do not carry the right to vote. The Series "1" preferred shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the Parent Company's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

As of December 31, 2009, the Parent Company has 970,506,353 outstanding Series "1" preferred shares.

c. Treasury shares, totaling 65,475,371 Class "A" and "B" common shares, are stated at acquisition cost, while 873,173,353 Class "A" and "B" common shares were acquired through the exchange of common shares to preferred shares on a one-for-one basis at P75.00 per share.

Out of the total treasury shares, 25,450,000 common shares (15,274,484 Class "A" common shares and 10,175,516 Class "B" common shares), with an acquisition cost of P481, [net of the cost of the 1,000,000 shares paid to Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by the Parent Company with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the Parent Company shares under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan resolution requiring the Parent Company to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares.

On October 10, 2000, the Parent Company filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than the Parent Company, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote the Parent Company to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan resolution upheld by the Supreme Court. The Parent Company referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering "with and without due compensation" scenarios, and applying different rates of return to the original amount paid by the Parent Company. The financial advisor stated that if the Parent Company is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2,100; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that: (a) the compromised shares had not been validly sequestered; (b) no timely direct action was filed to nullify the transaction; (c) no rescission can be effected without a return of consideration; and (d) more importantly, requiring the Parent Company to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which the Parent Company is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that the Parent Company has "legal and equitable grounds to challenge the enforcement" of the Sandiganbayan resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that the Parent Company should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Case No. 033-F), the forfeiture case brought by the Government involving the so-called CIIF block of the Parent Company shares of stock of which the treasury shares are a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of the Parent Company shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of the Parent Company unanimously decided to (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of the Parent Company and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed the Parent Company's intervention, the Sandiganbayan's disposition of the so-called CIIF block of the Parent Company shares in favor of the Government cannot bind the Parent Company, and that the Parent Company remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions, (i) recognized the Parent Company's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that the Parent Company and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation. The Executive Committee of the Parent Company approved the recommendation of external legal counsel on January 18, 2008 which was ratified by the BOD on March 6, 2008.

The Supreme Court affirmed its resolution, issued on September 17, 2009, allowing the PCGG to convert the 24% sequestered shares of the Parent Company in the name of CIIF into Series "1" preferred shares. The Court held that the conversion is necessary to preserve the value of the 753,848,312 common shares.

On February 11, 2010, the Supreme Court amended its Resolution dated September 17, 2009 and authorized the PCGG to exercise discretion in depositing on escrow, the net dividend earnings on, and/or redemption proceeds from, the Series "1" preferred shares of SMC, either with the Development Bank of the Philippines/ Land Bank of the Philippines or with the UCPB, having in mind the greater interest of the government and the coconut farmers.

In the meantime, the Parent Company has available cash and shares of stock for the dividends payable on the treasury shares.

The movements in the number of acquired shares of treasury stock are as follows:

	2009	2008
Class "A"		
Balance at beginning of year	**54,662,760**	54,662,760
Acquisition through exchange of common shares to preferred shares during the year	**476,296,752**	-
Balance at end of year	**530,959,512**	54,662,760
Class "B"		
Balance at beginning of year	**10,812,611**	10,812,611
Acquisition through exchange of common shares to preferred shares during the year	**396,876,601**	-
Balance at end of year	**407,689,212**	10,812,611

d. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries and associates amounting to P18,184, P57,482 and P44,199 in 2009, 2008 and 2007, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

   The Parent Company's unappropriated retained earnings as of December 31, 2009 and 2008 is restricted in the amount of P69,541 and P4,053, respectively, representing the cost of shares held in treasury.

e. The BOD of certain subsidiaries approved additional appropriations amounting to P15, P176 and P273 in 2009, 2008 and 2007, respectively, to finance future capital expenditure projects. Reversal of appropriations in 2009, 2008 and 2007 amounted to P40, P688 and P275, respectively.

21. Cost of Sales

Cost of sales consists of:

	Note	**2009**	2008	2007
Inventories		**P75,051**	P76,205	P68,727
Taxes and licenses		**21,515**	19,703	18,878
Depreciation, amortization and impairment losses	*23*	**4,994**	4,660	4,461
Contracted services		**4,682**	4,296	3,206
Freight, trucking and handling		**4,392**	4,230	2,511
Personnel	*24*	**3,802**	3,815	2,926
Communications, light and water		**3,662**	4,232	4,260
Fuel and oil		**2,170**	3,267	2,150
Repairs and maintenance		**1,827**	1,584	1,786
Rent	*4*	**455**	550	648
Others		**1,745**	1,530	509
		P124,295	P124,072	P110,062

22. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2009	2008	2007
Selling	**P12,905**	P13,518	P10,331
Administrative	**17,344**	15,633	16,002
	P30,249	P29,151	P26,333

Selling expenses consist of:

	Note	2009	2008	2007
Advertising and promotions		**P4,980**	P5,697	P4,258
Personnel	*24*	**3,635**	3,251	2,592
Freight, trucking and handling		**2,021**	2,049	1,357
Rent	*4*	**1,060**	995	446
Supplies		**251**	281	447
Taxes and licenses		**249**	213	207
Depreciation, amortization and impairment losses	*23*	**221**	248	305
Communications, light and water		**218**	169	536
Professional Fees		**45**	43	86
Others		**225**	572	97
		P12,905	P13,518	P10,331

Administrative expenses consist of:

	Note	2009	2008	2007
Personnel	*24*	**P7,385**	P6,771	P5,900
Depreciation, amortization and impairment losses	*23*	**2,110**	1,859	1,750
Professional fees		**2,383**	1,283	1,150
Repairs and maintenance		**952**	867	1,669
Advertising and promotion		**822**	1,614	2,071
Supplies		**711**	710	433
Taxes and licenses		**673**	617	603
Communications, light and water		**644**	692	706
Rent	*4*	**605**	251	356
Others		**1,059**	969	1,364
		P17,344	P15,633	P16,002

23. Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses are distributed as follows:

	Note	2009	2008	2007
Cost of sales:				
Property, plant and equipment	*11*	**P3,852**	P3,604	P3,434
Deferred containers, biological assets and others		**1,142**	1,056	1,027
	21	**4,994**	4,660	4,461
Selling and administrative expenses:				
Property, plant and equipment	*11*	**1,402**	1,329	1,270
Deferred containers and others		**929**	778	785
	22	**2,331**	2,107	2,055
		P7,325	P6,767	P6,516

"Others" include amortization of computer software, land use rights, licenses and investment properties.

Depreciation expense amounting to P1,659 in 2007 was presented as part of discontinued operations (Note 6).

24. Personnel Expenses

	Note	**2009**	2008	2007
Salaries and wages		**P7,205**	P6,440	P4,530
Retirement costs	*30*	**594**	857	1,236
Other employee benefits		**7,023**	6,540	5,652
		P14,822	P13,837	P11,418

Personnel expenses are distributed as follows:

	Note	**2009**	2008	2007
Cost of sales	*21*	**P3,802**	P3,815	P2,926
Selling expenses	*22*	**3,635**	3,251	2,592
Administrative expenses	*22*	**7,385**	6,771	5,900
		P14,822	P13,837	P11,418

25. Interest Expense and Other Financing Charges

	2009	2008	2007
Interest expense	**P6,780**	P5,370	P5,442
Other financing charges	**1,146**	662	1,675
	P7,926	P6,032	P7,117

Amortization of debt issue costs in 2009, 2008 and 2007 included in other financing charges amounted to P575, P374 and P904, respectively (Note 18).

Interest expense on drafts and loans payable and long-term debt are as follows:

	2009	2008	2007
Drafts and loans payable	**P2,916**	P2,960	P2,165
Long-term debt	**3,864**	2,410	3,277
	P6,780	P5,370	P5,442

Interest expense and other financing charges amounting to P2,984 in 2007 was presented as part of discontinued operations (Note 6).

26. Interest Income

	Note	**2009**	2008	2007
Interest from short-term investments, cash in banks and others	*7*	**P5,350**	P4,320	P939
Interest on amounts owed by a related party	*8*	**639**	2,310	1,148
		P5,989	P6,630	P2,087

Interest income amounting to P317 in 2007 was presented as part of discontinued operations (Note 6).

27. Other Income (Charges)

	2009	2008	2007
Foreign exchange gains (losses)	**(P3,364)**	P8,684	P6,587
Loss on impairment of goodwill, trademark and brand name, property, plant and equipment and idle assets [see (a), (b), (c), (d) and (e) below and Note 10]	**(4,756)**	(322)	(1,744)
Gains (losses) on derivatives - net	**962**	(10,718)	(1,598)
Others	**315**	94	369
	(P6,843)	(P2,262)	P3,614

a. In 2009, the Group reduced the carrying value of certain assets of SMPPC by a total of P694 after the latter ceased its commercial operations on July 27, 2009.

b. In 2009, the Group recognized impairment loss against certain noncurrent assets of operations in mainland China, comprising mainly the production plant located in Shunde, Guangdong Province, trademarks, other tangible assets and goodwill. Over the past two years, the Group's business performance in mainland China had been adversely affected by factors including economic downturn, fierce market competition, counterfeit products and poor weather conditions. In view of this, a cash flow projection was prepared to estimate the recoverable amount of the cash-generating unit to which these assets belong ("the cash-generating unit") using a value-in-use calculation. This calculation uses the discounted value of the projected cash flows to be generated over the remaining useful life of the cash-generating units. Pre-tax discount rates ranging from 11.45% to 13.17% were applied to the projected cash flows. As of December 31, 2009, the Group recognized impairment loss amounting to HK$590 (P3,705) against these assets.

   On September 30, 2007, the Yuen Long plant of SMBHK has temporarily ceased operations. SMBHK reviewed the recoverable amount of the fixed assets of its plant and the carrying amount of such assets was written down by P1,461 to the value in use (Note 11). Value in use was calculated using the discounted value of the projected future cash flows to be generated over the remaining useful life of the plant. A pre-tax discount rate of 9.91% was applied to the projected future cash flows of the plant.

c. In 2009, the Group recognized provisions for impairment loss on land and idle assets (included under "Other noncurrent assets") amounting to P54, computed as the difference between the carrying amount of the assets and their fair value based on reports by qualified property appraisers, less costs to sell (Note 15).

d. On December 31, 2008, the Group reviewed the recoverable amount of its investment in shares of stock of SDI. It was determined that the carrying amount of the investment is higher than its value in use and an impairment loss of P322 was recognized. The discount rate applied to after tax cash flow projections of SDI was 12%. The impairment loss was allocated fully to goodwill (Note 14).

e. In 2007, SMPSI ceased operating two of its plants and one of its furnace. The corresponding building, machinery and equipment with an aggregate net book value of P405 have been reclassified from "Property, plant and equipment" account to "Other noncurrent assets" account (Note 15). These assets have been written down to their net realizable value based on reports by qualified property appraisers. The impairment charges relating to these assets amounted to P283.

28. Related Party Disclosures

Transactions with related parties are made at normal market prices. For the periods ended December 31, 2009, 2008 and 2007, the Group did not provide any allowance for impairment losses relating to amounts owed by related parties. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

a. The Parent Company has advances to SMCRP amounting to P2,785 and P6,323 as of December 31, 2009 and 2008, respectively, included as part of "Trade and other receivables" account (Note 8).

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

Year	Purchases of utilities	Included under "Trade and other receivables" account (Note 8)	Included under "Accounts payable and accrued expenses" account
2009	**P692**	**P72**	**P32**
2008	277	168	24

In 2009, the Group has noncurrent receivables and deposits from Meralco amounting to P68 (Note 15).

c. As of December 31, 2009, the Parent Company has advances to SMEC which amounted to P313 and P2 included as part of "Trade and other receivables" and "Other noncurrent assets" accounts, respectively (Notes 8 and 15).

d. The compensation of key management personnel of the Group, by benefit type, follows:

	2009	2008	2007
Short-term employee benefits	**P378**	P200	P262
Retirement costs	**37**	19	49
Share-based payments	**56**	53	58
	P471	P272	P369

Some of the personnel performing key management functions in certain subsidiaries are employed by the Parent Company. This is covered by a management agreement executed by and between the Parent Company and the subsidiaries. The salaries and benefits of these personnel are billed to the subsidiaries through management fees, with details as follows:

	Note	**2009**	2008	2007
Short-term employee benefits		**P46**	P118	P259
Retirement costs		**1**	9	87
Share-based payments		**43**	55	23
	24	**P90**	P182	P369

29. Leasing Agreements

<u>Finance Leases</u>

Leases as Lessee
The Group's finance leases cover automobiles needed for business operations. The agreements do not allow subleasing. Some leases provide the Group with the option to purchase the equipment at a beneficial price. As of December 31, 2009 and 2008, the net carrying amount of leased transportation equipment was P30 and P90, respectively.

The Goup's share in the minimum lease payments for these finance lease liabilities are as follows:

	Minimum lease payable	**Interest**	**Principal**
Within one year	P13	P1	P12
After one year but not more than five years	17	2	15
	P30	P3	P27

Leases as Lessor
The Group's lease receivable under finance lease as of December 31, 2009 and 2008 are as follows:

2009	**Minimum lease receivable**	**Interest**	**Principal**
Less than one year	**P5**	**P -**	**P5**
2008			
Less than one year	P6	P1	P5
Between one and five years	5	-	5
	P11	P1	P10

Operating Leases

Leases as Lessor
The Group has entered into various property leases. These non-cancellable leases will expire up to year 2014. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

As of December 31, 2009, 2008 and 2007, the future minimum lease receipts under non-cancellable operating leases are as follows:

	2009	2008	2007
Within one year	**P78**	P94	P278
After one year but not more than five years	**62**	114	280
	P140	P208	P558

Rent income recognized in the consolidated statements of income amounted to P545, P402 and P256 in 2009, 2008 and 2007, respectively.

Leases as Lessee
The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of two to seven years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

As of December 31, 2009, 2008 and 2007, non-cancellable operating lease rentals are payable as follows:

	2009	2008	2007
Within one year	**P35**	P290	P118
After one year but not more than five years	**109**	748	151
More than five years	**409**	35	124
	P553	P1,073	P393

30. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory retirement plans covering all of their permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2009. Valuations are obtained on a periodic basis.

Retirement costs charged by the Parent Company to operations amounted to P65, P422 and P975 in 2009, 2008 and 2007, respectively, while those charged by the subsidiaries amounted to P529, P435 and P383 in 2009, 2008 and 2007, respectively. The Group's annual contribution to the retirement plans consists of payments covering the current service cost and amortization of past service costs.

The components of retirement costs recognized in the consolidated statements of income in 2009, 2008 and 2007 and the amounts recognized in the consolidated statements of financial position as of December 31, 2009 and 2008 are as follows:

	2009	2008	2007
Current service cost	**P486**	P532	P493
Interest cost	**992**	834	796
Expected return on plan assets	**(868)**	(772)	(894)
Net actuarial loss (gain)	**(64)**	49	397
Past service costs	**6**	41	-
Effect of curtailment	**(24)**	-	772
Effect of asset limit	**-**	-	(102)
Amortization of transitional liability	**66**	173	120
Others	**-**	-	(224)
Net retirement costs	**P594**	P857	P1,358
Actual return on plan assets	**P6,099**	P477	P3,614

The retirement costs are recognized in the following line items in the consolidated statements of income:

	Note	**2009**	2008	2007
Cost of sales		**P123**	P144	P120
Selling and administrative expenses		**471**	713	1,116
Retirement costs of continuing operations	*24*	**594**	857	1,236
Reclassified to discontinued operations		**-**	-	122
		P594	P857	P1,358

The reconciliation of the assets and liabilities recognized in the consolidated statements of financial position is as follows:

	Note	**2009**	2008
Present value of defined benefit obligation		**P12,362**	P11,080
Fair value of plan assets		**15,178**	10,232
		(2,816)	848
Unrecognized actuarial gain (loss)	*4*	**3,271**	(268)
Unrecognized net transitional liability		**-**	(66)
Unrecognized past service costs		**(1)**	(2)
Net retirement liabilities		**P454**	P512

Net retirement assets and liabilities in 2009 are included as part of "Prepaid expenses and other current assets" and "Others" under "Other noncurrent assets" accounts amounting to P150 and P160, respectively, and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P572 and P192, respectively (Notes 15 and 17).

Net retirement assets and liabilities in 2008 are included as part of "Others" under "Other noncurrent assets" accounts amounting to P219 and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P613 and P118, respectively (Notes 15 and 17).

The movements in the present value of defined benefit obligation are as follows:

	2009	2008
Balance at beginning of year	**P11,080**	P11,332
Interest cost	**992**	834
Current service cost	**486**	532
Past service costs	**4**	41
Benefits paid	**(1,817)**	(1,496)
Actuarial losses (gains)	**1,628**	(163)
Effect of curtailment	**(11)**	-
Balance at end of year	**P12,362**	P11,080

The movements in the fair value of the plan assets are as follows:

	2009	2008
Balance at beginning of year	**P10,232**	P10,726
Expected return	**868**	772
Contributions by employer	**660**	525
Benefits paid	**(1,813)**	(1,496)
Actuarial gains (losses)	**5,231**	(295)
Balance at end of year	**P15,178**	P10,232

Plan assets consist of the following:

	In Percentages	
	2009	2008
Stock trading portfolio	**4**	20
Fixed income portfolio	**62**	40
Others	**34**	40

The plan assets include 10,000 and 751,362,391 Class "A" common shares and 20,000 and 153,609,529 Class "B" common shares of the Parent Company as of December 31, 2009 and 2008, respectively. The fair market values per share were P68.50 and P40.50 for Class "A" common shares and P68.50 and P42.50 for Class "B" common shares as of December 31, 2009 and 2008, respectively.

On October 5, 2009, SMCRP exchanged on a one-for-one basis its 6,715,543 Class "A" common shares and 78,606,542 Class "B" common shares to Series "1" preferred shares of the Parent Company at an issue price of P75.00 per share.

SMCRP's 21% and 4% investment in shares of stock of BOC as of December 31, 2009 and 2008, respectively, is presented in the above list of plan assets under "Others".

The overall expected rate of return is determined based on historical performance of investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2009	2008
Discount rate	**8 - 11**	7 - 11
Salary increase rate	**8**	6
Expected return on plan assets	**10**	9

The historical information for the current and previous four annual periods is as follows:

	2009	2008	2007	2006	2005
Present value of the defined benefit obligation	**P12,362**	P11,080	P11,332	P14,236	P15,045
Fair value of plan assets	**15,178**	10,232	10,726	10,241	11,873
Deficit (excess) in the plan	**(2,816)**	848	606	3,995	3,172
Experience adjustments on plan liabilities	**927**	6	933	(188)	-

The Group expects to contribute P594 to its defined benefit plans in 2010.

31. Cash Dividends

Cash dividends declared by the Parent Company's BOD to common shareholders amounted to P0.70 per share in 2009 and P1.40 per share in 2008.

On January 6, 2010, the Parent Company's BOD declared cash dividend of P0.35 per share to common shareholders and 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 stockholders of record as of January 22, 2010.

On February 2, 2010, the Parent Company's BOD declared cash dividend of P0.35 per share to common shareholders, paid on March 8, 2010 to all common stockholders of record as of February 19, 2010.

On March 15, 2010, the Parent Company's BOD declared cash dividend of P0.35 per share to common shareholders, paid on April 12, 2010 to all common stockholders of record as of March 29, 2010.

32. Basic and Diluted Earnings Per Share

Basic and Diluted EPS is computed as follows:

	Note	**2009**	2008	2007
Income from continuing operations attributable to equity holders of the Parent Company		**P57,799**	P13,935	P8,160
Dividends on preferred shares for the period		**(1,281)**	-	-
Net income from continuing operations attributable to common shareholders (a)		**56,518**	13,935	8,160
Income from discontinued operations attributable to equity holders of the Parent Company (b)	*6*	-	5,413	470
Net income attributable to common shareholders of the Parent Company		**P56,518**	P19,348	P8,630
Weighted average number of shares outstanding (in millions) - basic (c)		**2,942**	3,157	3,153
Effect of dilution		**17**	12	7
Weighted average number of shares outstanding (in millions) - diluted (d)		**2,959**	3,169	3,160
Basic EPS from continuing operations (a/c)		**P19.21**	P4.41	P2.59
Basic EPS from discontinued operations (b/c)		-	1.72	0.15
		P19.21	P6.13	P2.74
Diluted EPS from continuing operations (a/d)		**P19.10**	P4.40	P2.58
Diluted EPS from discontinued operations (b/d)		-	1.71	0.15
		P19.10	P6.11	P2.73

33. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets and certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2009	2008	2007
Trade and other receivables	**P558**	P728	(P4,402)
Inventories	**1,085**	(4,100)	3,001
Prepaid expenses and other current assets	**(874)**	759	(2,550)
Accounts payable and accrued expenses	**6,381**	1,779	23,341
Income and other taxes payable and others	**(8,345)**	(457)	(4,198)
	(P1,195)	(P1,291)	P15,192

b. Acquisitions of subsidiaries - JHK Investments and HLC (Note 10)

	Note	**2009**
Cash and cash equivalents		**P193**
Trade and other receivables - net		**1,243**
Inventories - net		**664**
Prepaid expenses and other current assets		**23**
Property, plant and equipment - net		**1,430**
Other intangible assets - net		**20**
Deferred tax assets		**72**
Accounts payable and accrued expenses		**(2,076)**
Drafts and loans payable		**(839)**
Deferred tax liabilities		**(40)**
Other noncurrent liabilities		**(88)**
Non-controlling interests		**(211)**
Net assets		**391**
Cash and cash equivalents		**(193)**
Goodwill in subsidiaries	*14*	**1,296**
Net cash flows		**P1,494**

34. Share-Based Transactions

<u>ESPP</u>

Under the ESPP, 80,396,659 shares (inclusive of stock dividends declared) of the Parent Company's unissued shares have been reserved for the employees of the Group until 2009 (as amended and approved by the SEC in 2001 and 2003, respectively). A participating employee may acquire at least 100 shares of stock through payroll deductions.

On December 5, 2002, the Parent Company's BOD approved amendments to the ESPP. Under the amended ESPP, all permanent Philippine-based employees of the Group, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. The amendments to the ESPP are prospective in application. Existing subscriptions shall not be entitled to the rights granted under the amendments. The amendments of the ESPP were approved by the SEC on February 20, 2003.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Parent Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date. The current portion of subscriptions receivable as of December 31, 2009 and 2008 amounted to P147 and P269, respectively, presented as part of "Others" under "Trade and other receivables" account (Note 8). The noncurrent portion of P363 and P259 as of December 31, 2009 and 2008, respectively, is reported as part of "Noncurrent receivables and deposits" under "Other noncurrent assets" account (Note 15).

The number of subscribed shares under the ESPP as of December 31, 2009 and 2008 are as follows:

	2009	2008
Class "A"		
Paid subscribed shares	**28,263,285**	26,787,935
Unpaid subscriptions	**8,461,300**	6,365,600
Class "B"		
Paid subscribed shares	**10,386,120**	9,070,020
Unpaid subscriptions	**8,803,550**	7,053,700
Total shares subscribed	**55,914,255**	49,277,255

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP.

The table below shows the number and weighted average exercise prices of grants:

	2009		2008		2007	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price	Numbser of Shares	Weighted Average Exercise Price
Class "A"						
Subscribed during the year	**2,189,450**	**P42.46**	3,745,100	P42.36	4,045,100	P56.14
Cancelled during the year	**(248,100)**	**(50.62)**	(3,125,900)	(53.07)	(876,750)	(55.71)
Class "B"						
Subscribed during the year	**2,688,750**	**44.92**	2,602,450	41.53	3,970,300	63.26
Cancelled during the year	**(383,700)**	**(60.18)**	(2,602,450)	(62.10)	(1,010,650)	(67.06)

The average market prices of the shares granted were P49.95, P52.84 and P70.40 per share in 2009, 2008 and 2007, respectively, for Class "A" common shares and P49.83, P48.86 and P74.14 per share in 2009, 2008 and 2007, respectively, for Class "B" common shares.

The average remaining contractual life of the ESPP was 1.04, 0.60 and 1.06 years as of December 31, 2009, 2008 and 2007, respectively, for Class "A" common shares and 1.72, 0.46 and 1.06 years as of December 31, 2009, 2008 and 2007, respectively, for Class "B" common shares.

LTIP

The Parent Company also maintains LTIP for executives of the Group. The options are exercisable at the fair market value of the Parent Company shares as of date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 54,244,905 shares, inclusive of stock dividends declared, are reserved for the LTIP over its 10-year life. The LTIP is administered by the Executive Compensation Committee of the Parent Company's BOD.

On June 26, 2008, the Parent Company approved the grant of stock options to 742 executives consisting of 7,456,452 shares based on the closing price of the Parent Company's share, computed in accordance with the provisions of LTIP. Also on June 25, 2009, the Parent Company approved the grant of stock options to 755 executives consisting of 5,750,941 shares.

Options to purchase 5,750,941 shares and 7,456,452 shares in 2009 and 2008, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 3,230,094 shares and 29,170 shares in 2009 and 2008, respectively.

The stock options granted under the LTIP cannot be assigned or transferred by a participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the second year and the remaining option lot is fully vested on the third year.

Vested stock options may be exercised at any time, up to a maximum of eight years from the date of grant. All unexercised stock options after this period are considered forfeited.

A summary of the status of the outstanding share stock options and the related weighted average exercise price under the LTIP is shown below:

	2009		2008		2007	
	Number of Share Stock Options	**Weighted Average Exercise Price**	Number of Share Stock Options	Weighted Average Exercise Price	Number of Share Stock Options	Weighted Average Exercise Price
Class "A"						
Balance at beginning of year	**20,203,940**	**P56.71**	16,056,434	P62.36	6,917,048	P59.69
Granted during the year	**4,922,958**	**58.05**	5,219,517	40.50	10,987,673	63.50
Exercised during the year	**(2,711,190)**	**(52.61)**	(29,170)	(56.53)	(1,743,868)	(58.93)
Expired during the year	**(360,924)**	**(62.58)**	(1,042,841)	(62.58)	(104,419)	(62.97)
Balance at end of year	**22,054,784**	**P57.39**	20,203,940	P56.71	16,056,434	P62.36
Class "B"						
Balance at beginning of year	**11,911,370**	**P69.94**	10,359,853	P76.79	3,663,962	P78.39
Granted during the year	**843,627**	**58.05**	2,236,935	40.50	7,325,109	75.50
Exercised during the year	**(518,904)**	**(41.30)**	-	-	(527,510)	(68.42)
Expired during the year	**(237,160)**	**(84.71)**	(685,418)	(77.39)	(101,708)	(84.97)
Balance at end of year	**11,998,933**	**P70.21**	11,911,370	P69.94	10,359,853	P76.79

The shares covered by the LTIP are offered for subscription to the participants for three years from approval of the LTIP by the SEC.

The fair value of equity-settled share options granted is estimated as at the date of grant using Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used to measure the fair value of the shares granted in 2009 and 2008 are as follows:

	2009 Grant		**2008 Grant**	
	Class "A"	**Class "B"**	**Class "A"**	**Class "B"**
Dividend yield	**2.41%**	**2.41%**	3.46%	3.46%
Expected volatility	**53%**	**43%**	54%	43%
Historical volatility	**53%**	**43%**	54%	43%
Risk-free interest rate	**5.15% to 7.76%**	**5.15% to 7.76%**	6.33% to 9.18%	6.33% to 9.18%
Expected life option	**1 to 8 years**	**1 to 8 years**	1 to 8 years	1 to 8 years
Weighted average share price	**58.05**	**58.05**	40.50	40.50

The weighted average fair value of options granted in 2009 and 2008 was P19.24 and P12.31, respectively, for Class "A" common shares and P16.19 and P10.60, respectively, for Class "B" common shares.

The range of exercise prices for options outstanding was P58.05 to P40.50 as of December 31, 2009 and 2008 for Class "A" common shares and P58.05 to P40.50 as of December 31, 2009 and 2008 for Class "B" common shares.

The average remaining contractual life of the LTIP was 1.11, 1.43 and 1.99 years as of December 31, 2009, 2008 and 2007, respectively, for Class "A" common shares and 0.63, 1.30 and 1.99 years as of December 31, 2009, 2008 and 2007, respectively, for Class "B" common shares.

Share-based payment charged to operations, included under "Administrative expenses" account, amounted to P217, P253 and P258 in 2009, 2008 and 2007, respectively.

35. 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, 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 3 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 P301 and P474 in 2009 and 2008, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

As at December 31, 2009 and 2008, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

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

December 31, 2008	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso-denominated	P -	P -	P -	P955	P -	P1,270	P2,225
Interest rate				6.50%		7.25%	
Floating rate							
Foreign currency-denominated (expressed in Philippine peso)	9,233	17,411	17,391	3,751	117	59	47,962
Interest rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin	THBFIX +margin	THBFIX +margin	
							P50,187

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:

	2009		2008	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$2,817**	**P130,134**	US$1,845	P87,660
Trade and other receivables	**96**	**4,413**	88	4,159
Noncurrent receivables	**101**	**4,656**	118	5,616
	3,014	**139,203**	2,051	97,435
Liabilities				
Drafts and loans payable	**137**	**6,332**	191	9,077
Accounts payable and accrued expenses	**98**	**4,528**	102	4,853
Long-term debt (including current maturities)	**664**	**30,674**	1,009	47,961
	899	**41,534**	1,302	61,891
Net foreign currency-denominated monetary assets	**US$2,115**	**P97,669**	US$749	P35,544

The Group reported net foreign exchange gains (losses) amounting to (P2,256), (P7,298) and P4,683 in 2009, 2008 and 2007, 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, 2007	41.28
December 31, 2008	47.52
December 31, 2009	46.20

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 December 31, 2009 and 2008:

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**

2008	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	(P1,623)	(P1,276)	P1,623	P1,276
Trade and other receivables	(12)	(83)	12	83
Noncurrent receivables	(99)	(82)	99	82
	(1,734)	(1,441)	1,734	1,441
Drafts and loans payable	140	142	(140)	(142)
Accounts payable and accrued expenses	6	100	(6)	(100)
Long-term debt (including current maturities)	923	686	(923)	(686)
	1,069	928	(1,069)	(928)
	(P665)	(P513)	P665	P513

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 December 31, 2009 and 2008.

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**	**-**

2008

	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	P116,939	P116,939	P116,939	P -	P -	P -
Trade and other receivables - net	50,814	50,814	50,814	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts in the consolidated statements of financial position amounting to P190 and P1, respectively)	191	191	190	1	-	-
AFS financial assets (included under "Investments and advances" account in the consolidated statements of financial position)	590	590	-	590	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	7,439	7,439	-	-	7,439	-
Financial Liabilities						
Drafts and loans payable	48,560	48,790	48,790	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities)	20,326	20,326	20,326	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	2,353	2,353	2,353	-	-	-
Long-term debt (including current maturities)	49,763	53,241	10,151	18,402	23,127	1,561
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	25,573	25,573	-	7,425	18,148	-

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 also 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 December 31, 2009 and 2008, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2009**	2008
Cash and cash equivalents	*7*	**P209,411**	P116,939
Trade and other receivables - net	*8*	**49,082**	50,814
Derivative assets	*36*	**202**	191
AFS financial assets	*10*	**351**	590
Noncurrent receivables and deposits - net	*15*	**5,933**	7,439
		P264,979	P175,973

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

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, 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 year.

The Group is not subject to externally imposed capital requirements.

36. Financial Assets and Financial Liabilities

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

	2009		2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P209,411**	**P209,411**	P116,939	P116,939
Trade and other receivables - net	**49,082**	**49,082**	50,814	50,814
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position amounting to P202 and P190 in 2009 and 2008, respectively, and "Other noncurrent assets" account in the consolidated statements of financial position amounting to P1 in 2008)	**202**	**202**	191	191
AFS financial assets (included under "Investments and advances" account in the consolidated statements of financial position)	**351**	**351**	590	590
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**5,933**	**5,933**	7,439	7,439
Financial Liabilities				
Drafts and loans payable	**56,789**	**56,789**	48,560	48,560
Accounts payable and accrued expenses (excluding current retirement liabilities)	**30,721**	**30,721**	20,326	20,326
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**111**	**111**	2,353	2,353
Long-term debt (including current maturities)	**72,962**	**77,773**	49,763	49,826
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	**19,410**	**17,871**	25,573	22,087

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 December 31, 2009 and 2008, discount rates used range from 4.3% to 8.0% and 5.7% to 6.9%, respectively. The carrying values of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

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

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

Derivative Instruments Accounted for as Hedges

Cash Flow Hedges

Commodity Options

As of December 31, 2008, the Group has outstanding bought and sold options designated as hedge of forecasted purchases of fuel oil with a notional quantity of 12,000 metric tons. The call and put options can be exercised at various calculation dates in 2009 with specified quantities on each calculation date. The net unrealized fair value change (after tax) reported in equity and the amount charged to profit and loss on these call and put options as of December 31, 2008 amounted to P123 and P9, respectively.

As of December 31, 2009, the Group has no outstanding options designated as hedge on the purchase of commodity. However, the amount charged to profit and loss in 2009 amounted to P159.

These option contracts were used to hedge the commodity price risk of the Group's commitments. There was no ineffective portion on these hedges.

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. Changes in fair value of these instruments are accounted for directly in the 2009 and 2008 consolidated statements of income. Details are as follows:
Freestanding Derivatives

Freestanding derivatives consist of commodity derivatives and currency derivatives entered into by the Group.

Short-term Currency Swaps
As of December 31, 2008, the Group has outstanding short-term currency swap agreements with an aggregate notional amount of US$881. The net negative fair value of these currency swaps amounted to P905 as of December 31, 2008. These swaps matured in 2009.

As of December 31, 2009, the Group has no outstanding short-term currency swap agreements.

Commodity Swaps
The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2009, 2010 and 2011. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps as of December 31, 2009 and 2008 is 1,875 and 450 metric tons, respectively. As of December 31, 2009 and 2008, the positive (negative) fair value of these swaps amounted to P60 and (P19), respectively.

Commodity Options
As of December 31, 2008, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantity of 58,800 metric tons. These options have monthly maturities in 2009 with specified quantities on each maturity date. The net negative fair value of these options as of December 31, 2008 amounted to P920. As of December 31, 2009, there were no outstanding options on the purchase of fuel oil.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of December 31, 2009 and 2008 of 59,874 and 34,292 metric tons, respectively. These options can be exercised at various calculation dates in 2009 and 2010 with specified quantities on each calculation date. As of December 31, 2009 and 2008, the net negative fair value of these options amounted to P6 and P94, respectively.

Embedded Derivatives

The Group's embedded derivatives include currency derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards
As of December 31, 2009 and 2008, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$112 and US$73, 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 December 31, 2009 and 2008, the net positive (negative) fair value of these embedded currency forwards amounted to P73 and (P26), respectively.

Embedded Currency Options
As of December 31, 2009 and 2008, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$36 and US$15, 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 December 31, 2009 and 2008, the net positive (negative) fair value of these embedded currency options amounted to (P36) and P10, respectively.

For the years ended December 31, 2009, 2008 and 2007, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P962, (P10,718) and (P1,726), respectively.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Balance at beginning of year	**(P2,162)**	P29
Net changes in fair value of derivatives:		
Designated as accounting hedges	**77**	(245)
Non-accounting hedges	**914**	(10,832)
	(1,171)	(11,048)
Less fair value of settled instruments	**(1,262)**	(8,886)
Balance at end of year	**P91**	(P2,162)

Hedge Effectiveness Results
The effective fair value changes, net of tax, on the Group's cash flow hedges that were deferred in equity as of December 31, 2008 amounted to P123. As of December 31, 2009, the Group has no outstanding derivatives designated as hedge.

Fair Value Hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method as of 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.

	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 December 31, 2009, the Group has no financial instruments valued based on Level 3. During the year, 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.

37. Events After the Reporting Date

a. *Investment in Top Frontier Holdings, Inc. (Top Frontier)*

On January 6, 2010, the Parent Company's BOD approved an investment in Top Frontier through the acquisition of a 49% stake via equity infusion. Said investment consists of the Parent Company's: (i) subscription of 2,401,960 common shares of Top Frontier from its unissued capital stock; (ii) deposit for future subscription amounting to P48,324, 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. As of April 14, 2010, no such conversion has been effected.

b. *SMPFC*

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

- Sale to SMPFIL, a wholly-owned subsidiary of SMPFC, of the Parent Company's 51% interest in SMPFI at book value.

- Potential subscription of up to P5,200 worth of new SMPFC shares.

- Sale of the Parent Company's food-related brands and intellectual property rights to SMPFC at a purchase price of P3,200.

- 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, and b) acquire, through SMPFIL, a BVI company and a wholly-owned subsidiary of SMPFC, the Parent Company's 51% interest, through SMFBIL, in SMPFI at book value. SMPFI owns 100% of SMPFVN.

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:

- Potential issuance of up to 75,000,000 new SMPFC shares to the Parent Company or third parties.

- Amendment of Amended Articles of Incorporation of SMPFC to reflect the following:

  i. de-classification of SMPFC's common shares;
  ii. increase in SMPFC's authorized capital stock by P1,000 or 100,000,000 shares at P10.00 par value; and
  iii. 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.

- Declaration of 18% stock dividend based on the issued and outstanding shares to be taken out of the proposed increase in authorized capital stock.

c. *Investment in Universal LRT Corporation (BVI) Limited (ULC) and ULCOM Company, Inc. (ULCOM)*

The Parent Company has been offered a majority stake in ULC and 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.

d. *Investment in Daguma-Agro Minerals Inc. (Daguma)*

On January 28, 2010, SMEC acquired 100% of the outstanding capital stock of Daguma, 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.

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

On April 8, 2010, the Parent Company, through its wholly-owned subsidiary, 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.

38. Other Matters

a. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Parent Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it. An independent Certified Public Accountant (CPA) commissioned by the CTA to conduct an examination, verification and audit to validate the documents supporting the claim for refund has submitted a report stating, among other things, that the claim is properly supported by the relevant documents.

On November 27, 2007, the Parent Company filed with the CTA, under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. An independent CPA was likewise commissioned by the CTA in this case for the purpose of conducting an examination, verification and audit of the documents supporting the aforesaid claim. In a report recently submitted to the CTA, the independent CPA stated that the second claim is properly supported by the relevant documents. This case is now deemed submitted for decision by the CTA.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 "in order to obviate the necessity of issuing a Warrant of Distraint and Garnishment and/or Levy." The Parent Company's external legal counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company's pending claims for refund. As of April 14, 2010, the BIR has taken no further action on the matter.

On July 24, 2009, the Parent Company filed its third claim for refund with the CTA, under CTA case number 7953, also in relation to the contested assessments. This case is now undergoing pre-trial.

b. *Restructuring Plan*

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 BOD to approve the implementing transactions of such corporate restructuring plan after evaluation and study by Management, subject to applicable laws.

c. *Top Frontier*

On November 27, 2009, Top Frontier acquired 857,115,914 common shares of the issued and outstanding common shares of the Parent Company from SMCRP at P75.00 per share for a total of P64,284. In addition, Top Frontier plans to acquire the 327,000,000 common Class "B" shares of the Parent Company held by Q-Tech Alliance Holdings, Inc. ("Q-Tech") and an option over the 301,666,000 common shares. The purchase will raise Top Frontier's current equity ownership interest beyond the 35% threshold under tender offer rules.

Top Frontier offered to buy 235,141,533 Class "A" and 85,797,844 Class "B" common shares of the Parent Company at the price of seventy five pesos (P75.00) per share. The tender offer period was from March 10 and expired at 12:00 pm of April 8, 2010. Out of the total Tender Offer shares, a total of 47,700,679 Class "A" shares and 31,759,499 Class "B" shares were tendered by the Parent Company's shareholders and accepted for purchase by Top Frontier. At the offer price of P75.00 per share, the total consideration of the shares tendered amounted to P5,959, inclusive of taxes, brokers' commissions and other fees. On April 13, 2009, Top Frontier acquired 327,000,000 common Class "B" shares of the Parent Company held by Q-Tech at the price of P66.00 per share. The tendered shares and the 327,000,000 common Class "B" shares were crossed in the PSE on April 13, 2010. As of April 14, 2010, Top Frontier had a total shareholdings of 1,263,576,092 common shares of the Parent Company.

d. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2009 amounted to P13,468.

Amount authorized but not yet disbursed for capital projects as of December 31, 2009 is approximately P4,251.

e. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of P46.20 in 2009 and P47.52 in 2008 for statement of financial position accounts; and average rates of P47.64 in 2009, P44.47 in 2008 and P46.18 in 2007 for income and expense accounts.

f. *Option Agreement with Sea Refinery Holdings B.V. (SEA BV)*

On December 24, 2008, the Parent Company entered into an option agreement with SEA BV pursuant to which SEA BV granted to the Parent Company an option to acquire and purchase up to 100% of its interests in SEA BV's wholly-owned subsidiary, SEA Refinery Corporation (SRC), consisting of 40,000,000 shares of stock with a par value of P1.00 per share (Option Shares). SRC owns 50.1% stake in Philippine oil refinery, Petron Corporation. The option may be exercised by the Parent Company within a period of two (2) years from December 24, 2008. The exercise price for the Option Shares will be the sum of (a) the paid-up capital of SEA BV in SRC amounting to P40 and (b) the value of the shares acquired by SRC in Petron Corporation plus the assumption of, if any, liability or obligation and expenses incurred by SRC for the acquisition of the said shares. The Parent Company and SEA BV have agreed that during the option period the Parent Company shall have representation in the board and management of Petron Corporation. As of April 14, 2010, the Parent Company has not yet exercised the Option Shares.

KPMG

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ANNEX "E"

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation included in this Form 17-A and have issued our report thereon dated April 14, 2010. Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. Schedules A to I (collectively referred to as "Schedules"), as listed in the Index to Financial Statements and Supplementary Schedules, are the responsibility of the Company's management. These Schedules are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and are not part of the basic separate financial statements. These Schedules have been subjected to the auditing procedures applied in the audit of the basic separate financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic separate financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 2092726MB
Issued January 7, 2010 at Makati City

April 14, 2010
Makati City, Metro Manila

ANNEX "E"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES DECEMBER 31, 2009

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2009
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/ Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
INVESTMENTS IN ASSOCIATES									
Investments in associates - at equity:									
Acquisition Cost									
San Miguel Corporation									
Manila Electric Company	300,963,189	₱ 30,845		₱ -	₱ -	₱ -	300,963,189	₱ 30,845	27.00%
San Miguel Energy Corporation			40,000	4			40,000	4	40%
Vega Telecom Holdings, Inc.									
Liberty Telecoms Holdings, Inc.			579,111,669	3,805			579,111,669	3,805	32.70%
Rapid Thoroughfares Inc.									
Private Infra Dev Corporation			1,575,000	1,575			1,575,000	1,575	35%
San Miguel Properties Inc.									
Bank of Commerce	8,747,000	1,749	(8,747,000)	(1,749)	-	-	-	-	31.23%
Northpine Land Inc. (formerly Jardine Land Inc.)	2,320,000	232		-	-	-	2,320,000	232	20.00%
		₱ 32,826		₱ 3,635	₱ -	₱ -		₱ 36,461	
ADVANCES									
SMPI - GSIS Joint Venture				51				51	
Primeria Commercio Holdings, Inc.				794				794	
Integrated Geosolutions Inc.				311				311	
				₱ 1,156				₱ 1,156	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
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	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/ Valuation/CTA/Recl assification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
ACCUMULATED EQUITY IN EARNINGS									
San Miguel Corporation									
Manila Electric Company		₱ 126		₱ 189	₱ 1,621	₱ (752)		₱ 1,184	27.00%
San Miguel Energy Corporation		-		(14)	304			290	40.00%
Vega Telecom Holdings, Inc.									
Liberty Telecoms Holdings, Inc.		-	579,111,669		(91)			(91)	32.70%
Rapid Thoroughfares Inc.					-				
Private Infra Dev Corporation		-	1,575,000					-	35%
San Miguel Properties Inc.									
Bank of Commerce		(1,284)		312	972			-	31.23%
Northpine Land Inc. (formerly Jardine Land Inc.)		(5)		-	10	-		5	20.00%
Total		**(1,163)**		**487**	**2,816**	**(752)**		**1,388**	
UNREALIZED GAIN		**-**		**-**	**-**	**-**		**-**	
Total Accumulated Equity in Earnings		**(1,163)**		**487**	**2,816**	**(752)**		**1,388**	
Total Investments in Associates		**₱ 31,663**		**₱ 5,278**	**₱ 2,816**	**₱ (752)**		**₱ 39,005**	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
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(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	**Amount**	**No. of Shares or Principal Amount of Bonds and Notes**	**Additions/Disposals/ Valuation/CTA/Reclassification**	**Equity in net earnings during the year**	**Dividends received**	**No. of Shares or Principal Amount of Bonds and Notes**	**Amount**	**Percentage of Ownership**
<u>OTHER INVESTMENTS - AT COST - NET</u>									
<u>OTHER INVESTMENTS - AT COST</u>									
San Miguel Corporation									
Alabang Country Club	7	₱ 7	-	₱ -	₱ -	₱ -	7	₱ 7	b
Ansor International	3,334	3	-	(3)	-	-	3,334	-	-do-
Apo Golf & Country Club	3	-	-	-	-	-	3	-	-do-
Baguio Country Club	1	1	-	-	-	-	1	1	-do-
Bancom Group Inc	999,546	5	-	(5)	-	-	999,546	-	-do-
Batulao Village Club	1	-	-	-	-	-	1	-	-do-
Calatagan Golf Club	1	-	-	-	-	-	1	-	-do-
Camp John Hay	2	3	-	(2)	-	-	2	1	-do-
Canlubang Golf Club	3	2	-	(1)	-	-	3	1	-do-
Capitol Hills Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Casino Espanol de Manila	2	-	-	-	-	-	2	-	-do-
Cebu Country Club	1	2	-	-	-	-	1	2	-do-
Celebrity Sports Plaza	3	-	-	-	-	-	3	-	-do-
Club Filipino	8	1	-	-	-	-	8	1	-do-
Continental Potash	7,909	-	-	-	-	-	7,909	-	-do-
Evercrest	2	2	-	(2)	-	-	2	-	-do-
Export & Industry Bank	940,560,000	357	-	(270)	-	-	940,560,000	87	-do-
Green Valley Club - Baguio	1	-	-	-	-	-	1	-	-do-
Greenfield Tennis Club	3	-	-	-	-	-	3	-	-do-
Iloilo Golf Club	1	-	-	-	-	-	1	-	-do-
Inter island Broadcasting Corp	4,458,928	3	-	(3)	-	-	4,458,928	-	-do-
Landgolf Inc	2	-	-	-	-	-	2	-	-do-
Makati Executive Center	1	-	-	-	-	-	1	-	-do-
Makati Sports Club	11	3	-	-	-	-	11	3	-do-
Manila Bankers Life	250,000	2	-	(1)	-	-	250,000	1	-do-
Manila Electric Company	100,331	1	-	-	-	-	100,331	1	-do-
Manila Golf & Country Club	3	63	-	-	-	-	3	63	-do-
Manila Polo Club	2	9	-	2	-	-	2	11	-do-
Manila Southwoods Golf & Country Club	1	2	-	(1)	-	-	1	1	-do-
Medical Doctors Inc.	72,600	1	10,779	12	-	-	83,379	13	-do-
Merchant Investment	41,660	4	-	(4)	-	-	41,660	-	-do-
Metropolitan Club	2	-	-	-	-	-	2	-	-do-
Metropolitan Theater	198	-	-	-	-	-	198	-	-do-
Mimosa Golf & Country Club	3	4	-	(2)	-	-	3	2	-do-
Monserrat Trading	1,000	-	-	-	-	-	1,000	-	-do-
Motor Services	52,500	-	-	-	-	-	52,500	-	-do-
Naga Telephone Co.	220	-	-	-	-	-	220	-	-do-

(a) if the cost of investment is less than P500,000, the amount column will show zero.
(b) percentage of ownership in negligible
(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
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Negros Occidental Golf club	6	₱ -	-	₱ -	₱ -	₱ -	6	₱ -	-do-
Norcem Philippines	80,000	1	-	(1)	-	-	80,000	-	-do-
Orchard Golf & Country Club	5	10	-	(9)	-	-	5	1	-do-
Pacific Club Corporate	1	1	-	(1)	-	-	1	-	-do-
Pantranco South Express	340,992	-	-	-	-	-	340,992	-	-do-
People's Press	1,500	-	-	-	-	-	1,500	-	-do-
Phil. Columbian Club	3	-	-	-	-	-	3	-	-do-
Phil. Dealing Sytem Holding Corp.	250,000	25	-	-	-	-	250,000	25	-do-
Phil. International Fair	500	-	-	-	-	-	500	-	-do-
Phil. Long Distance Tel. Co	230,594	2	-	-	-	-	230,594	2	-do-
Phil. Overseas Resources	10,000	-	-	-	-	-	10,000	-	-do-
Pilipino Telephone	600	-	-	-	-	-	600	-	-do-
Professional Services Inc	11,250	5	-	-	-	-	11,250	5	-do-
Puerto Azul Golf Club	3	-	-	-	-	-	3	-	-do-
Quezon City Sports Club	1	-	-	-	-	-	1	-	-do-
Sta Elena Properties	7	5	-	-	-	-	7	5	-do-
Sta Elena Golf Club	1	6	-	(5)	-	-	1	1	-do-
Sta Lucia Realty Golf Club	2	1	-	-	-	-	2	1	-do-
Subic Bay Yacht Club	1	1	-	(1)	-	-	1	-	-do-
Tagaytay Highland Golf and Country Club	2	2	-	-	-	-	2	2	-do-
Tagaytay Midlands Country Club	1	2	-	(1)	-	-	1	1	-do-
The Country Club - Canlubang	2	30	-	(30)	-	-	2	-	-do-
Universal Leisure Club	1	1	-	(1)	-	-	1	-	-do-
Valle Verde Golf Club	53	5	-	1	-	-	53	6	-do-
Valley Golf Club Inc.	2	3	-	(2)	-	-	2	1	-do-
Victorias Country Club	1	-	-	-	-	-	1	-	-do-
San Miguel International Ltd.									
Others	-	73	-	(6)	-	-	-	67	-do-
San Miguel Properties Inc.									
Apo Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Mimosa Golf & Country Club	4	2	-	-	-	-	4	2	-do-
Sta. Elena Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Metro Club	1	-	-	-	-	-	1	-	-do-
Phil. Long Distance Tel Co	12,200	1	-	-	-	-	12,200	1	-do-
Meralco	273,118	8	-	-	-	-	273,118	8	-do-
Italia Country Club	89	5	-	-	-	-	89	5	-do-
Riviera Golf Course and Country Club	1	5	-	-			1	5	-do-
Tagaytay Midlands Country Club	1	2	-	-	-	-	1	2	-do-
Pacific Central Properties, Inc.									
Corporate Investment Phils Inc	200,000	-	-	-	-	-	200,000	-	-do-
Herald Publications	410	-	-	-	-	-	410	-	-do-

(a) if the cost of investment is less than P500,000, the amount column will show zero.
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SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
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San Miguel Rengo Packaging Corp									
Phil Long Distance Tel.	5,200	₱ -	-	₱ -	₱ -	₱ -	5,200	₱ -	-do-
Evercrest Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Orchard Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Apo Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Anchor Brokerage Corporation									
Phil. Long Distance Tel. Co.	50	-	-	-	-	-	50	-	-do-
Export & Industry Bank	766,000	-	-	-	-	-	766,000	-	-do-
San Miguel Yamamura Asia									
Manila Southwoods Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Orchard Golf and Country Club	1	-	-	-	-	-	1	-	-do-
Evercrest Golf & Country Club	1	1	-	-	-	-	1	1	-do-
San Miguel Yamamura Packaging Corporation									
Canlubang Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Manila Southwoods	1	-	-	-	-	-	1	-	-do-
Orchard Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Puerto Azul	1	1	-	-	-	-	1	1	-do-
Manila Southwoods Golf and Country Club	1	-	-	-	-	-	1	-	-do-
Orchard Golf and Country Club	1	-	-	-	-	-	1	-	-do-
Philippine Longdistance Tel. Co.	1,800	-	-	-	-	-	1,800	-	-do-
Riviera Golf Club	1	-	-	-	-	-	1	-	-do-
San Miguel Purefoods Company, Inc.									
Club Filipino	1	-	-	-	-	-	1	-	-do-
Club Strata, Inc.	1	-	-	-	-	-	1	-	-do-
Makati Sports Club, Inc.	1	-	-	-	-	-	1	-	-do-
Philippine Long Distance Tel. Co.	1	1	-	-	-	-	1	1	-do-
Valle Verde Country Club	1	1	-	-	-	-	1	1	-do-
Capitol Hills Golf and Country Club, Inc.	1	-	-	-	-	-	1	-	-do-
Alabang Country Club	1	1	-	-	-	-	1	1	-do-
Golf Club Bogor Raya	1	-	-	-	-	-	1	-	-do-
Insta Food	1	1	-	-	-	-	1	1	-do-
Manila Southwoods Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Sta Elena Golf Club	1	2	-	-	-	-	1	2	-do-
Manila Electric Co	1	3	-	-	-	-	1	3	-do-
Tagaytay Highland Golf and Country Club	1	1	-	-	-	-	1	1	-do-
Club Filipino	1	-	-	-	-	-	1	-	-do-
Piltel	11,100	-	-	-	-	-	11,100	-	-do-
Royal Tagaytay Country Club	1	-	-	-	-	-	1	-	-do-
Orchard Golf and Country Club	1	-	-	-	-	-	1	-	-do-
Endless Vacation Club Phils. Inc.	2	-	-	-	-	-	2	-	-do-
Phil. Assoc. of Hod Raisers	14,388	-	-	-	-	-	14,388	-	-do-
Philippine Long Distance Tel. Co.	9,290	-	-	-	-	-	9,290	-	-do-
Makati Sports Club, Inc.	1	-	-	-	-	-	1	-	-do-
Casino Espanol	1	-	-	-	-	-	1	-	-do-
Total Other Investments - at cost		**₱ 687**		**₱ (336)**	**₱ -**	**₱ -**		**₱ 351**	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
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	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/ Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
ADVANCES									
SMC (Inter-Island Broadcasting)		₱ 41		₱ (41)	₱ -	₱ -		₱ -	
RESERVE FOR LOSS									
San Miguel Corporation		(138)		138	-	-		-	
Total Other Investments - at cost - net		590		(239)	-	-		351	
GRAND TOTAL		₱ 32,253		₱ 5,039	₱ 2,816	₱ (752)		₱ 39,356	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - PROPERTY, PLANT AND EQUIPMENT
DECEMBER 31, 2009
(Amounts in Millions)

Classification	Beginning Balance December 31, 2008	Additions	Disposals of Subsidiary / Reclass	Currency Translation Differences	Ending Balance December 31, 2009
Land and Land improvements	₱ 9,189	₱ 424	₱ 977	₱ 37	₱ 10,627
Buildings and improvements	23,973	897	(245)	(219)	24,406
Machinery and equipment	77,345	2,766	(781)	(439)	78,891
Transportation equipment	2,920	729	(349)	5	3,305
Tools and small equipment	1,854	210	315	(25)	2,354
Office equipment, furniture and fixtures	2,606	126	(190)	-	2,542
Molds	527	144	(17)	3	657
Leasehold improvements	840	115	(35)	1	921
Construction in Progress	5,379	838	(513)	(30)	5,674
	₱ 124,633	**₱ 6,249**	**₱ (838)**	**₱ (667)**	**₱ 129,377**

* See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE F - ACCUMULATED DEPRECIATION AND AMORTIZATION
DECEMBER 31, 2009
(Amounts in Millions)

Classification	Beginning Balance December 31, 2008	Additions	Disposals of Subsidiary / Reclass	Currency Translation Differences	Ending Balance December 31, 2009
Land and Land improvements	₱ 1,054	₱ 83	₱ 7	₱ 10	₱ 1,154
Buildings and improvements	6,199	721	(132)	(57)	6,731
Machinery and equipment	38,076	3,696	(732)	(156)	40,884
Transportation equipment	2,027	226	(270)	4	1,987
Tools and small equipment	1,510	139	42	(23)	1,668
Office equipment, furniture and fixtures	2,157	182	(166)	5	2,178
Molds	403	161	(55)	2	511
Leasehold improvements	334	46	(9)	1	372
	₱ 51,760	**₱ 5,254**	**₱ (1,315)**	**₱ (214)**	**₱ 55,485**

* See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE - IMPAIRMENT ON PPE
DECEMBER 31, 2009
(Amounts in Millions)

Classification	Beginning Balance December 31, 2008	Additions	Disposals (Reclassifications)	Currency Translation Differences	Ending Balance December 31, 2009
Land and Land improvements	₱ -	₱ 208	₱ -	₱ -	₱ 208
Buildings and improvements	1,090	1,571	(280)	(68)	2,313
Machinery and equipment	3,442	1,852	210	(94)	5,410
Transportation equipment	1	6	-	(1)	6
Tools and small equipment	10	3	-	-	13
Office equipment, furniture and fixtures	15	6	(1)	-	20
Molds	2	-	-	1	3
Leasehold improvements	-	-	-	-	-
	₱ 4,560	**₱ 3,646**	**₱ (71)**	**₱ (162)**	**₱ 7,973**

* See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2009
(Amounts in Millions)

Part A - Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions	Disposal / Reclass to other Accounts	Currency Translation Adjustment	Ending Balance
Goodwill	**₱ 5,201**	**₱ 1,296**	**₱ (33)**	**₱ (56)**	**₱ 6,408**
Trademarks and Other Intangibles					
Cost:					
Trademarks and brand names	₱ 2,251	₱ -	₱ -	₱ 21	₱ 2,272
Other Intangibles	2,614	92	118	(49)	2,775
	4,865	92	118	(28)	5,047
Accumulated Amortization and Impairment Losses:					
Trademarks and brand names	-	133	-	-	133
Other Intangibles	1,053	131	119	(19)	1,284
	1,053	264	119	(19)	1,417
Net Book Value:	**₱ 3,812**	**₱ (172)**	**₱ (1)**	**₱ (9)**	**₱ 3,630**

*** See Notes 4 and 14 of Notes to Consolidated Financial Statements**

SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2009
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions / Deductions	Charged to Cost and Expenses	Other Changes Additions (Disposal)	Currency Translation Adjustment	Ending Balance
Noncurrent receivables and deposits	₱ 7,439	₱ (1,488)	₱ (207)	₱ 189	₱ -	₱ 5,933
Deferred containers expense - net of accumulated amortization	3,708	1,920	(841)	(357)	16	4,446
Others - net	3,094	(72)	(57)	(849)	(27)	2,089
	₱ 14,241	**₱ 360**	**₱ (1,105)**	**₱ (1,017)**	**₱ (11)**	**₱ 12,468**

*** See Notes 15, 35, and 36 of Notes to Consolidated Financial Statements**

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2009
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Parent Company													
Unsecured term notes:													
Foreign currency - denominated													
Floating	Standard Chartered Bank	27,720	-	-	-	27,720	(1,323)	26,397	26,397	LIBOR plus agreed margin	Bullet	Semi-annual and/or Quarterly	October-12
		27,720	-	-	-	27,720	(1,323)	26,397	26,397				
Peso denominated:													
Floating	Landbank of the Philippines	2,000	-	-	-	2,000	(10)	1,990	1,990	PDST-F for 3 months +margin	Amortized	Quarterly	November-14
Floating	Rizal Commercial Banking Corporation - Trust & Investment Division	1,000	-	-	-	1,000	(8)	992	992	PDST-F for 3 months +margin	Bullet	Quarterly	February-12
		3,000	-	-	-	3,000	(18)	2,982	2,982				
Subsidiaries													
Unsecured term notes:													
Peso denominated:													
Fixed	Philippine Depository & Trust Corp.	13,590	-	-	-	13,590	(121)	13,469	13,469	8.25%	Bullet	Semi-annual	April-12
	Philippine Depository & Trust Corp.	22,400	-	-	-	22,400	(233)	22,167	22,167	8.875%	Bullet	Semi-annual	April-14
	Philippine Depository & Trust Corp.	2,810	-	-	-	2,810	(30)	2,780	2,780	10.50%	Bullet	Semi-annual	April-19
		38,800	-	-	-	38,800	(384)	38,416	38,416				
Fixed	HSBC	955	-	(1)	(1)	955	(3)	952	951	6.50%	Bullet	Semi-annual	March-12
Fixed	HSBC	1,270	-	(2)	(2)	1,270	(5)	1,265	1,263	7.25%	Bullet	Semi-annual	March-14
		2,225	-	(3)	(3)	2,225	(8)	2,217	2,214				
		41,025	-	(3)	(3)	41,025	(392)	40,633	40,630				
Foreign currency - denominated													
Domestic Subsidiairy													
Floating	ABN AMRO	268	60	-	60	208	(1)	207	267	THBFIX + agreed margin	Amortized	Quarterly	February-14
Floating	United Overseas Bank	267	59	-	59	208	(1)	207	266	THBFIX + agreed margin	Amortized	Quarterly	February-14
		535	119	-	119	416	(2)	414	533				
International Subsidiaires													
Floating	HSBC	524	176	-	176	348	-	348	524	THBFIX + agreed margin	Amortized	Semi-annual	September-12
Floating	BTM	524	176	-	176	348	-	348	524	THBFIX + agreed margin	Amortized	Semi-annual	September-12
Floating	HSBC	232	78	-	78	154	-	154	232	VNIBOR + agreed margin	Amortized	Quarterly	December-12
Floating	BTM	231	77	-	77	154	-	154	231	VNIBOR + agreed margin	Amortized	Quarterly	December-12
Floating	SCB	909	454	-	454	455	-	455	909	discount from PBOC lending rate	Amortized	Quarterly	August-11
		2,420	961	-	961	1,459	-	1,459	2,420				
		2,955	1,080	-	1,080	1,875	(2)	1,873	2,953				
Total Long-term Debt		**74,700**	**1,080**	**(3)**	**1,077**	**73,620**	**(1,735)**	**71,885**	**72,962**				

* See Note 18 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE K - CAPITAL STOCK
DECEMBER 31, 2009

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	NUMBER OF SHARES HELD BY: RELATED PARTY	NUMBER OF SHARES HELD BY: DIRECTORS, OFFICERS AND EMPLOYEES
COMMON STOCK "A"	2,034,000,000	1,980,593,155	530,959,512	1,449,633,643	94,249,095	-	12,759,267
COMMON STOCK "B"	1,356,000,000	1,249,351,787	407,689,212	841,662,575	40,392,469	16,395	6,186,896
PREFERRED SHARES	1,110,000,000	970,506,353	-	970,506,353	-	48,694,406	487,185
	4,500,000,000	4,200,451,295	938,648,724	3,261,802,571	134,641,564	48,710,801	19,433,348

* See Notes 20 and 34 of the Audited Consolidated Financial Statements.

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
As of DECEMBER 31, 2009

		TOTAL	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	₱	270,981,742.79	270,981,742.79
ALLOW. FOR DOUBTFUL ACCOUNTS		(270,981,742.79)	
NET	₱	-	

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation (the "Company") as of and for the year ended December 31, 2009, and have issued our report thereon dated April 14, 2010.

Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008, *Guidelines on the Determination of Retained Earnings Available for Dividend Declaration,* and is not part of the basic separate financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements of the Company and, in our opinion, fairly state in all material respects, the financial statements data required to be set forth therein in relation to the basic separate financial statements taken as a whole.

MANABAT SANAGUSTIN & CO., CPAs

JORGE MA. S. SANAGUSTIN
Partner
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SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 2092726MB
Issued January 7, 2010 at Makati City

April 14, 2010
Makati City, Metro Manila

SAN MIGUEL CORPORATION
No. 40 San Miguel Avenue, Mandaluyong City

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DECLARATION

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		P 37,859
Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	P 97,121	
Non-actual/unrealized income- net of tax		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents)	(619)	
Unrealized marked-to-market gain	(9)	
	(628)	
Deferred tax asset	(2,419)	
Net income actually earned during the period		94,074
		131,933
Treasury shares		(65,488)
Dividend declaration during the period		(2,211)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**P 64,234**

SAN MIGUEL CORPORATION

ANNEX "F"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation (the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2009. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009. All necessary adjustments to fairly present the Group's consolidated financial position as of December 31, 2009 and the financial performance and cash flows for the year ended December 31, 2009 and for all the other periods presented have been made.

I. BASIS OF PREPARATION

Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale (AFS) financial assets are measured at fair value;
- defined benefit asset is measured as the net total of the plan assets, less unrecognized actuarial gains and the present value of the defined benefit obligation; and
- agricultural produce are measured at fair value less estimated costs to sell at the point of harvest.

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded to the nearest million (₱000,000), except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Significant Accounting Policies

The accounting policies presented in Note 3 of the attached Notes to the Consolidated Financial Statements have been applied consistently by the Group to all periods presented in the 2009 consolidated financial statements, except for the changes as explained below.

The FRSC approved the adoption of new or revised standards, amendments to standards, and interpretations as part of PFRS. Accordingly, the Group changed its accounting policies in the following areas:

- PFRS 8, *Operating Segments,* introduces the "management approach" to segment reporting.

  Starting January 1, 2009, the Group determined and presented operating segments based on the information internally provided to the BOD. Previously, operating segments were determined and presented in accordance with PAS 14, *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

  - Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on basic and diluted earnings per share (EPS).

  - An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the BOD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

  - Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Parent Company's headquarters), certain head office expenses, and deferred tax assets and liabilities.

  - Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

- Revised PAS 1, *Presentation of Financial Statements* (2007), introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.

  The Group applied Revised PAS 1, which became effective as of January 1, 2009. The Group presented all non-owner changes in equity in the consolidated statements of comprehensive income and consolidated statements of changes in equity.

  Comparative information has been re-presented to be also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on basic and diluted EPS.

- Revised PAS 23, *Borrowing Costs*, removes the option to charge to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Prior to this revised standard, the Group already capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*, require disclosures relating to fair value measurements using a three-level fair value hierarchy that: reflects the significance of the inputs used in measuring fair values; provide more direction on the form of quantitative disclosures about fair value measurements; and require information to be disclosed in a tabular format unless another format is more appropriate. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk.

  The said new required disclosures have been included in Note 36 to the consolidated financial statements. As allowed by the amendments, in the first year of application, comparative information is not required to be disclosed.

- *Embedded Derivatives* - Amendments to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments: Recognition and Measurement,* clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the consolidated financial statements. The amendments are effective for annual periods ending on or after June 30, 2008.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes,* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation takes effect for annual periods beginning on or after July 1, 2008.

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

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*, provides additional guidance on the accounting for the contributed property, plant and equipment by "access providers" (i.e., by the entity receiving the contribution) from customers. The interpretation clarifies: the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services; the recognition of revenue; and the accounting for transfers of cash from customers. The interpretation is effective for all transfers on or after July 1, 2009.

- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation,* became effective for financial years beginning on or after January 1, 2009. The standards have been amended to require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

- Amendments to PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations,* became effective for financial years beginning on or after January 1, 2009. The standards have been amended: to clarify the definition of vesting conditions (which are service conditions and performance conditions only); introduce the concept of non-vesting conditions; require non-vesting conditions to be reflected in grant-date fair value; and provide the accounting treatment for non-vesting conditions and cancellations.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate,* became effective for financial years beginning on or after January 1, 2009. The amendments to PAS 27 remove the definition of "cost method" currently set out in PAS 27, and instead require all dividend from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established.

- *Improvements to PFRS 2008* - various standards *(*except as related to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations),* discusses 35 amendments and is divided into two parts: (a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and (b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board expects to have either no or only minimal effects on accounting. These improvements are effective for annual periods beginning on or after January 1, 2009.

- *Improvements to PFRS 2009* - Amendment to PAS 18, *Revenue, Determining whether an entity is acting as a principal or as an agent.* The appendix accompanying PAS 18 is amended to specify that an entity acts as a principal when it is exposed to the significant risks and rewards associated with the sale of goods or rendering of services. The amendments also include in the appendix to PAS 18 a number of indicators for consideration in assessing whether an entity is acting as a principal or as an agent. As this is an amendment to an appendix, there is no related effective date and therefore is applicable immediately.

The adoption of the foregoing new or revised standards, amendments to standards and Philippine Interpretations of IFRIC did not have a material effect on the consolidated financial statements. Additional disclosures required by the revised standards and improvements were included in the consolidated financial statements, where applicable.

II. FINANCIAL PERFORMANCE

Comparisons of key operating results for the last three years are summarized in the following tables.

	Years Ended December 31		
	2009	2008	2007
		(In Millions)	
Sales	**₱174,213**	₱168,041	₱148,022
Gross Profit	**49,918**	43,969	37,960
Selling and Administrative Expenses	**(30,249)**	(29,151)	(26,333)
Financing Income (Charges) - Net	**(1,937)**	598	(5,030)
Equity in Net Earnings (Losses) of Associates	**2,816**	(1,132)	164
Gain on Sale of Investments and Property and Equipment	**50,630**	8,746	2,224
Other Income (Charges) - Net	**(6,843)**	(2,262)	3,614
Income from Continuing Operations	**60,629**	14,670	8,079
Income after Income Tax from Discontinued Operations	**-**	5,413	272
Net Income Attributable to Equity Holders of the Parent Company	**57,799**	19,348	8,630

2009 vs. 2008

The Group's 2009 consolidated sales revenue amounted to ₱174,213 million, 4% higher than the previous year. With strong sales in the beer and hard liquor sectors, the recovery of San Miguel's packaging and food businesses, and a reduction in fixed costs across the Group, consolidated operating income reached ₱19,669 million, 33% above 2008 level.

Equity in net earnings of associates represents the Group's share in net income of Manila Electric Company (Meralco), Bank of Commerce (BOC) and San Miguel Energy Corporation (SMEC).

The Group's net financing charges, on the other hand, amounted to ₱1,937 million, with higher interest expenses partly offset by interest income.

The Group recognized gain on sale of investments and property and equipment amounting to ₱ 50,630 million, bulk of which pertains to gain from sale of the 43.2499% stake in San Miguel Brewery Inc. (SMB) to Kirin Holdings Company, Limited (Kirin) in May 2009. The proceeds from the sale were used to pay the Parent Company's debt of US$923 million or about ₱43,575 million. The balance was earmarked for investment in the telecom business which the BOD has approved and other investments, including the potential exercise of the option to buy the Petron shares.

Other charges of ₱6,843 million, includes mainly impairment losses of San Miguel Beer International Limited (SMBIL) and foreign exchange losses of ₱3,364 million, net of gain on derivatives of ₱962 million.

Consolidated net income for the year reached ₱57,799 million, significantly higher than last year's net income.

2008 vs. 2007

The Group's 2008 consolidated sales revenue amounted to ₱ 168,041 million, 14% above 2007 as most businesses registered double digit revenue growth versus 2007.

This resulted to a consolidated operating income of ₱ 14,818 million, 27% higher than 2007. Beer domestic operation's income performance was consistently good in 2008. Beer International ended 2008 with a positive contribution, turning around from an operating loss reported in 2007. Packaging business performance ended 2008 significantly better than 2007 with improved glass and plastic sales performance. These were, however, partially offset by slowdown in food and hard liquor's operating income performance with the higher costs of operations.

2008 net financial income is ₱ 598 million with the interest income on our cash balance.

Equity in net losses include San Miguel Properties, Inc.'s (SMPI) share in net losses of BOC partly offset by the equity in net income of Meralco.

Gain on sale of investments and property and equipment include gain from the initial public offering of SMB shares, sale of KSA Realty Corporation (KSA) shares and 35% stake in the domestic and regional packaging businesses and the sale of Aurora property.

Other charges include mainly marked-to-market loss on commodity and foreign currency derivatives, net of foreign exchange gains, which ended at ₱2,262 million.

With this, profit from continuing operations for 2008 amounted to ₱14,670 million, significantly higher than 2007. Coupled with the gain from discontinued operations, consolidated net income amounted to ₱19,348 million, significantly higher than 2007.

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

2009 vs. 2008

BEVERAGE

Beer Domestic

SMB's ₱38,800 million bond offering in January 2009 was record-breaking and the largest-ever domestic debt offering by a corporate issuer in the Philippines. In May 2009, SMC's longtime strategic partner and Japan's Kirin acquired a 43.2499% stake in SMB at ₱8.841 per share. Before the close of 2009, Kirin signed a share purchase agreement with SMC to acquire 100% of SMBIL for the purchase price of USD302 million. The acquisition was finalized on January 29, 2010.

SMB ended the year with sales volumes of 174.6 million cases. SMB's sales revenue of ₱51,010 million grew 5% from the prior year helped along by a price increase implemented in November 2009. On-going efforts to stimulate volumes, improve cost efficiencies and manage fixed costs resulted in an operating income of ₱16,012 million, 3% higher compared to 2008. Net income was at ₱10,033 million.

Amid challenging market conditions, SMB's favorable performance was driven by the comprehensive and integrated implementation of consumer-focused ad and promo initiatives, as well as enhanced operational efficiencies. SMB continued to concentrate on the implementation of perennially successful special events notably Red Horse "Musiklaban" and SanMig Light's sponsorship events. SMB also invested in above-the-line initiatives, installing electronic billboards for San Miguel's Premium All-Malt and airing various TV and radio advertisements. The National Beer Drinking Contest, which celebrated its tenth run in 2009, raised the profile of SMB's flagship brand, strengthening San Miguel Pale Pilsen's (SMPP) sales.

Beer International

The economic crisis and tough industry conditions in most markets weighed down SMB's international operations. Total volumes fell short of 2008 levels, with most markets retreating in terms of sales. Nevertheless, gains were seen in Thailand's domestic operations, which grew by 13% over 2008. The Indonesian operations and export business also posted improvements, growing by 3% and 4% respectively.

Sales revenue amounted to US$275 million, 3% lower than 2008. Operating income stood at US$6.48 million, a significant improvement from last year's loss of US$1.57 million, driven by margin improvements, reduction in discounts and fixed cost management.

In Hong Kong, San Miguel Brewery Hong Kong, Ltd. (SMBHK) remains the No. 1 beer company with its flagship San Miguel brand at the forefront. SMBHK's economy brands have maintained their growth momentum, even as full-year total domestic volumes ended lower than 2008 in the highly competitive Hong Kong beer market. SMBHK ended the year with a positive operating income, following a strong fourth quarter run, which virtually wiped out losses posted in the first three quarters of the year. Rationalization of discounts and the resumption of Hong Kong brewery operations all helped mitigate losses resulting from the decline in volumes.

South China's sales remained sluggish as the r home base in South China, Guangdong Province, continued to suffer from the economic recession. Fierce competitive discounting in the wholesaler-served channel also affected results. However, market penetration programs and trade and consumer incentives resulted in improved sales, particularly during the month of December.

In North China, sales volumes also fell behind 2008 levels amid tougher economic conditions, more stringent drunk-driving policies and heavy discounting at the wholesale level. Higher selling prices and bigger fixed cost savings helped offset the decline in volumes, pushing operating results to slightly above break-even levels. Although falling short of last year's results, North China turned in a second consecutive year of positive income in 2009.

Largely on the strength of Anker Bir volumes, PT Delta Djakarta (PT-Delta) turned in a solid performance, finishing the year with a 3% domestic volume growth. PT-Delta's operating income was an impressive improvement over 2008 stemming from strong volumes, rationalization of discounts and lower fixed costs.

In Vietnam, sales of San Miguel brands ended the year 4% ahead of 2008 following months of continued growth. The increase in export volumes compensated for the decline in Bia Hoi sales, pushing total production volumes higher than last year.

In Thailand, domestic volumes sustained the brewery's growth momentum despite a contraction in the Thai beer industry. Noteworthy was the performance of San Mig Light which posted four consecutive quarters of double-digit growth for the year. After three successive quarters of decline, sales of the flagship brand, SMPP, began trending upward. All these resulted in a significant improvement in the over-all profitability of our Thai operations.

Beer exports unit did well, bolstered by higher sales volumes to the Middle East and South Asia. Operating income for the year was significantly higher than 2008, aided by better volumes and higher margins.

Liquor and Spirits

Ginebra San Miguel, Inc.'s (GSMI) performance for 2009 was strong and on target, advancing its new positioning as a total beverage company, one that markets both alcoholic and non-alcoholic beverages. Propelled by GSM Blue and Gran Matador Brandy, domestic volumes posted impressive gains from the prior year. GSM Blue and Gran Matador have consistently delivered double digit volume gains, bringing total hard liquor domestic volumes to 36.9 million cases, 15% higher than 2008. Effective ad and promo programs such as the "Imagine" TVC, Bluniversity, Bluefest, "Tuloy ang init-part 2 UTC" and "Gin-u-win UTC" were successful in capturing consumer interest. Continuing improvements in product distribution and trade channel penetration have also translated into higher sales.

GSMI's sales revenues grew 27% to ₱19,549 million while operating income reached ₱1,086 million, significantly higher than the prior year. This was largely the result of high volumes, price increases and improved distillery operations, all of which greatly offset the higher cost of packaging materials, the increase in specific tax and conversion costs.

Combined with an increase in financing charges resulted in a net income of ₱701 million, a turnaround from last year's loss of ₱279 million.

2009 also saw the integration of San Miguel's non-alcoholic beverage subsidiary into GSMI. Beverage volumes posted significant growth from previous year.

<u>FOOD</u>

The Food Group ended 2009 with a record-breaking performance despite a highly competitive market for food manufacturers, where competition has been driven primarily by the factors of price and affordability. Nevertheless, the scale and breadth of San Miguel's food operations offer the company a unique ability to operate across categories, with both branded and institutional products. In this respect, the Food Group's track record of service, successful product innovation and breadth of capability has served it well in times of economic hardship, affording the company category leadership in many market segments.

Consolidated revenue of the Food Group reached ₱77,144 million with year-on-year growth of 5%. The poultry, flour, dairy and feeds businesses consistently performed strongest, while favorable selling prices, softening raw material prices across the commodity and dairy business units, improved efficiencies and effective cost management resulted in better margins than the prior year. Operating income was thus ₱4,530 million, more than double the ₱2,019 million registered in 2008. Another factor that contributed to this overall success were the Food Group's initiatives at business process outsourcing resulting in a more streamlined, cost-efficient organization. Business model enhancements were made in the meat retailing operations, while efforts to expand the Food Group's export base were largely successful.

Given that the economic situation remains uncertain, the Food Group will continue to manage accordingly, focusing on margins, costs and cash flow so that San Miguel Purefoods Company, Inc. (SMPFC) maximizes profits in the short term, but also positions the business to move forward in the medium to long term.

Agro-Industrial Cluster

Revenues of the agro-industrial cluster rose 10% to ₱53,601 million, driven by volume growth and better selling prices in the poultry and basic meats businesses. Stable raw material costs brought operating income to ₱3,091 million, nearly double the previous year.

Integrated Agro-Industrial Zone. It was a record year for the poultry segment which generated revenues of ₱25,799 million coming from growth in both volumes and selling prices.

The Magnolia Chicken Stations and wet market sales delivered the biggest volume growth with 107 new chicken station outlets opened in 2009 alone.

Continued expansion of the breeding and growing facilities using a climate-controlled system helped improved operations efficiencies, thus reducing production costs.

The Feeds Business generated sales revenue of ₱20,499 million, slightly higher compared to last year. This is mainly attributable to the strong performance of its premium product segments.

The use of alternative raw materials, primarily cassava, resulted in substantial savings for the Feeds Business and the premium pricing strategy helped protect and improve profitability amidst a weak market.

Likewise, the Monterey business posted a significant improvement from 2008's losses owing to cost reduction initiatives, operational efficiency improvements and cost breaks in raw materials. Sales revenue rose 15% higher than 2008 at ₱7,303 million.

*Milling***.** Enjoying a respite from record-high wheat prices in 2008, the Food Group's flour operations ended the year with an 8% increase in volumes.

While sales revenue ended lower at ₱7,929 million due to lower selling prices, the cluster's strong hedging position in wheat and freight charges, as well as the use of cheaper Australian wheat, resulted in strong operating income growth, allowing our flour operations to turn in significantly higher operating income compared to a loss during the previous year.

Branded and Value-Added Businesses

Processed Meats. The flagship brands for hotdog, canned meat, bacon, nuggets and whole ham remained dominant in their categories. As trusted marks, these products proved to be resilient despite the tendency of most consumers to trade down to lower-priced meat products.

Nevertheless, weak consumer spending, capacity limitations, and logistical constraints due to Typhoon "Ondoy" were the main factors affecting the overall performance of the value-added meat business. Sales revenues for 2009 amounted to ₱11,281 million.

Consumer promotions were implemented to defend the status and market shares. New products were also launched to offer more value to consumers and strengthen the company's participation in the affordable segment and food service accounts.

Dairy, Oils & Fats. Magnolia Inc. (Magnolia) rebounded from weak sales in 2008. Butter, margarine, cheese, milk and cooking oil all performed strongly with uniformly higher volumes versus 2008. Similarly, Magnolia's ice cream operations did well in 2009.

Sales revenues registered a 10% increase from last year reaching ₱5,283 million.

Cost breaks in raw material costs, higher selling prices and effective fixed cost management were the key drivers of the business' good performance which resulted to operating income, a significant turnaround from the previous year's loss.

New packaging for Star margarine was launched in 2009, while the new Magnolia Ice Cream plant in Sta. Rosa, Laguna became operational on March 2010. The plant has the capacity to produce five million gallons of ice cream a year.

Boxing champion Manny Pacquiao and his family became official endorsers of Magnolia Ice Cream and Magnolia Ready-to-Drink Milk, to emphasize the brand's heritage and affinity with the Filipino family.

Food Service. Great Food Solutions (GFS) continued to gain ground in the food service industry, posting sales revenue of ₱2,059 million. Among the partner-clients of GFS are food service giants Jollibee Group, Shakey's Pizza, 7-Eleven and the Bistro Restaurant Group, among others. High quality, cost efficient product customization, co-branding activities with key accounts continues to be its core strength while sustaining the intensive technical, culinary and food safety training of its front liners.

Emerging Businesses. San Miguel Super Coffeemix registered sales revenue of ₱474 million in 2009, lower than 2008 due to stiff competition from rival brands but the tight rein on fixed costs drove the coffee business' operating income significantly higher than last year.

The Pro-Health Coffee line–*Pro-Beauty, Pro-Fiber, Pro-Slim and Pro-Power* were launched to tap into the growing trend for wellness products. Efforts were made to extend the distribution reach of our ready-to-drink coffee products.

Regional Operations

San Miguel Pure Foods Vietnam's performance was adversely affected by hog disease outbreaks that hit the region in 2009. Hogs volume sales dropped significantly, resulting in slower off-take of our feed products. Despite this, volumes of our feed products grew 7% versus the previous year, the result of better distribution and quality improvements. Sales revenue ended at ₱2,101 million.

Vietnam is now home to 32 meat shop outlets. New products were launched in 2009, boosting volumes for the fresh meats and value-added businesses.

Despite relatively flat volumes, P.T. San Miguel Pure Foods Indonesia brought in sales revenues of ₱690 million, reversing 2008's losses. Point-of-purchase promotions pushed sales volumes in the modern trade, while tightly managed costs helped contribute to a positive operating income.

PACKAGING

In December 2009, San Miguel Yamamura Packaging Group (SMYPG) acquired, through its subsidiary San Miguel Yamamura Packaging International, a majority stake in JHK Investments Pty. Ltd, the holding company of the Cospak Group. The Cospak Group is the largest packaging trading company in Australasia with sales offices in Australia, New Zealand, and South Africa. The Group also has manufacturing operations in Australia, New Zealand and China. This acquisition gives SMYPG a foothold in a developed yet growing market.

SMYPG achieved total year revenues of ₱19,696 million as it broadened its market coverage both on the home front and the export markets of Asia-Pacific, the Middle East, Africa, Europe and North America. Long-term contracts were also secured with large multinational customers. The business expanded its product portfolio with new products such as anti-static (ESD) bags which enabled it to enter the growing semiconductor and electronics industry; plastic buckets and pails; lug caps; shrink labels; mold inserts for plastic caps; 30mm plastic caps for bottled water; and the retortable aluminum can.

With the success of its cost management initiatives and significantly reduced working capital levels, SMYPG achieved an operating income of ₱1,624 million, significantly higher than last year.

SMYPG's metal container plant garnered the top prize in the Asia Can Tech 2009 Conference in the two-piece beverage can category.

PROPERTY

San Miguel Properties, Inc. posted a remarkable 2009 performance which came from higher sales of residential projects posting a 137% growth. Total revenues amounted to ₱711 million, 17% higher compared to 2008, despite the downturn in the real estate industry at the start of 2009. SMPI reacted proactively to market needs as it introduced innovative payment terms in partnership with Bank of Commerce, paving the way for access to easy financing for prospective buyers. Net income in 2009 reached ₱978 million.

The launch of a marketing campaign last April 2009 and other initiatives to generate customer leads resulted to higher sales conversion. SMPI also implemented saturation activities directed towards OFW market that contributed over 50% of total sales. The introduction of more affordable house and lot packages also contributed to the increase in sales.

It was also a milestone year for SMPI, as it headed full-stream on the ₱3,000 million luxury serviced apartment project in Legaspi Village, Makati which will feature over 400 residential units on a 2,615 sq. m. property conveniently located right across the Greenbelt shopping mall.

Moving forward, SMPI continues to diversify its products and remain focused with its horizontal developments with three new projects to be launched in 2010.

2008 vs. 2007

BEVERAGE

Beer Domestic

SMB sustained its volume uptrend in 2008 despite market difficulties with the economic slowdown and rising commodity prices. Total SMB volumes grew by 4% to reach 174.5 million cases that brought in revenues of ₱48,787 million, 11% higher than 2007, in spite of the price increase implemented in April to cover escalating costs. Volume expansion was driven by intensified and innovative sales and marketing activities which enabled SMB to further strengthen its market position reaching 96%.

These initiatives included various tactical consumer and trade promotions and efforts to gain exclusive on-premise selling activities in key large-scale fiestas. Volume-generating and "occasion creation" programs such as *Territoryo* San Miguel, Beer Plazas, Beer Drinking Contests, Payday Special and outlet-based events were also implemented to further spur consumption.

The brands San Mig Light, Red Horse and Gold Eagle all grew in volume over 2007, even as San Miguel Pale Pilsen embarked on its biggest Oktoberfest yet in 2008. The annual beer fest was transformed into the SMB's grandest and longest-running fiesta with nationwide events lined up during the Oktoberfest's three-month launch.

SMB sponsored viewing parties for its top endorser, boxing great Manny Pacquiao, in his well-publicized matches. Visibility for the brand was also achieved through the sponsorship of concerts by international acts, namely Maroon 5 and Alicia Keys.

To further strengthen SMB's brand portfolio and grow the upscale segment market, SMB launched at the Oktoberfest kick-off party, San Miguel Premium All-Malt Beer and its seasonal offering, San Miguel Oktoberfest brew.

To chart SMB's future, it crafted its vision-mission with the tagline "Drink to Life" as it aims to make every occasion a celebration through SMB's products and services.

All these resulted in an operating income to ₱15,621 million, a 27% growth from ₱12,273 million in 2007.

Beer International

The performance of Beer International continues to be encouraging, as the business gains traction from its efforts to improve its structure and operations.

Volume sales of 48.4 million cases, registered growth of 1% from 2007, the bulk of which can be attributed to Indonesia's strong performance and improved sales in Thailand, Hong Kong and SMBIL's export sector.

Sales revenue ended at US$283 million, 24% above 2007. Operating income was at US$1.97 million, a rebound from 2007's loss of US$4.35 million which came from gains from Indonesia, North China, Thailand, Hong Kong and SMBIL Exports. The significant turn-around in

SMBIL's profitability was the result of business restructuring initiatives, outlet-based promotion programs, sales mix improvements and continuous efficiency enhancements.

In Hong Kong, domestic volumes posted a 5% growth from last year with SMPP reversing 2007's declining trend. This was boosted by its integrated marketing activations in outlets and special events with good output from the retail chains.

South China's domestic volumes suffered from the economic downturn in Foshan City and the closure of several key Chinese restaurants and open air outlets due to food safety concerns. However, exports and tolling volumes had offset much of the shortfall, thus registering a consolidated volume growth of 4%.

PT-Delta capped a stellar performance in 2008 registering domestic volume growth of 18% from 2007 level coming from the positive performance of Anker brand, San Miguel brand and Carlsberg. Thus, operating income grew 47% versus 2007 driven by strong volumes, better efficiencies and price increases.

Vietnam volumes remained lower than 2007 which resulted from competitor buy-outs and termination of sponsorships.

In Thailand, domestic volumes grew double digit from 2007, driven by higher sales of SMPP and San Mig Light. Tolling and export volumes also grew, contributing significantly to the marked improvement in over-all profitability of the Thailand operations. San Miguel brands continued its second year of growth in 2008 which nearly doubled from 2007, benefiting greatly from the increase in number of penetrated outlets ending at 9,386 outlets by 2008.

Export volumes for 2008 grew 22% against 2007 driven by SMPP and other San Miguel brands, particularly Red Horse. Overall, the Middle East and North American markets contributed the biggest growth over 2007.

Liquor and Spirits
In line with the vision to create a total beverage company out of GSMI and further strengthen its operations beyond the mature liquor and spirits market into faster-growing areas of the non-alcoholic beverage businesses, GSMI ventured back into the manufacturing and distribution of non-alcoholic beverages by purchasing the assets of San Miguel Beverages, Inc.

GSMI's GSM Blue and Gran Matador delivered substantial volume gains during 2008, with hard liquor domestic volume growing 9% higher than 2007. Following efforts to improve availability and product penetration, volumes of GSM Blue grew significantly from 2007. Gran Matador's 1-liter format also enjoyed strong volume growth.

Sales revenue grew 18% to ₱15,428 million. However, operating income ended at ₱431 million, 33% lower than 2007 on account of the rise in alcohol and packaging costs, higher ad spend to support the 2008's strong volume growth and increased administrative expenses.
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With fuel prices rising since the start of 2008 until the 3rd quarter, GSMI entered into a hedge arrangement to protect GSMI from further surges in fuel prices. However, with the downturn of prices during the 4th quarter, this resulted to a marked-to-market loss on our hedged fuel prices. All these dampened profitability, resulting in GSMI ending 2008 with a net loss of ₱279 million.

FOOD

Commodity costs were a challenge across the food industry in 2008. Several initiatives were implemented to help the Food Group improve its efficiencies, lower its production costs and generate savings so as to remain competitive in view of the difficult market and operating conditions.

While volumes contracted across most of the business segments, revenues were nevertheless robust, with poultry, feeds, flour, value-added meats and Vietnam operations posting double digit growth rates. Food Group revenues reached ₱73,880 million, up by 16%, as the businesses took some pricing measures to cover rising input costs.

Despite the slowdown in consumer spending, the Food Group managed to maintain market leadership in a majority of its product segments as major innovations were introduced to keep its offerings relevant and affordable to consumers.

The integration of outbound logistics allowed the business to maximize synergies among its branded businesses and standardize outbound logistics processes, policies and guidelines, resulting in annual savings of about ₱6 million.

Raw material substitution has been intensified resulting in savings of ₱217 million.

To secure higher margins and manage volatilities in the global commodity markets, the Food Group continued to pursue efforts towards developing more value-added products. To-date, the contribution has already gone up to almost 50% from total sales, evidenced by new products launched during the year 2008 - Ulam King, Purefoods Tender Juicy Sweet Corn, San Mig Coffee 2-in-1 coffeemix, and relaunched Magnolia Chicken Stations and Monterey Meatshops, were just some of the initiatives in 2008 designed to skew the Food Group's product portfolio toward the high-margin, more stable value-added segment. These new product lines are currently enjoying a favorable response from consumers.

Despite these efforts, the Food group's operating income fell short of 2007 due to high raw material costs, soft consumer demand and increased fixed costs spending.

Agro-Industrial Cluster

Integrated Agro-Industrial Zone. Poultry volumes registered positive growth throughout 2008 while the feeds and basic meats posted slight decline from 2007. Aided by favorable prices, sales revenue amounted to ₱48,811 million, 15% higher than 2007.

The Magnolia Chicken Stations yielded rewards for the Poultry sector. From 217 outlets in 2007 to 296 in 2008 delivering 28.7% volume growth and generated revenues of ₱3.76 million for the year 2008.

The Feeds Business introduced various sales recovery programs to preserve profitability amid a weak market that resulted in lower volumes.

With more than 166 Monterey Neighborhood Meatshops and 250 Monterey Supermarket Meatshops, the business continued to expand distribution and widen product availability, which helped in driving sales.

Milling. The milling operations saw a surge in wheat costs coupled with price controls which held back its performance. However, with price increases and the growing value-added flour segment allowed the business to post revenue of ₱8,684 million, a 30% growth from 2007.

On the other hand, the business' efforts in moving flour from basic to customized flour and premixes have started to pay off, protecting margins and locking in key customers.

Two new product categories were introduced: Magnolia Real Good Instant Noodles and E-Aji Thin and Light snacks. Both have the "no added MSG" component to address the health and wellness needs of consumers.

Branded and Value Added Businesses

Processed Meats. Sustained growth in all segments allowed Purefoods-Hormel to increase volumes by 4% which brought in revenue of ₱11,567 million, 11% higher than 2007. The segment's operating income was ₱626 million, 13% higher than 2007.

Innovation paved the way for the business to sustain its strong performance with new product introductions like Tender Juicy Sweet Corn Hotdog, new and exciting shapes for Chicken Fun Nuggets and Ulam King, a new line of affordable canned viands. The health benefits of Chick N Tasty Hotdog were also emphasized with its choline (an essential food nutrient) component. These new products further bolstered the business' portfolio of high-quality and value-for-money offerings.

Dairy, Oils & Fats. Magnolia's performance for 2008 was adversely affected by the rising costs of raw materials. Volumes fell across all major categories, except for ice cream. While price increases were implemented across all product lines, sales revenue slipped 7% below 2007.

Butter, margarine and cheese continued to dominate the market with their flagship brands – Magnolia and Star Margarine. Products were also launched which aimed to suit to prevailing consumer disposal income (e.g., Daily Queso, Dairy Blend and new ice cream flavors).

Food Service. Great Foods Solutions continued to partner with foodservice giants such as the Jollibee Group, Lots'A Pizza, 7-Eleven and the Bistro Group, among many others. With sustained innovation, product customization, co-branding activities with key accounts, complemented by the aggressive technical, culinary and food safety training of all GFS front liners, the business gained significant improvement in its performance.

Emerging Businesses. The Super Coffeemix business has sustained its revenue growth. Wider distribution, supported by sampling campaigns, new billboards and ad campaigns strengthened San Mig Coffee's hold of the market. The introduction of San Mig Coffee 2-in-1 Coffeemix also complemented the range of San Mig Coffee offerings.

The Food Shops' Snack Bar stations continue to draw customers. Fourteen Food Shops nationwide are currently in operation to continue providing additional distribution channels to the wide spectrum of San Miguel products.

Regional Operations

San Miguel Pure Foods Vietnam continued to be a bright spot in the Food Group operations with revenue and operating income growing 23% and 42% respectively.

Nine more Monterey Meatshop outlets were opened in 2008, with sales volume rising phenomenally every month. As of December 31, 2008,, there are 14 Monterey meatshops in Vietnam that are performing well.

On the other hand, P.T. San Miguel Pure Foods Indonesia's net loss narrowed down in 2008, a big improvement from 2007. Revenue grew by 9% as PT San Miguel Pure Foods Indonesia (SMPFI) focused on internal improvements, market innovation and expanded reach.

SMPFI continues to be the leading producer and marketer of halal processed meat products for retail and institutional customers and now ranks second in the processed meats industry with four core brands: Vida, Farmhouse, PF Choice and Gusto.

PACKAGING

The Packaging Group posted a solid recovery in 2008 with sales revenue growing 6% to ₱ 19,852 million, the result of robust demand from the glass and plastic businesses. Improvements in the group's cost structure and a renewed focus on developing overseas markets have also helped.

The Packaging Group has entered into long-term contracts with major external customers such as Del Monte, Coca-Cola Bottlers Philippines, Unilab, Kraft and Fonterra and retained other larger customers such as Nestle and Pepsi.

New products were launched to further diversify markets. The Plastics business began commercial production of margarine tubs and its proprietary chicken flooring. It also established its plastic pallet leasing operations in Mindanao. The PET business developed tennis ball canisters using pre-forms with recycled PET content.

The Packaging Group continued its aggressive expansion into export markets outside Asia, developing more customers and products for Australia, South Africa and the Middle East. Its glass packaging subsidiary in China further deepened its penetration of the U.S. market with new customers and distributors.

The Packaging Group was likewise confronted with higher costs for oil and key raw materials. Packaging Group responded to this with pervasive cost and working capital reduction as well as value-enhancing programs across the organization. Thus, operating income of ₱ 1,371 million is significantly higher than the previous year.

PROPERTY

SMPI's performance ended 2008 with a 212% growth in net income attributable to equity holders of SMPI from ₱380 million to ₱1,187 million. The sharp increase was due to the disposal of real property and divestment of shares of stock.

SMPI's turnaround was also helped by the new initiatives in the areas of project development and operations, sales and marketing and project finance. Among these initiatives: the launching of Bel Aldea and Maravilla projects and expanded channels of distribution. SMPI signed a joint venture agreement with the Government Service Insurance System (GSIS) to develop a high-end serviced apartment in Makati City.

Its associate, BOC is supporting SMPI's operations by way of providing ready and easy access to mortgage financing. This one-stop-shop concept has since launched the 100%-Guaranteed Loanable Bank Financing Facility for potential buyers of SMPI projects.

While domestic demand remains strong, SMPI plans to tap the international market, targeting overseas foreign workers in Asia and the Middle East.

SMPI will also expand its competencies in the area of property management, with the recent transfer of management of SMC Tagaytay Training Center to SMPI.

III. FINANCIAL POSITION

2009 vs. 2008

The Group's consolidated total assets as of December 2009 amounted to ₱438,491 million, ₱ 99,118 million higher than 2008, basically due to net increase in the Group's cash balance.

Below were the major developments in 2009:

INVESTMENTS AND ACQUISITIONS

POWER PLANTS

- Sual Power Plant

As a result of the bidding conducted by Power Sector Assets and Liabilities Management Corporation (PSALM) on August 28, 2009 for the Appointment of the IPP Administrator for the Contracted Capacity of the Sual 2x500 MW Coal Fired Power Station ("Sual Power Plant"), SMEC was declared the winning bidder as set out in the Notice of Award issued by PSALM on September 1, 2009. As of November 6, 2009, SMEC assumed the administration of the Contracted Capacity of the Sual Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the Sual Power Plant with Execution Date of September 8, 2009.

On October 26, 2009, SMEC's BOD approved the following: (i) subscription by the Parent Company and Global 5000 Investment Inc. (Global) of 15,000 and 60,000 shares, respectively, of SMEC's remaining unissued capital stock; and (ii) increase in the authorized capital stock of SMEC from ₱10 million divided into 100,000 shares with par value of ₱100.00 per share to ₱ 300 million divided into 3,000,000 shares with par value of ₱100.00 per share, with the Parent Company and Global subscribing to 1,160,000 and 1,740,000 shares of SMEC, respectively, out of the increase in the authorized capital stock, at ₱100.00 per share. The aforementioned increase in the authorized capital stock of SMEC was likewise approved by the stockholders of SMEC in a meeting held on the same date. The application for the increase in authorized capital stock of SMEC is yet to be filed with the SEC as of April 1, 2010.

The Parent Company, on November 16, 2009, and Global, on November 17, 2009, executed a Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SMEC. On November 26, 2009, the Parent Company paid in full its remaining unpaid subscription to the 24,995 common shares of stock in SMEC amounting to ₱1.835 million.

With the new subscription, Global and the Parent Company own an aggregate of 60% and 40% equity ownership interest in SMEC, respectively.

- Limay Power Plant

On September 11, 2009, PSALM issued the Notice of Award to SMEC as the winning bidder of the 620 MW Limay Combined Cycle Power Plant (the “Limay Power Plant”). SMEC and PSALM entered into the Asset Purchase Agreement and Land Lease Agreement (collectively, the “Limay Agreements”) with Effective Date of September 18, 2009.

On November 3, 2009, as part of the corporate restructuring of the Parent Company’s power and energy business cluster, Panasia Energy Holdings, Inc. (Panasia) became a direct wholly-owned subsidiary of the Parent Company as a result of SMEC’s sale of its 100% equity ownership interest in Panasia in favor of the Parent Company for ₱2.5 million. On November 13, 2009, SMEC and Panasia entered into an Assignment Agreement with Assumption of Obligations, wherein Panasia assumed all the rights and obligations of SMEC under the Limay Agreements subject to the written consent of PSALM to such assignment. PSALM’s consent to the assignment was secured by SMEC and Panasia, as set out in the Amendment, Accession and Assumption Agreement executed by the parties on January 11, 2010.

On January 18, 2010, the physical possession of the Limay Power Plant was turned over and transferred to Panasia. Panasia started operations of the Limay Power Plant on February 16, 2010.

- San Roque Power Plant

Following the December 15, 2009 bidding conducted by PSALM for the Appointment of the IPP Administrator for the Contracted Capacity of the 345 MW San Roque Multi-Purpose Hydroelectric Power Plant located at Barangay San Roque, San Miguel, Pangasinan (the “San Roque Power Plant”), PSALM issued on December 28, 2009 the Notice of Award to Strategic Power Development Corporation (SPDC) as the winning bidder thereof. As of January 26, 2010, SPDC assumed the administration of the Contracted Capacity of the San Roque Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the San Roque Power Plant with Execution Date of December 29, 2009.

On February 11, 2010, SPDC’s BOD approved the following: (i) subscription by the Parent Company and Global of 1,500 and 6,000 shares, respectively, of SPDC’s remaining unissued capital stock; and (ii) increase in the authorized capital stock of SPDC from ₱1 million divided into 10,000 shares with par value of ₱100.00 per share to ₱100 divided into 1,000,000 shares with par value of ₱100.00 per share, with the Parent Company and Global subscribing to 396,000 and 594,000 shares of SPDC, respectively, out of the increase in the authorized capital stock, at ₱100.00 per share. The aforementioned increase in the authorized capital stock of SPDC was likewise approved by the stockholders of SPDC in a meeting held on the same date. The application for the increase in authorized capital stock of SPDC is yet to be filed with the SEC as of April 15, 2010.

On March 15, 2010, the Parent Company and Global executed a Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SPDC. On March 19, 2010, the Parent Company paid in full the balance for its initial subscription of 2,495 common shares of stock in SPDC amounting to ₱0.1875 million.

With the new subscription, Global and the Parent Company own an aggregate of 60% and 40% equity ownership interest in SPDC, respectively.

INFRASTRUCTURE / TELECOMS

- Private Infra Dev Corporation (PIDC)

On September 11, 2009, Rapid Thoroughfares, Inc. (Rapid), a wholly-owned subsidiary of San Miguel Holdings, Inc., which in turn is a wholly-owned subsidiary of the the Parent Company, acquired 35% stake in PIDC, a consortium of construction companies behind the Tarlac-Pangasinan-La Union Expressway Project. Rapid subscribed to 1,575,000 common shares of PIDC, amounting to ₱1,575 million and paid a portion of the subscription price amounting to ₱ 561 million on September 11, 2009.

- Liberty Telecoms Holdings, Inc. (LTHI)

On July 8, 2009, the Parent Company, through a wholly-owned subsidiary, Vega Telecom, Inc. (Vega), acquired 579,111,669 common shares (approximately 32.7% of the outstanding capital stock) of LTHI from LTHI's existing stockholders for a total consideration of ₱2,041 million.

On July 21, 2009, Vega entered into a subscription agreement with LTHI for the subscription of 587,951,737 voting, nonredeemable and participating preferred shares of LTHI at an issue price of ₱3.00 per share or approximately ₱1,764 million. As of December 31, 2009, the Parent Company paid ₱735 million as deposit for the subscription.

On January 5, 2010, Vega paid ₱588 million as additional deposit for the subscription of LTHI's 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 SEC on January 18, 2010.

On April 8, 2010, Vega paid the remaining subscription payable on LTHI's preferred shares amounting to ₱441 million.

The fair value of the Group's capital stock investment in LTHI amounted to ₱1,564 million as of December 31, 2009.

BANKING

- BOC

Pursuant to the second subscription agreement for a total consideration of P600, SMPI appropriately applied the advance payment as of December 31, 2008 and fully paid the remaining subscription payable in April 2009 amounting to ₱150 million and ₱450 million, respectively. On July 2, 2009, SMPI exercised its pre-emptive right and subscribed an additional 4,001,197 shares (equivalent to 30% ownership interest) for ₱694 million. Such subscription was fully settled on August 8, 2009. On August 14, 2009, SMPI subscribed to portion of unexercised pre-emptive rights of certain stockholders, acquiring additional 4% interest (equivalent to 596,898 shares) in BOC for ₱104 million thereby increasing its equity ownership interest from 30% to 34% starting September 30, 2009. On October 1, 2009, SMPI acquired additional 50,000 shares from existing stockholder of BOC with a selling price of US$4.68 per share or about US$0.234 million (equivalent to ₱11 million). Also in the same month, the remaining unexercised pre-emptive rights were exercised by other existing stockholders thus, decreasing equity ownership interest from 34% to 31.23%. As of December 31, 2009, SMPI fully paid its subscriptions payable to BOC.

BOC is required to meet certain ratios under *Bangko Sentral ng Pilipinas* (BSP) regulations to manage the risks inherent in the banking business. As of December 31, 2009 and 2008, BOC has complied with the statutory and regulatory capital requirements which were computed based on the regulatory accounting policies that differ from PFRS in some aspects.

Certain accounting policies applied by BOC in the preparation of its financial statements are not in accordance with PFRS. In computing for the equity in net earnings (losses) and comprehensive income (losses) of BOC, SMPI made adjustments to the 2009 and 2008 audited financial statements of BOC to conform BOC's accounting policies with PFRS and make them consistent with the Group's accounting policies. The adjustments made by SMPI relates to the correction of: (a) inadequate reserves on non-performing assets, investment properties and financial assets; and (b) deferral of losses on sale of non-performing loans.

Based on the adjusted account balances of BOC as of December 31, 2009, management determined that the carrying amount of the investment is not fully recoverable thus, an impairment loss on the investment amounting to P163 was recognized and is included in "Other income (charges)" account. No impairment loss on the investment was recognized in 2008.

On February 15, 2010, SMPI's BOD authorized the divestment of SMPI's 31.23% interest in BOC. The carrying amount of the investment as of December 31, 2009 amounted to ₱2,746 million, representing 16,396,689 common shares.

FOOD

- Highbreed Livestock Corporation (HLC)

In April 2009, Monterey Foods Corporation (MFC), a majority-owned subsidiary of SMPFC, acquired the subscription rights of certain individuals in HLC, a Philippine company engaged in livestock farming, processing, selling meat products (mainly pork and beef) and leasing of properties. As such, HLC became a subsidiary of MFC and was consolidated into SMPFC through MFC. On June 22, 2009, the respective BOD and stockholders of MFC and HLC approved the merger of HLC into MFC, with MFC as the surviving corporation. The consideration of the assignment of the subscription, net of the effect of the merger, amounted to ₱6.25 million. The SEC approved the merger on October 22, 2009. The BIR confirmed the tax-free merger of HLC into MFC in its certification No. S40-052-2009.

PACKAGING

- JHK Investments

On December 3, 2009, San Miguel Yamamura Packaging International Limited's (SMYPIL) BOD approved the increase in the authorized capital stock of SMYPIL from US$100 million to US$120 million. The proposed increase in capital stock would cover the additional capital to be issued by SMYPIL to finance the acquisition of JHK Investments and its subsidiaries.

On December 14, 2009, an amendment to the Articles of Association increasing SMYPIL's authorized capital from US$100 million to US$120 million was filed with the Registrar of Corporate Affairs of BVI.

Subsequently, while maintaining their respective ownership interests, San Miguel Holdings Ltd. (SMHL) and Nihon Yamamura Glass Co., Ltd (NYG) made additional investments in SMYPIL amounting to US$23.6 million and US$12.7 million, respectively.

On December 17, 2009, SMYPIL, a 65% owned subsidiary of the Parent Company, acquired from James Huntly Knox 60,705,521 shares in JHK Investments, the parent company of the Cospak Group, for up to a maximum amount of A$34.65 million (US$31.64 million). SMYPIL paid A$24.74 million (US$22.59 million) for the shares. The balance of the purchase price in the amount of A$9.91 million (US$9.05 million) will be paid by SMYPIL through an earn-out scheme based on the attainment by JHK Investments of an agreed Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA) for the period ended December 31, 2009 and for the six months period ending June 30, 2010.

On the same date, SMYPIL also subscribed to an additional 12,269,939 shares in JHK Investments for A$5 million (US$4.57 million).

SMYPIL owns an aggregate of 65% of the outstanding shares of JHK Investments.

In February 2010, JHK Investments was renamed "San Miguel Yamamura Knox Pty. Ltd."

REAL ESTATE

- Primeria Commercio Holdings, Inc. (PCHI)

In 2009, SMPI provided US dollar-denominated non-interest bearing cash advances to PCHI, a future investee of SMPI, amounting to US$17 million (₱794 million) as of December 31, 2009. These advances will be applied against future subscriptions of SMPI to the shares of stock of PCHI.

- Maison 17 Properties, Inc. (MPI)

In 2009, SMPI executed the Deed of Absolute Sale completing the purchase of all the interests of certain individuals in MPI for a total purchase price of ₱311 million, including related taxes. SMPI fully paid the balance of the purchase price for the acquisition of shares of stock of MPI amounting to ₱157 million (net of ₱154 million advanced in 2008). As a result, MPI became a wholly-owned subsidiary of SMPI.

- Integrated Geosolutions Inc. (IGI)

In June 2009, SMPI entered into a Joint Venture Agreement (JVA) with certain individuals and corporations (collectively referred to as Co-Venturer) to transfer title of the properties and develop and later operate the properties into a mixed commercial and residential estate. On July 28, 2009, as part of the terms of the JVA, IGI was incorporated with an authorized capital stock of ₱1,000 million divided into 1,000,000,000 common shares with a par value of ₱1.00 per share. On the same date, the Co-Venturer subscribed to 600,000,000 common shares of IGI for ₱600 million.

Pursuant to the terms and conditions of the JVA, SMPI made cash advances in favor of the Co-Venturer amounting to ₱311 million as of December 31, 2009. Under a Deed of Assignment, such advances will be applied as payment for SMPI's subscription to sufficient number of IGI shares of stock to give SMPI a 51% ownership interest, pending its execution.

INCORPORATION OF NEW COMPANIES

- Kaliwa Water Development Corp. (Kaliwa)

  On November 6, 2009, the Parent Company's wholly-owned subsidiary SM Bulk Water Company, Inc. incorporated Kaliwa with an authorized capital stock of ₱1 million. Kaliwa's primary purpose is, among others, to construct, maintain, and operate dams and other waterworks necessary or required for the storage, treatment and supply of potable water in areas such as, but not limited to, the Kaliwa River Basin.Northlink Toll Management, Inc. (Northlink)

- Northlink was incorporated on December 15, 2009, with an authorized capital stock of ₱1 million divided into 1,000,000 shares with the par value of ₱1.00 per share. Northlink is a joint venture company formed by the Parent Company and Star Tollway Corporation (STC), under a 60-40 equity arrangement. The Parent Company and STC have subscribed to 149,997 and 99,998 shares of stock of Northlink, respectively.

ADDITIONAL INVESTMENTS TO EXISTING BUSINESS

- San Miguel Rengo Packaging Corporation (SMRPC) and Mindanao Corrugated Fibreboard, Inc. (Mincorr)

On April 17, 2009, the Parent Company acquired Rengo Co. Ltd.'s 30% and 20% stake in SMRPC and Mincorr, respectively, for a total purchase price of ₱250 million. Subsequently, on April 29, 2009, the Parent Company acquired all the interests of Macondray Fibreboard Corporation in Mincorr for ₱27.1 million.

The acquisitions of the said interests by the Parent Company resulted in SMRPC and Mincorr becoming wholly-owned subsidiaries of the Parent Company in 2009.

SMRPC was renamed San Miguel Paper Packaging Corporation, as approved by the SEC on September 3, 2009.

On July 27, 2009, Rengo ceased its commercial operations.

- Thai San Miguel Liquor Co. Ltd. (TSML)

On March 6, 2009, the BOD of TSML, approved the increase in the capital stock of TSML from THB1,000 million to THB1,250 million. On the same date, GSMIL, a wholly-owned subsidiary of GSMI, subscribed to 40% of the increase for a total subscription price of THB100 million (₱134.6 million) to maintain its 40% stake in TSML. On March 9, 2009, GSMIL remitted to TSML THB60 million (₱81.5 million) representing 60% of the subscription price as deposit for future stock subscription.

On March 6, 2009, Siam Wine and Liquor Limited (SWL) subscribed to 10% of the increase in capital stock of TSML for a total of THB25 million (₱33.6 million) to retain its 10% stake in TSML. On March 9, 2009, SWL remitted to TSML THB15 million (₱20.2 million) representing 60% of the subscription as deposit for future stock subscription. With the subscriptions of GSMIL and SWL in TSML, the GSMI group's interest in TSML remained at 44.9%.

On February 25, 2010, GSMI acquired additional shares to retain the 40% ownership of the outstanding shares of TSML through GSMIL for THB40 million (₱56 million). On the same date, SHL ("Lender") entered into a loan agreement with SWL ("Borrower") for THB10 to purchase additional shares in TSML.

Detailed discussion of developments relating to the Group's investments in shares of stock of subsidiaries is presented in Note 10 of the attached Notes to the Consolidated Financial Statements.

OTHER RECEIVABLES

In 2009, SMCRP's net payment to the Parent Company amounted to ₱3,538 million (inclusive of ₱620 million interest) for its advances.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

BORROWINGS

- On February 17, 2009 and November 26, 2009, the Parent Company issued floating rate corporate notes amounting to ₱1,000 million and ₱2,000 million, respectively, which were used for general financing and corporate requirements. Transaction cost from the loan amounted to ₱18 million as of December 31, 2009.

- On October 8, 2009, the Parent Company obtained a three-year US$600 million loan to fund some acquisitions, particularly in the power sector. Transaction cost from the loan amounted to ₱ 1,323 million as of December 31, 2009.

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

On November 17, 2009, the Philippine Dealing & Exchange Corp. (PDEX) approved SMB's application to list its peso-denominated fixed rate bonds for trading on the PDEX.

- On June 3, 2009, the Parent Company paid off its US$923 million or about ₱43,575 million long-term debt.

<u>ACQUISITION/SALE OF ASSETS</u>

- Acquisition of Puka Beach, Boracay Property

  In 2009, SMPI acquired certain parcels of land at Boracay Island, Barangay Yapak, Malay, Aklan, with a total area of about 35,515 square meters, for a total consideration of ₱269 million.

- Acquisition of Cauayan Isabela Property

  In January 2009, SMPI acquired certain parcels of land located in Cauayan, Isabela (the Cauayan Property) for a total consideration of ₱128 million. The Cauayan Property has a total lot area of about 80,346 square meters.

- Acquisition of Manila Properties

  Certain subsidiaries of SMPI acquired several parcels of land located in Metro Manila in 2009 and in Palawan in 2008 for a total consideration of ₱324 million and ₱91 million, respectively.

- Sale of SMB Shares

  On February 20, 2009, the Parent Company signed a share purchase agreement for the acquisition by Kirin of a 43.2499% stake in SMB. Under the terms of the agreement, purchase price of the shares amounted to ₱8.841 per share, implying a total acquisition price at ₱ 58,924 million. Further to the agreement, the Parent Company, Kirin and SMB negotiated exclusively for SMB's purchase of Parent Company's overseas beer business.

  On April 30 and May 22, 2009, the Parent Company sold its 2,185,402,491 and 4,479,621,199 common shares, respectively, representing 43.2499% stake in SMB to Kirin at P8.841 per share for a total purchase price of ₱58,924 million. The Group recognized a net gain of ₱50,537 million from the sale.

- Sale of Land to Brewery Landholdings, Inc. (BLI)

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

- Sale of Iconic Beverages, Inc. (IBI) to SMB

  On February 27, 2009, the SEC approved the increase in the authorized capital stock of IBI. With such approval, the SEC likewise approved the transfer of the IP Rights by the Parent Company to IBI in exchange for 100,000,000 shares in IBI. The said shares were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-405-2008.

  On April 29, 2009, the Parent Company sold its 100% interest in IBI to SMB for a total purchase price of ₱32,000 million. Following such sale, IBI became a wholly-owned subsidiary of SMB.

- Transfer of Centralized Key Accounts Group (CKAG) to San Miguel Foods, Inc (SMFI)

  On May 1, 2009, the Parent Company ceased the operations of CKAG and transferred its receivables, inventories and fixed assets to SMFI for a total consideration of ₱2,353 million.

- Sale of SMBIL Shares to SMB

  On August 17, 2009, the Parent Company assigned its international trademarks, trade dress, know-how, copyrights, patents and other intellectual property rights (International "IP Rights") used in connection with the international beer business of the Parent Company and its international subsidiaries valued at US$31.5 to SMIL. Common shares totaling 2,863,636 were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-233-2009.

  On December 18, 2009, SMB's BOD approved the purchase of the international beer and malt-based beverages business of the Parent Company through the purchase of the shares of SMHL in SMBIL, comprising 100% of the issued and outstanding capital stock of SMBIL (SMBIL Shares), with an enterprise value of US$300. On the same date, the Parent Company, SMB and SMHL entered into a Share Purchase Agreement (SPA) for the SMBIL Shares.

  On December 28, 2009, SMBIL's BOD approved the assignment of International "IP Rights" to SMHL valued at US$31.5 in exchange for 286,363 SMHL common shares. The assignment was also approved by SMHL's BOD on the same date.

  Also on the same date, SMHL's BOD approved the assignment of International "IP Rights" to SMBIL valued at US$31.5 in exchange for 2,863,636 SMBIL shares. The assignment was also approved by SMBIL's BOD on the same date.

  On January 28, 2010, SMB entered into a US$300 unsecured loan facility agreement. Proceeds of the loan were used to finance SMB's acquisition of SMBIL Shares. The sale was completed on January 29, 2010, with SMB acquiring the SMBIL Shares for a purchase price of US$302, after adjustments in accordance with the terms of the SPA.

CAPITAL STOCK

On July 23, 2009, during the Parent Company's annual stockholders' meeting, the stockholders approved amendments to the Parent Company's Articles of Incorporation providing for the reclassification of the common shares comprising the authorized capital stock of ₱22,500 million. The authorized capital stock of the Parent Company was divided into 2,034,000,000 Class “A” common shares, 1,356,000,000 Class “B” common shares and 1,110,000,000 Series “1” preferred shares, and defined the terms and features of the Series “1” preferred shares. The preferred shares shall be peso-denominated, perpetual, cumulative and non-voting Series “1” preferred shares with an issue price of ₱75.00 per share and a dividend rate of 8% per annum computed in reference to the issue price. The SEC approved these amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009. The stockholders also approved in the same stockholders’ meeting, further amendments to the resolutions on the increase in the authorized capital stock of the Parent Company which were passed during the 2007 annual stockholders’ meeting to provide for the division of the increased authorized capital stock of the Parent Company into common shares and two series of preferred shares. The proposed increase in the authorized capital stock of the Parent Company has not been submitted to the SEC for approval.

Also, on July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series “1” preferred shares. The exchange ratio was one (1) common share for one (1) Series “1” preferred share and the qualified shareholders of record, as of July 2, 2009 were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class “A” common shares and 396,876,601 Class “B” common shares for Series “1” preferred shares.

On October 15, 2009, the Parent Company’s BOD approved the issuance, through private placement, of up to 226,800,000 Series “1” preferred shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series “1” preferred shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of ₱75.00 per Series “1” preferred share.

Series “1” preferred shares has a par value of ₱5.00 per share and are entitled to receive cash dividends upon declaration by at the sole option of the Parent Company’s BOD at a fixed rate of 8% per annum calculated in respect of each Series “1” preferred share by reference to the Issue Price thereof in respect of each dividend period. Unless the Series “1” preferred shares are redeemed by the Parent Company, the dividend rate shall be adjusted at the end of the fifth year after the date of issue.

Series “1” preferred shares do not carry the right to vote. The Series “1” preferred shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at ₱75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the Parent Company’s residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

As of December 31, 2009, the Parent Company has 970,506,353 outstanding Series “1” preferred shares.

Treasury shares, totaling 65,475,371 Class “A” and “B” common shares, are stated at acquisition cost, while 873,173,353 Class “A” and “B” common shares were acquired through the exchange of common shares to preferred shares on a one-for-one basis at ₱75.00 per share. The Parent Company has available cash and shares of stock for the dividends payable on the treasury shares.

The Supreme Court has affirmed its Resolution issued on September 17, 2009, allowing the PCGG to convert the 24% sequestered shares of the Parent Company in the name of CIIF into Series “1” preferred shares. The Court held that the conversion is necessary to preserve the value of the 753,848,312 common shares.

On February 11, 2010, the Supreme Court amended its Resolution dated September 17, 2009 and authorized the PCGG to exercise discretion in depositing on escrow, the net dividend earnings on, and/or redemption proceeds from, the Series “1” preferred shares of SMC, either with the Development Bank of the Philippines/ Land Bank of the Philippines or with the UCPB, having in mind the greater interest of the government and the coconut farmers.

In the Supreme Court Resolution, it was declared that the common shares of stock of SMC which had been converted to Series “1” preferred shares shall become treasury shares.

2008 vs. 2007

The Group’s consolidated total assets as of December 2008 amounted to ₱339,373 million, ₱ 51,264 million higher than 2007, basically due to investment in Meralco and net increase in cash amounting to ₱30,845 million and ₱23,658 million, respectively.

Below were the major developments in 2008:

INVESTMENTS AND ACQUISITIONS

POWER

- Meralco

  On October 27, 2008, the Parent Company entered into a sale and purchase agreement with the GSIS to acquire the latter’s 300,963,189 shares in Meralco, representing 27% stake for a total consideration of ₱27,087 million plus an additional fixed term interest of ₱3,758 million. On November 10, 2008, the Parent Company paid ₱5,417 million representing downpayment for shares with the balance payable in three (3) years. The Group recognized equity in net earnings of Meralco amounting to ₱126 million, representing its share in Meralco’s net income from the period November 1 to December 31, 2008.

BANKING

- BOC

  In April 2008, SMPI and San Miguel Corporation Retirement Plan (SMCRP) paid the balance of its payable to BOC for its subscription amounting to ₱1,500 million, of which₱ 1,249 million and ₱251 million were paid by SMPI and SMCRP, respectively. In May 2008, SMPI and SMCRP entered into a subscription agreement with BOC for a total of 10,000,000 additional shares in BOC, wherein SMPI subscribed to an additional 3,001,779 shares, from the increase in the authorized capital stock of BOC with an aggregate par value of ₱300 (₱100 per share) for ₱600 (₱200 per share) to maintain its 30% stake in BOC, while SMCRP will increase its holdings in BOC to 21%. As of December 31, 2008, SMPI has made an advance payment of ₱150 million which is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account.

INITIAL PUBLIC OFFERING

- SMB shares

  On May 12, 2008, SMB listed its shares in the Philippine Stock Exchange pursuant to its listing application approved on March 26, 2008. SMB sold 77,052,000 shares to the public by way of a primary offer, and the Parent Company sold to the public 809,050,000 shares of its existing shares in SMB (including shares to cover for over-allotments) by way of a secondary offer, pursuant to a registration statement rendered effective by the Securities and Exchange Commission on April 28, 2008. The total shares offered represents 5.75% stake in SMB. The Group recognized a gain of ₱5,650 million from the transaction.

INCORPORATION OF NEW COMPANIES

- Brewery Properties Inc. (BPI)

  On December 8, 2008, the BOD of the Parent Company approved the transfer of certain parcels of land used in the domestic beer operations to Brewery Properties Inc. (BPI), a wholly-owned realty subsidiary in exchange for shares of stock.

  On December 16, 2008, the Parent Company formed BPI with an authorized capital stock of ₱1 million. BPI was incorporated primarily to own, use, improve, develop, sell, exchange, lease and hold investment or otherwise, real estate of all kinds, including buildings and other structures.

- Iconic Beverages, Inc. (IBI)

  On December 8, 2008, the BOD of the Parent Company approved the transfer of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to Iconic Beverages, Inc (IBI), a wholly-owned subsidiary in exchange for shares of stock.

  On December 16, 2008, the Parent Company formed IBI with an authorized capital stock of ₱1 million. IBI was incorporated primarily to engage in the manufacturing, buying, selling (on wholesale) and dealing in alcoholic and non-alcoholic beverages and to own, purchase, license and/or acquire such trademarks and other intellectual property rights necessary for the furtherance of its business. On the same date, the BOD and stockholders of IBI approved the increase in its authorized capital stock from ₱1 million to ₱10,000 divided into 100,005,000 shares at ₱100 par value per share. The Parent Company and IBI executed a Deed of Assignment of Domestic Intellectual Rights dated December 16, 2008 as supplemented by a Supplement to the Deed of Assignment of Domestic Intellectual Property Rights dated January 23, 2009 for the transfer of the IP Rights in exchange for common shares in IBI.

Detailed discussion of developments relating to the Group's investments in shares of stock of subsidiaries is presented in Note 10 of the attached Notes to the Consolidated Financial Statements.

OTHER RECEIVABLES

In 2008, SMCRP paid the Parent Company ₱31,708 million (inclusive of ₱3,411 interest) for its advances.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

BORROWINGS

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.

ACQUISITION/SALE OF ASSETS

- Acquisition of Boracay Property

  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.

- Sale of the Group's 35% Stake in the Domestic and Regional Packaging Businesses

  On January 30, 2008, effective on the closing of the SMPSI Stock Purchase Agreement (SMPSI SPA) on January 31, 2008, the Parent Company and NYG entered into a deed of assignment of shares of stock pursuant to which the Parent Company assigned, transferred and ceded all its rights, interest and/or title over the Parent Company's 3,756,501 shares in SMPSI for ₱4,317 million. On the same date, and effective on the closing of the SMPIL SPA on January 31, 2008, SMHL and NYG entered into a deed of assignment of shares of stock pursuant to which SMHL assigned, transferred and ceded all its rights, interest and/or title over SMHL's 20,726,119 shares in SMPIL for US$21 million.

  Also on January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, SMPSI and NYG entered into a deed of assignment of shares pursuant to which NYG assigned its 20% stake in San Miguel Yamamura Fuso Molds Corporation (SYFMC) with an aggregate book value of ₱23 million as full payment for its subscription of 19,659 SMPSI shares. On March 14, 2008, the SEC approved the valuation of NYG's shares in SYFMC. The relevant Certificate of Approval of Valuation was amended on April 23, 2008 to rectify the typographical error in the corporate name of SMPSI from "San Miguel Packaging Specialist, Inc." to "San Miguel Packaging Specialists, Inc.".

  On the closing of the SMPSI SPA and the SMPIL SPA both on January 31, 2008, the Parent Company and SMHL received ₱3,691 million and US$17 million, respectively, from NYG.

  Pending completion of the closing audit, the Group recognized a gain of ₱154 million from the sale of 35% interest in SMPSI and SMPIL.

In connection with the sale, SMPSI changed its corporate name to "San Miguel Yamamura Packaging Corporation" as approved by the SEC on June 4, 2008. In addition, the BOD of SMPIL likewise approved the change in the corporate name of SMPIL to "San Miguel Yamamura Packaging International Limited" on January 3, 2008, and such change became effective on June 11, 2008.

- Finalization of the sale of SMPI's 29.83% ownership in KSA

  On January 14, 2008, SMPI completed the sale of its 354,863 common shares (equivalent to 29.38% ownership) in 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 ₱1,812 million. The Group recognized a gain of ₱1,182 million, net of capital gains tax of ₱162 million.

- Completion of the Sale of J. Boag

  On January 2, 2008, San Miguel Beverages (L) Pte. Ltd. (SMBPL) completed the sale of J. Boag to Lion Nathan Ltd. The Group received A$277 million as payment of purchase price and recognized a gain of ₱5,425 million, net of deferred income tax.

- Sale of Aurora Property

  In July 2008, SMPI sold its Aurora, Quezon City property to Robinsons Land Corp. for a total consideration of ₱1,616 million. The Group recognized a gain of ₱1,230 million as of December 31 2008.

MATERIAL CHANGES PER LINE OF ACCOUNT

<u>2009 vs. 2008</u>

Cash and cash equivalents increased by 79% from ₱116,939 million in 2008 to ₱209,411 million in 2009 mainly due to the: proceeds from sale of SMB shares; net proceeds from issuance of bonds by SMB and of floating rate corporate notes by the Parent Company, net availment of short-term loans; collection of advances from a related party and cash provided by operations, net of long-term debt payment by the Parent Company, dividends paid, additional investments in shares of stock of BOC, Cospak Group, Liberty Telecoms Holdings, Inc. and Private Infra Dev Corporation and foreign exchange restatement.

Current biological assets decreased by 14% to ₱2,525 million in 2009 due to lower volume of growing hogs and poultry livestock.

Prepaid expenses and other current assets increased by ₱1,149 million mainly due to increase in raw land inventory of SMPI with the acquisition of Cauayan, Boracay, Makati and Mandaluyong properties.

Assets held for sale pertains to the carrying amount of the investment in BOC, which SMPI's management intends to divest.

Investments increased from ₱32,253 million to ₱39,356 million in 2009 mainly due to: a) investment in shares of stock of Liberty Telecoms Holdings, Inc. and Private Infra Dev Corporation; b) advances for future stock subscription in PCHI, IGI and SMPI-GSIS JVC; c) equity in current earnings and share in comprehensive income of Meralco and d) equity in current earnings of SMEC, net of dividend declared by Meralco, decline in value of available for sale financial assets, equity in net loss of LTHI and translation adjustments.

Goodwill increased by 23% from ₱5,201 million in 2008 to ₱6,408 million in 2009 mainly due to recognition of additional goodwill upon consolidation of Cospak Group with SMYPIL, net of translation adjustments.

Other intangible assets decreased by 5% from ₱3,812 million in 2008 to ₱3,630 million in 2009 mainly due to impairment of San Miguel Guangdong Brewery's Dragon Beer trademark.

Deferred tax assets increased by 16% from ₱7,638 million in 2008 to ₱8,883 million in 2009 mainly due to the effect of recognition of unrealized foreign exchange losses by the Parent Company.

Other noncurrent assets decreased by 12% from ₱14,241 million in 2008 mainly due to the collection of the remaining balance of the proceeds from the sale of the Group’s stake in Del Monte Pacific Ltd., reclassification to assets held for sale of advances to BOC and reclassification to investment in a subsidiary of advances to Maison 17 Properties, Inc.

Drafts and loans payable increased by 17% from ₱48,560 million in 2008 mainly due to net availments and integration of Cospak Group’s balance, net of translation adjustments.

Accounts payable and accrued expenses increased by 35% from ₱23,292 million in 2008 mainly due to the reclassification to current liabilities of the unpaid balance due next year related to the acquisition of Meralco shares of stock, net of dividend, subscriptions payable related to the investment in shares of stock of LTHI, integration of Cospak Group’s balance and accrual of interest on bond issuance of SMB, net of the decrease in derivative liabilities of the Parent Company which is attributable to the maturity of currency and commodity derivatives.

Income and other taxes payable decreased by 5% mainly due to lower income tax rate from 35% in 2008 to 30% in 2009.

Dividends payable decreased by 63% mainly due to lower amount of dividend payable at the end of 2009 resulting from the declaration of ₱4,509 million, net of payments of ₱3,522 million.

Long-term debt increased by ₱23,199 million from ₱49,763 million in 2008 mainly due to issuance of bonds by SMB and of floating-rate corporate notes by the Parent Company, net of payments made by the Parent Company, SMIL and GSMI and translation adjustments.

Deferred tax liabilities decreased by 33% mainly due to decrease in deferred tax liability on translation adjustments and undistributed earnings of foreign subsidiaries.

Other noncurrent liabilities decreased by 24% from ₱25,691 million in 2008 mainly due to reclassification to current portion of the unpaid balance due next year related to the acquisition of Meralco shares of stock, net of the noncurrent subscriptions payable related to the investment in shares of stock of PIDC.

Capital stock – preferred pertains to the exchange of 873,173,353 common shares to preferred shares and issuance of 97,333,000 preferred shares by way of private placement.

The increase in additional paid-in capital of ₱67,902 million arise from the exchange of common shares to preferred shares, issuance of preferred shares, common shares issuances and stock options.

Cumulative translation adjustments increased by 21% from ₱4,837 million in 2008 mainly due to translation of transactions of foreign subsidiaries and change in fair value of cash flow hedges and AFS financial assets. The exchange rates used for net assets in December 31, 2009 is ₱46.2 to US$1 (₱47.52 in December 31, 2008).

The increase in treasury shares is attributable to the exchange of 873,173,353 common shares to preferred shares.

Non-controlling interests increased by 48% from ₱18,307 million in 2008, mainly due to the recognition of additional non-controlling interests as a result of the sale of 43.2499% stake in SMB to Kirin, issuance of BPI's preferred stocks to SMBRP, income attributable to non-controlling interests and translation adjustments, net of the effect of acquisition of the remaining non-controlling interests in Rengo and Mincorr and dividends declared to non-controlling interests.

Equity
The increase in equity in 2009 is due to:

(In millions)	2009
Income during the period	₱60,629
Addition to non-controlling interests	8,392
Issuance of capital stock	7,304
Effect of translation adjustments	898
Cash dividends	(4,509)
	₱72,714

2008 vs. 2007

Cash and cash equivalents increased by 25% from ₱93,281 million in 2007 to ₱116,939 million in 2008 primarily due to the collection of advances to a related party, proceeds from sale of investments in: J. Boag; SMB shares; 35% stake in packaging business and KSA shares; partly offset by loan and dividend payments, and investment made in the shares of stock of Meralco and BOC.

Receivables decreased by ₱11,065 million from ₱61,879 million in 2007 mainly due to collection of advances to a related party, and collection of receivables of the Parent Company's Agribusiness Division, net of increase in advances to suppliers.

The increase in inventories is primarily attributed to the increasing costs of major raw materials such as wheat, corn, soy bean meal, cassava, oils and cheese curd of the Food Group and of malt and hops of SMB, and higher production volume of GSMI.

Current biological assets increased by 26% to ₱2,932 million in 2008 due to increase in volume of growing poultry livestock and goods in process coupled with higher feed costs of broilers and hogs.

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.

Investments increased from ₱771 million to ₱32,253 million in 2008 mainly due to investments made in the stocks of Meralco and BOC.

Property, plant and equipment increased by ₱3,958 million from ₱64,355 million in 2007 due to various capital expenditures (i.e., on-going expansion of SMGB and multi-product beverage plant in China and Vietnam; installation of new bottling line for the non-alcoholic beverages, SMC Shipping and Lighterage Corporation's acquisition of two barges and two tug boats; construction of Sumilao hog farm; rehabilitation of pier facility in Tabangao and renovation of Hormel's Cavite plant and capacity expansion of Rightpack and upgrade of various plant machineries of GSMI and San Miguel Yamamura Asia Corporation) net of depreciation and disposals for the year.

Investment properties increased by 12% from ₱ 1,648 million in 2007 mainly due to reclassification of the Parent Company's Agribusiness Division's property and equipment to investment properties and additional foreclosed properties of SMPFC from its dealers, net of disposal and amortization.

Noncurrent biological assets increased by 38% to ₱1,814 million due to the start of operations of the Sumilao farm in 2008 and the increase in volume of Monterey and Poultry's breeding stocks coupled with higher growing costs.

Other intangible assets increased by ₱ 610 million from ₱ 3,202 million in 2007 due to reclassification of certain land and land improvements to land used rights by San Miguel Guangdong Food and Beverage Corp., and additional computer software (SAP and Microsoft) of PF Hormel and SMB, net of amortization.

Deferred tax assets increased by 54% from ₱4,973 million in 2007 to ₱7,399 million in 2008 due to the effect of recognition of deferred tax on: a.) marked-to-market losses, b.) inventory obsolescence of SMB and additional set-up of NOLCO and MCIT.

Drafts and loans payable increased by 10% from ₱44,231 million in 2007 mainly due to net availments for working capital requirements.

Accounts payable and accrued expenses increased by 15% from ₱20,311 million in 2007 mainly due to increase in derivative liabilities and increase in trade payables mostly on imported raw materials as a result of price increases.

Income and other taxes payable increased by ₱1,102 million to ₱4,429 million in 2008, mainly due to higher income tax due.

Dividends payable increased by 5% mainly due to higher dividends declared in 2008 compared to 2007.

Long-term debt decreased by 11% from ₱55,834 million in 2007 to ₱49,763 million in 2008 mainly due to partial payments made during the year, net of amortization of debt issue costs.

Deferred tax liabilities increased by 40% mainly due to the set up of deferred income tax on the gain from sale of J. Boag.

Other noncurrent liabilities increased by ₱25,235 million from ₱456 million in 2007 mainly due to the unpaid balance on the acquisition of the investment in shares of stock of Meralco.

Non-controlling interests increased by 62% from ₱11,329 million in 2007, mainly due to the recognition of additional non-controlling interests as a result of the sale of 35% stake in the domestic and regional packaging businesses to NYG and 5.75% stake in SMB.

The increase in equity in 2008 is due to:

(In millions)	2008
Income during the period	₱20,083
Addition to non-controlling interests	6,217
Issuance of capital stock and stock options	256
Effect of translation adjustments	500
Cash dividends	(4,925)
	₱22,131

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2009	2008	2007
		(In Millions)	
Net cash flows provided by operating activities	₱13,356	₱7,049	₱30,290
Net cash flows provided by investing activities	49,155	31,898	39,535
Net cash flows provided by (used in) financing activities	32,562	(13,865)	1,485

Net cash from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

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

	December 31		
	2009	2008	2007
		(In Millions)	
Acquisition of subsidiaries, net of cash acquired	**(₱1,494)**	**₱-**	₱-
Additions to investments and advances	**(5,771)**	**(6,667)**	**-**
Additions to property, plant and equipment	**(6,249)**	**(6,437)**	(9,310)
Proceeds from sale of investments and property and equipment	**55,127**	**13,663**	6,269
Proceeds from sale of discontinued operations, net of cash disposed of	**-**	**9,083**	90,684
Interest received	**5,249**	**6,558**	2,374
Payment by (advances to) a related party	**3,243**	**31,708**	(35,721)
Increase in other noncurrent assets and others	**(950)**	**(16,010)**	(14,820)
Dividends received	-	-	59

Major components of cash flow provided by financing activities are as follows:

	December 31		
	2009	2008	2007
		(In Millions)	
Proceeds from short-term borrowings	**₱691,093**	**₱608,756**	₱345,789
Payments of short-term borrowings	**(683,569)**	**(605,088)**	(337,512)
Proceeds from long-term borrowings	**67,786**	**64**	84,398
Payments of long-term borrowings	**(44,657)**	**(13,336)**	(88,342)
Cash dividends paid	**(5,493)**	**(4,856)**	(3,351)
Decrease in non-controlling interests	**315**	**592**	**-**
Issuances of capital stocks	**7,087**	**3**	503

The effect of exchange rate changes on cash and cash equivalents amounted to (₱2,601 million), (₱1,424 million) and (₱1,016 million) in December 31, 2009, 2008 and 2007 respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2009	2008
	(In Millions)	
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	**₱18,184**	**₱57,482**
Treasury stock	**(69,541)**	**(4,053)**

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 "Results of Operations" of the MD & A for the discussion of the computed certain Key Performance Indicators.

	December 31	
	2009	2008
Liquidity:		
Current Ratio	**3.17**	**2.35**
Solvency:		
Debt to Equity Ratio	**0.82**	**1.02**
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**31.78%**	**13.59%**
Operating Efficiency:		
Volume Growth	**-**	**4%**
Revenue Growth	**4%**	**14%**

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	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right)-1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VI. OTHER MATTERS

a. Events After the Reporting Date

a. *Investment in Top Frontier Holdings, Inc. (Top Frontier)*

On January 6, 2010, the Parent Company's BOD approved an investment in Top Frontier through the acquisition of a 49% stake via equity infusion. Said investment consists of the Parent Company's: (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. As of April 14, 2010, no such conversion has been effected.

b. *SMPFC*

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

- Sale to SMPFIL, a wholly-owned subsidiary of SMPFC, of Parent Company's 51% interest in SMPFI at book value.

- Potential subscription of up to P5,200 worth of new SMPFC shares.

- Sale of Parent Company's food-related brands and intellectual property rights to SMPFC at a purchase price of P3,200.

- 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, and b) acquire, through SMPFIL, a BVI company and a wholly-owned subsidiary of SMPFC, the Parent Company's 51% interest, through SMFBIL, in SMPFI at book value. SMPFI owns 100% of SMPFVN.

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:

- Potential issuance of up to 75,000,000 new SMPFC shares to the Parent Company or third parties.

- Amendment of Amended Articles of Incorporation of SMPFC to reflect the following:

    i. de-classification of SMPFC's common shares;
    ii. increase in SMPFC's authorized capital stock by P1,000 or 100,000,000 shares at P10.00 par value;

    iii. 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.

- Declaration of 18% stock dividend based on the issued and outstanding shares to be taken out of the proposed increase in authorized capital stock.

c. *Investment in Universal LRT Corporation (BVI) Limited (ULC) and ULCOM Company, Inc. (ULCOM)*

The Parent Company has been offered a majority stake in ULC and 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.

d. *Investment in Daguma Agro Minerals Inc. (Daguma)*

On January 29, 2010, SMEC acquired 100% of the outstanding capital stock of Daguma, 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.

e. *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 corporations (the “Agreement”). Under the terms of the Agreement, SMHC shall acquire, initially, a majority interest in Caticlan International Airport Development Corporation (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. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Parent Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA, under CTA Case Number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it. An independent Certified Public Accountant (CPA) commissioned by the CTA to conduct an examination, verification and audit to validate the documents supporting the claim for refund has submitted a report stating, among other things, that the claim is properly supported by the relevant documents.

On November 27, 2007, the Parent Company filed with the CTA, under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. An independent CPA was likewise commissioned by the CTA in this case for the purpose of conducting an examination, verification and audit of the documents supporting the aforesaid claim. In a report recently submitted to the CTA, the independent CPA stated that the second claim is properly supported by the relevant documents. This case is now deemed submitted for decision by the CTA.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 “in order to obviate the necessity of issuing a Warrant of Distraint and Garnishment and/or Levy.” The Parent Company’s external legal counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company’s pending claims for refund. As of April 14, 2010, the BIR has taken no further action on the matter.

On July 24, 2009, the Parent Company filed its third claim for refund with the CTA, under CTA Case Number 7953, also in relation to the contested assessments. This case is now undergoing pre-trial.

c. Commitments

The outstanding purchase commitments of the Group as of December 31, 2009 amounted to ₱13,468 million.

Amount authorized but not yet disbursed for capital projects as of December 31, 2009 is approximately ₱4,251 million.

d. *Top Frontier*

On November 27, 2009, Top Frontier acquired 857,115,914 common shares of the issued and outstanding common shares of the Parent Company from SMCRP at ₱75.00 per share for a total of ₱64,284 million. In addition, Top Frontier plans to acquire the 327,000,000 common Class “B” shares of the Parent Company held by Q-Tech Alliance Holdings, Inc. (Q-Tech) and an option over the 301,666,000 common shares. The purchase will raise Top Frontier’s current equity ownership interest beyond the 35% threshold under tender offer rules.

Top Frontier offered to buy 235,141,533 Class “A” and 85,797,844 Class “B” common shares of the Parent Company at the price of seventy five pesos (₱75.00) per share. The tender offer period was from March 10 and expired at 12:00 pm of April 8, 2010. Out of the total Tender Offer shares, a total of 47,700,679 Class “A” shares and 31,759,499 Class “B” shares were tendered by the Parent Company’s shareholders and accepted for purchase by Top Frontier. At the offer price of P75.00 per share, the total consideration of the shares tendered amounted to ₱5,959 million, inclusive of taxes, brokers' commissions and other fees. On April 13, 2009, Top Frontier acquired 327,000,000 common Class "B" shares of the Parent Company held by Q-Tech at the price of ₱66.00 per share. The tendered shares and the 327,000,000 common Class "B" shares were crossed in the Philippine Stock Exchange on April 13, 2010. As of April 14, 2010, Top Frontier had a total shareholdings of 1,263,576,092 common shares of the Parent Company.

e. *Option Agreement with Sea Refinery Holdings B.V. (SEA BV)*

On December 24, 2008, the Parent Company entered into an option agreement with SEA BV pursuant to which SEA BV granted to the Parent Company an option to acquire and purchase up to 100% of its interests in SEA BV's wholly-owned subsidiary, SEA Refinery Corporation (SRC), consisting of 40,000,000 shares of stock with a par value of P1.00 per share ("Option Shares"). SRC owns 50.1% stake in Philippine oil refinery, Petron Corporation. The option may be exercised by the Parent Company within a period of two (2) years from December 24, 2008. The exercise price for the Option Shares will be the sum of (a) the paid-up capital of SEA BV in SRC amounting to P40 and (b) the value of the shares acquired by SRC in Petron Corporation plus the assumption of, if any, liability or obligation and expenses incurred by SRC for the acquisition of the said shares. The Parent Company and SEA BV have agreed that during the option period the Parent Company shall have representation in the board and management of Petron Corporation. As of April 14, 2010, the Parent Company has not yet exercised the Option Shares.

f. Restructuring Plan

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 BOD to approve the implementing transactions of such corporate restructuring plan after evaluation and study by Management, subject to applicable laws.

g. The Parent Company's BOD will seek approval from the shareholders holding common shares to waive their pre-emptive rights and authority for the Parent Company to sell down of more than 51% of the Parent Company's stake in its core businesses. The foregoing corporate actions were approved by the Parent Company's BOD in its meeting on April 14, 2010.

h. The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of ₱46.20 in 2009 and ₱47.52 in 2008 for statement of financial position accounts; and average rates of ₱47.64 in 2009, ₱44.47 in 2008 and ₱46.18 in 2007 for income and expense accounts.

i. 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.

j. 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.

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

l. 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.

m. 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 reporting date, except for Note 20 (c) of the 2009 Audited Consolidated Financial Statements and Note b of Section VI above, that remain outstanding as of December 31, 2009. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

n. 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 December 31, 2009.

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

ANNEX "G"

SAN MIGUEL CORPORATION` 17-C - 2009

Date Reported	Subject
January 5, 2009	Please be informed that SMC and Sea Refinery Holdings B.V. ("SEA BV") entered into an Option Agreement dated 24 December 2008 (the "Option Agreement") pursuant to which SEA BV granted SMC an option to acquire and purchase from SEA BV up to 100% of its interests in SEA Refinery Corporation ("SRC"). SRC is a wholly-owned subsidiary shares of Petron Corporation. The option may be exercised by SMC within a period of two (2) years from December 24, 2008. SMC and SEA BV have agreed that SMC shall have representation in the board and management of Petron Corporation.
January 19, 2009	Please be informed that San Miguel Corporation ("SMC") and Kirin Holdings Company, Limited ("Kirin") have executed today a Memorandum of Understanding regarding Kirin's potential investment in San Miguel Brewery Inc. ("SMB"), the beer business subsidiary of SMC. Kirin will enter into exclusive negotiation with SMC to acquire 43.25% of the issued and outstanding capital stock of SMB. The details of the transaction are to be further discussed by both parties. Kirin and SMC will target signing definitive agreements by the end of February.
January 19, 2009	Reply to PSE dated January 19, 2009 requesting disclosure on the key terms of the Option Agreement executed between SMC and Sea Refinery Holdings B. V. 1. Nature and Duration of the Option – Under the provisions of the Option Agreement between SEA BV and the Company, SEA BV granted the Company the continuing right to acquire, commencing on December 24, 2008 up to December 23, 2010 (the "Option Period"), 100% of the outstanding capital stock of SEA Refinery Corporation ("SRC") consisting of 40,000,000 shares of stock with a par value of P1.00 per share (the "Option Shares"). The Option Shares are owned by SEA BV and SRC is the owner of approximately 50.1% of the outstanding capital of Petron Corporation ("Petron") consisting of 4,696,885,564 common shares of stock (the "Petron Shares"). As you know, SRC acquired the Philippine National Oil Company's 40% equity stake in Petron on 23 December 2008, which was effected by way of a special block sale approved by the Philippine Stock Exchange ("PSE"). The option is only capable of exercise by SMC and cannot be assigned to any third party. 2. Exercise Price – The exercise price for the Option Shares will be the sum of: (a) the paid-up capital of SEA BV in SRC amounting to P40 Million and b) the value of the Petron Shares acquired by SRC plus the assumption of, if any, any liability or obligation and expenses incurred by SRC for the acquisition of the Petron Shares, SRC acquired the Petron Shares at a price of P6.85 per share by way of a special block sale through the PSE. To illustrate: P 40,000,000.00 paid-up capital of SEA BV in SRC + 32,173,666,113.40 the value of the Petron Shares acquired by SRC P32,213,666,113.40 On the basis of SRC's current holding of 4,696,885,564 Petron Shares, this would equate to Php6.859 per Petron Share.

	Any liability or obligation of SRC and expenses in the acquisition of Petron will be determined when the option is exercised. 3. Consideration of the Option – As has been previously disclosed, the Company committed to pay the amount of approximately US$10 Million as consideration for the option. Such consideration is separate and distinct from the price to be paid for the Option Shares if and when the option is exercised. 4. Commitment of the Company – Conformably with the agreement concluded with SEA BV, the Company shall comply with all the requirements of any statue, law, rules, regulations or ordinances applicable in respect of its acquisition of any of the Option Shares, including the making of any mandatory tender offer for the remaining common shares of stock of Petron held by the public. 5. During the Option Period, dividends declared by Petron on the Option shall accrue in favor of SRC. 6. SEA BV has agreed to allow the Company to participate in the management of Petron through the election of representatives in the board and appointment of key officers in Petron.
January 26, 2009	Reply to PSE requesting for disclosure of the key terms and conditions for payment of the exercise price under the Option Agreement executed between San Miguel and Sea Refinery Holdings B. V.: Please be advised that under the Option Agreement, the Company may exercise its option to acquire up to 100% of the outstanding capital stock of SEA Refinery Corporation (the “Option Shares”) by serving written notice (the “Call Option Notice”) on SEA BV on any business day within the option period (i.e., from December 24, 2008 up to December 23, 2010). Completion of the acquisition shall take place 30 days after the date of issuance of the Call Option Notice and SMC shall on completion pay to SEA BV the exercise price for the Option Shares in such manner as SMC and SEA may agree upon. With this response and our responses to the various prior requests for information and clarification of the Exchange, we deem that the Company has fully complied with the disclosure requirements of the Exchange, including Sections 1,2, and 4.3 of the Revised Disclosure Rules, in relation to the Option Agreement.
January 28, 2009	Disclosure to PSE dated January 27, 2009 on the sale of the Company’s domestic beer brands to San Miguel Brewery Inc. Please be informed that the Board of Directors of the Company approved today the sale of its domestic beer brands and the related intellectual property rights and know-how owned by the Company through a wholly-owned subsidiary to which the same have been spun-off, to San Miguel Brewery Inc. (“SMB”). The sale price is P32 Billion. The Board also approved the sale of the lands used in the beer operations partly to SMB Retirement Plan at P239 Million and the rest, through the wholly-owned subsidiary of the Company to which the remaining lands shall be spun-off, to SMB, at a sale price of P6.8 Billion. The foregoing transactions will be implemented after obtaining the required approvals from the appropriate regulatory authorities.

January 28, 2009	Please be informed that San Miguel Corporation has re-scheduled its Annual Stockholders' Meeting to July 23, 2009. The deadline for the submission of nominations to the Company's Board of Directors is on May 20, 2009.
January 29, 2009	Reply to PSE dated January 28, 2009 requesting for additional information regarding SMC's disclosure on January 27, 2009. 1. The sale of its domestic beer brands and lands is pursuant to the SMC's corporate restructuring program, as approved by the stockholders last July 24, 2008 that would allow the Company's major subsidiaries to pursue a public listing, secondary offering and strategic partnerships following the successful public offering of SMC's domestic beer operations. 2. The proceeds will be used to pay down debts and fund acquisitions. 3. SMC engaged a financial advisor, FortmanCline, to advise SMC on the valuation of the brands. The consideration for the lands will be based on appraised value. 4. The transactions are expected to be completed by April 2009. We shall provide you a copy of the Secretary's Certificate on the approval of the transactions as soon as the minutes have been reviewed and approved by the members of the board of directors.
January 29, 2009	Reply to PSE dated January 29, 2009 on the date of Share and Purchase Agreement ("SPA") executed between the Company and Government Service Insurance System. We reply to your letter dated January 29, 2009 with respect tot SMC reply to your letter dated January 28, 2009 regarding the request to update on the Share and Purchase Agreement ("SPA") with Government Insurance System. Please be informed that the SPA was signed on October 27, 2008.
February 9, 2009	San Miguel Eyes Bulk Water Supply Project.
February 10, 2009	Letter addressed to PSE on the request for reconsideration on the imposition of fine of P50,000.00 regarding the non-disclosure of the actual signing of the Sale and Purchase Agreement with the Government Service Insurance System for the acquisition of the latter's 27% stake in Manila Electric Company.
February 17, 2009	Reply to PSE regarding the news clarification entitled "San Miguel to seek $300-M loan in case bond sale falls short" dated February 17, 2009.
February 17, 2009	Reply to PSE regarding the news clarification entitled "SMC eyes controlling stake in Lopez telco" dated February 17, 2009.
February 19, 2009	Reply to PSE regarding the news clarification entitled "San Miguel sets P10 billion for expansion, new ventures" dated February 19, 2009.
February 20, 2009	SMC, Kirin sign agreement for Sale of SMB shares.

February 24, 2009	Reply to PSE requiring the Company to explain in writing why the Company should be held liable for violation of Sections 4.1 and .4.2 of the Revised Disclosure Rules in connection with the news article entitled “Kirin to buy San Miguel stake for $1Bn as posted on the Inquirer.net on February 20, 2009.
February 24, 2009	Reply to PSE on the request for additional information in connection with the signing of Share Purchase Agreement (SPA) for the acquisition by Kirin Holdings Company, Limited (Kirin) of 43.249% stake of SMC’s unit, San Miguel Brewery Inc. (SMB) dated February 24, 2009. 1. Payment will be in case and can be in one or two tranches. . 2. SMC engaged RBS as lead adviser and Standard Chartered as co-adviser for the transaction. 3. The target closing is not later than end of May 2009. 4. The proceeds from the sale will be used to pay down debts and fund new acquisitions. 5. Other relevant information – The conditions precedent to the completion of the acquisition by Kirin of SMC’s 43.249% stake in SMB, include, among others, the completion of the tender offer by Kirin; the purchase by SMB of SMC’s interest in Iconic Beverages, Inc., the wholly-owned subsidiary of SMC where the domestic beer brands and other intellectual property rights related to beer will be transferred by SMC and the transfer of the parcels of land used in the brewery operations to SMB through the purchase by SMB of SMC’s interest in Brewery Properties Inc. On the request for a copy of the agreement, we regret that we cannot provide the same in view of the confidentiality agreement between the parties.
February 25, 2009	Reply to PSE on the news clarification entitled “SMC forays into telco.
March 6, 2009	Reply to PSE news clarification entitled: 1. SMC, DMCI to meet on toll road project; and 2. SMC to merge 2 telco firms.
March 16, 2009	Reply to PSE news clarification entitled “SMC pursuing telecom venture through Liberty.
March 26, 2009	Please be informed that at the Meeting of the Board of Directors of San Miguel Corporation held today, March 26, 2009, the Board declared a cash dividend of P0.35 per share payable on May 11, 2009 to all stockholders of record as of April 17, 2009. The stock and transfer books of the Corporation will be closed from April 18, 2009 to April 24, 2009.
March 26, 2009	Please be informed that at the Meeting of the Board of Directors held today, March 26, 2009, Mr. Keisuke Nishimura was elected director vice Mr. Kazuhiro Tsukahara.
March 26, 2009	San Miguel Posts Strong Revenue Income Growth For 2008.

April 1, 2009	PSE disclosure to PSE on the signing of a Share Sale and Purchase Agreement between SMC and Rengo Co., Ltd. dated March 31, 2009. Please be informed that San Miguel Corporation today signed a Share Sale and Purchase Agreement (SPA) with its joint venture partner Rengo Co., Ltd. (Rengo) of Japan for the purchase of Rengo's interests in San Miguel Rengo Packaging Corporation (SMRPC) and Mindanao Corrugated Fibreboard Inc. (Mincorr). SMC is acquiring Rengo's interests in SMRPC and Mincorr for an aggregate purchase price of P250 million. SMC is also acquiring Macondray Fibreboard Corporation's 6.7% interest in Mincorr for P27.1 million. The target closing for the transactions is ten (10) business days from signing of the SPA.
April 3, 2009	Reply to PSE on the additional information on the signing of a Share Sale and Purchase Agreement between SMC and Rengo for the purchase by SMC of the interests of Rengo in San Miguel Rengo Packaging Corporation (SMRPC) and Mindanao Corrugated Fibreboard, Inc. (Mincorr): 1. SMC recognizes that, as sole owner of SMRPC and Mincorr, it will have more flexibility in determining the direction of its paper business. 2. The purchase prices for the shares of Rengo in SMRPC and Mincorr will be paid by SMC from internally generated funds. 3. SMC is acquiring the interests of Rengo in SMFPC for P168.7 million and in Mincorr for P81.3 million for an aggregate purchase price of P250 million. 4. The purchase prices will be paid in cash {via bank wire} on the closing of the transaction targeted to be ten (10) business days from signing of the SPA. 5. SMC considered several methodologies, including discounted cash flow, book value and appraised value of the properties. There is no independent fairness opinion on the valuation. We regret that we cannot submit the Spa in view of our confidentiality undertakings under the SPA.
April 17, 2009	Further to our disclosure of March 31, 2009, please be informed that the Company has completed today the purchase of Rengo Co., Ltd.'s interest in San Miguel Rengo Packaging Corporation and Mindanao Corrugated Fibreboard Inc.
April 29, 2009	Further to our disclosure of January 27, 2009, please be informed that the Company sold today its 100% interest in Iconic Beverage, Inc. to San Miguel Brewery Inc. for a purchase price of Php32 Billion. Iconic Beverages, Inc. owns the domestic beer brands and related intellectual property rights and know-how.
April 30, 2009	Further to our disclosures of March 31, 2009, please be informed that the Company has completed today the acquisition of all the interest of Macondray Fibreboard in Mindanao Corrugated Fibreboard, Inc. for P27.1 Million.
April 30, 2009	Further to our disclosures dated February 20, 2009 and February 24, 2009, on the sale of the Company's 43.249% interest in San Miguel Brewery Inc. (SMB), to Kirin Holdings Company, Limited (Kirin), please be informed that San Miguel Corporation sold today 2,185,402,491 shares of San Miguel Brewery Inc. at P8.841 per share to Kirin.

May 4, 2009	Reply to PSE clarification on the news article entitled “San Miguel in talks to buy stake in Indon coal producer dated May 4, 2009.
May 5, 2009	Reply to PSE clarification on the news article entitled “San Miguel wants to buy majority in expressway” dated May 5, 2009.
May 8, 2009	Reply to PSE clarification on the news article entitled “SMC drops bid for Limay power plant, eye Calaca” dated May 8, 2009.
May 11, 2009	Further to our disclosure of January 27, 2009, please be informed that for purposes of July 23, 2009 stockholders’ meeting: 1. the record date for the stockholders’ meeting will be on Jun 5, 2009; 2. the closing of stock and transfer books will be from June 6 to June 14, 2009; 3. the deadline for submission of proxies is on July 9, 2009; and 4. the validation of proxies is on July 16, 2009.
May 11, 2009	San Miguel posts strong 1Q results amid global woes.
May 13, 2009	Reply to PSE clarification on the news article entitled “SMC investment in Petron finalized in Q1 2010” published in the May 13, 2009 issue of the BusinessMirror.
May 14, 2009	Reply to PSE clarification on the news article entitled “SMC eyes $700 M from sale of int’l beer unit” published in the May 13, 2009 issue of The Philippine Star.
May 21, 2009	Please be informed that at today’s meeting held today, May 21, 2009 of the Board of Directors of San Miguel Corporation (“SMC” or the “Company”) approved the following corporate acts. 1. The Board authorized the Company to present to its common shareholders an offer to exchange their common shares to a new class of shares to be denominated as Series 1 Preferred shares. The Series 1 Preferred Shares will have a par value of P5.00 per share. The Board has authorized Management to determine the issue price of the preferred shares. The exchange ratio will be one (1) preferred share for every one (1) common share. The Series 1 Preferred Shares, which will not be listed in the Philippine Stock Exchange, will be Peso denominated, perpetual, cumulative, non-voting preferred shares and will have the following features: a. **<u>Dividends</u>** - The SMC Board of Directors shall have the sole discretion to declare dividends on the Series 1 Preferred Shares. The annual dividends shall be based on 5-year PDSTF rate, plus a spread which the Board has authorized Management to determine, payable quarterly and calculated by reference to the Issue Price. Unless the Series 1 Preferred Shares are redeemed by SMC, the Dividend Rate shall be adjusted at the end of the fifth year to the higher of (a) the Dividend Rate or (b) the prevailing 10-year PDSTF rate plus a spread of up to 300 bps. b. **<u>Redemption</u>** - SMC has the option, but not the obligation, to redeem all or part of the Series 1 Preferred Shares on the third anniversary from the Issue Date or on any Dividend Payment Date thereafter at a redemption price equal to the Issue Price of the Series 1 Preferred Shares plus all cumulated and unpaid cash dividends.

	c. **<u>Liquidation</u>** - In the event of liquidation of SMC, the Series 1 Preferred Shares shall have preference over the Common Shares. All selling costs pertaining to the exchange of Common Shares shall be borne by the common shareholders. Selling costs will be advanced by SMC and deducted from the first quarterly dividend. In connection with the said exchange offer, the Board also authorized the amendment of Article VII of the SMC's Articles of Incorporation to: a. modify the authorized capital stock of 4.5 billion Common shares consisting of 2.7 billion Common Class A shares and 1.8 billion Common Class B shares to an authorized capital stock of 4.5 Billion shares consisting of 3.390 billion Common shares and 1.11 billion Series 1 Preferred shares. The Common shares will now consist of 2.034 Billion Common Class A shares and 1.356 billion Common Class B shares. b. provide for the terms of the Series 1 Preferred shares. The Board likewise deferred the implementation of the resolution approved in 2007 authorizing the increase in the authorized capital stock of the Company which was approved by the shareholders of the Company at the 2007 Regular Stockholders Meeting and to amend the said resolution on the increase in capital stock to provide for two series of preferred shares. The exchange offer and amendments to the Articles of Incorporation will be subject to the approval of the stockholders of SMC and will be presented for such approval at the Regular Stockholders Meeting to be held on July 23, 2009. 2. The Board authorized the Company to invest in Liberty Telecommunications Holdings, Inc. ("LTHI") up to 49% of the capital stock of LTHI. The Board authorized Management to acquire approximately 32.7% of LTHI from existing stockholders for an estimated amount of P2.2 Billion and pursue the acquisition of the balance of the investment in coordination with its joint venture partner Qatar Telecom QSC.
May 22, 2009	Please be informed that Kirin Holdings Company Limited sold today, May 22, 2009, all of its shares of stocks in San Miguel Corporation, representing approximately 19.9% of the total issued and outstanding capital stock of SMC, to Q-Tech Alliance Holdings, Inc.
May 22, 2009	Further to our disclosures of February 20, 2009 and April 30, 2009, please be informed that San Miguel Corporation (SMC) sold today, May 22, 2009, 4,479,621,199 shares in San Miguel Brewery Inc. (SMB) to Kirin Holdings Company Limited (Kirin) at a purchase price of 8.841 per share. With the sale, SMC has completed the sale of its approximately 43.249% interest in SMB to Kirin.
May 26, 2009	Reply to PSE's request for additional information on the following: 1. Investment in Liberty Telecommunications Holdings, Inc. (LIB) San Miguel Corporation (SMC) is acquiring 32.7% of LIB from existing shareholders of LIB. The authorization granted by the SMC Board of Directors to invest up to 49% of the capital stock of LIB is still subject to Management's discussion with Q-

	Tel, SMC's joint venture partner, and will have to be reviewed by both SMC and Q-tel in relation to the provisions of the court-approved rehabilitation plan. 2. Purchase by Q-Tech Alliance Holdings, Inc. (Q-Tech) of SMC Shares There are no changes in the composition of the Board of Directors of SMC. With the purchase by Q-Tech from Kirin Holdings Company Limited of all of the latter's shares in SMC, Q-Tech now owns 628,666,675 shares in SMC, representing approximately 19.9% of the outstanding capital stock of SMC.
Jun 4, 2009	We refer to our disclosure dated May 21, 2009, on the offer of SMC to its common shareholders to exchange their common shares to a new class of shares to be denominated Series 1 preferred shares. The exchange offer will be presented for approval by the stockholders at the July 23 stockholders meeting. Please be informed that the Executive Committee of SMC has authorized Management to list the Series 1 preferred shares within one year from date of issuance of the Series 1 preferred shares.
June 5, 2009	Reply to PSE clarifications, as follows: 1. San Miguel prepared to make tender offer on Liberty Telecoms, published in the BusinessMirror on June 5, 2009; and 2. San Miguel says First Pacific made offer for Meralco, published in The Manila Times on June 5, 2009.
June 8, 2009	SMC to Strengthen Capital Position of Bank of Commerce.
June 11, 2009	Further to our disclosures dated May 21, 2009 and June 4, 2009 on the offer of SMC to its common shareholders to exchange their common shares to a new class of preferred shares to be denominated as Series "1" Preferred shares, please be informed that pursuant to the authority granted to it by the Board, Management today determined that the Issue Price of the Series "1" Preferred shares is P75.00 per share and the Dividend Rate is 8% per annum.
Jun 18, 2009	We refer to our previous disclosures on the offer of San Miguel Corporation (the "Company") to its common stockholders to exchange their common shares to a new class of preferred shares to be denominated as Series "1" Preferred shares ("Exchange Offer"). The Exchange Offer will be presented for approval by the stockholders at the July 23, 2009 stockholders' meeting. Please be informed that the Executive Committee of the Company has set the record date for the Exchange Offer on July 2, 2009. For this purpose, the books of the Company will be closed from July 3 to 8, 2009. Stockholders of record as of July 2, 2009 will be entitled to exchange their common shares to preferred shares provided they remain stockholders of record as at the end of the Offer Period.
Jun 25, 2009	Please be informed that at the meeting of the Board of Directors of San Miguel Corporation (the "Corporation") held on June 25, 2009, the Board declared a cash dividend of P0.35 per share payable on August 17, 2009 to all stockholders of record as of July 24, 2009. The stock and transfer books of the Corporation will be closed from July 25, 2009 to July 31, 2009.

July 1, 2009	Reply to PSE clarification on the news article entitled “MetroPac-SMC rivalry shifts to SCTEX” published in the July 1, 2009 issue of the Philippine Star.
July 8, 2009	We refer to our disclosures of May 21, 2009 and May 26, 2009 (copies attached), on the approval by the Board of Directors of the Company to invest in Liberty Telecommunications Holdings, Inc. (“LTHI”) up to 49% of the capital stock of LTHI. Please be informed that the Company, thru a wholly-owned subsidiary, Vega Telecom, Inc. acquired today 579,111,669 shares in LTHI from LTHI’s existing stockholders at a purchase price of P3.25 per share for a total consideration of P1,882,112,924.00. The acquisition covered approximately 32.7% of the outstanding capital stock of LTHI.
July 13, 2009	We refer to your Letter-Advice, dated July 9, 2009, requesting disclosure of additional information relating to the purchase by the Company, thru its wholly-owned subsidiary, Vega Telecom, Inc. (“VTI”), of 579,111,669 shares of Liberty Telecoms Holdings, Inc. (“LTHI”). We reply as follows. 1. The aforementioned shares of LTHI (the “Sale Shares”) were purchased and acquired by VTI from thirty seven (37) stockholders of LTHI identified in the schedule attached hereto. The documents of conveyance covering the Sale Shares were executed and delivered on July 8, 2009, the date the Sale Shares were crossed at the Philippine Stock Exchange thru a special block sale. 2. The Company sourced the payment of the purchase price for the Sale Shares from internally-generated funds and the consideration due to the disposing stockholders of LTHI was paid upon completion of the block sale. 3. The disposing stockholders of LTHI do not have any material relationship with the Company and VTI. Messrs. Ramon S. Ang and Carmelo L. Santiago, President and Chief Operating Officer and Independent Director of the Company, respectively, have been previously elected as Chairman of the Board and Independent Director of LTHI. The major stockholders, directors or officers of the Company do not have any interest in LTHI. 4. The Company is still discussing with Qatar Telecom QSC (“QTel”) the business plan that shall be jointly pursued and implemented by the parties through the operation of LTHI. An appropriate disclosure shall be made relating to this particular matter at the proper time.
July 17, 2009	Reply to PSE on the request for clarification of the news article entitled “San Miguel, Ashmore sign deal for Extelcom stake sale, as posted in the July 17, 2009 issue of The Manila Times.
July 20, 2009	Reply to PSE on the request for clarification of the news article entitled “SMC sets its sights on DOLE, published in the July 19, 2009 issue of the Philippine Daily Inquirer.
July 20, 2009	SMC To Participate In Expressway Project
July 21, 2009	Please be informed that the Company, through its wholly owned subsidiary, Vega Telecom, Inc., signed today a subscription agreement with Liberty Telecoms Holdings, Inc. (LTHI) for 587,951,737 preferred shares. The preferred shares will be issued from the increase in capital stock of LTHI after such increase has been approved by the Securities and Exchange Commission.

July 24, 2009	San Miguel bucks economic downtrend, continues to diversify to spur economic growth.
July 24, 2009	Please be informed that at the Annual Stockholders' Meeting of San Miguel Corporation held on July 23, 2009, at the Valle Verde Country Club, Inc. Capt. Henry P. Javier Street, Oranbo, Pasig City, the following corporate actions were approved by the stockholders: 1. Offer to its common shareholders to exchange their common shares for a new class of shares to be denominated as Series "1" Preferred shares; and 2. Amendments to Article Seven of the Amended Articles of Incorporation of the Company, to provide for the reclassification of the existing authorized capital stock of the Company to common shares and Series "1" Preferred Shares, and to provide for the terms of the Series "1" Preferred Shares. The stockholders likewise approved the amendments to the resolutions on the increase in the authorized capital stock of the Company which were approved by the stockholders during the 2007 Annual Stockholders' Meeting, to provide for the division of the increased authorized capital stock of the Company into common shares and two series of preferred shares.
July 24, 2009	Please be informed that at the Organizational Board Meeting of the Board held on July 23, 2009, at the Valle Verde Country Club, Inc. Capt. Henry P. Javier Street, Oranbo, Pasig City, the following by-law officers were duly elected: Eduardo M. Cojuangco, Jr - Chairman & Chief Executive Officer Ramon S. Ang - Vice –Chairman, President & Chief Operating Officer Ferdinand K. Constantino - Senior Vice President & Chief Finance Officer- Treasurer Francis H. Jardeleza - Senior Vice President- Gen. Counsel & Corp. Secretary Lorenzo G. Timbol - Asst. Corporate Secretary Rosabel Socorro T. Balan - Asst. Corporate Secretary The following Committee members were also elected: **Executive Committee** Eduardo M. Cojuangco - Chairman Ramon S. Ang Estelito P. Mendoza Menardo R. Jimenez Iñigo Zobel Hector L. Hofileña **Audit Committee** Carmelo L. Santiago – Chairman Estelito P. Mendoza Iñigo Zobel Pacifico M. Fajardo Hector L. Hofileña

	Executive Compensation Menardo R. Jimenez – Chairman Estelito P. Mendoza Iñigo Zobel Egmidio de Silva Jose Carmelo L. Santiago **Nominations Committee** Estelito P. Mendoza – Chairman Ramon S. Ang Iñigo Zobel Leo S. Alvez Winston F. Garcia Jesusa Victoria Hernandez-Bautista David S. Santos – Ex Oficio Member At the same meeting, the following directors tendered their resignations which the Board has accepted: 1. Keisuke Nishimura 2. Koichi Matsuzawa 3. Hirotake Kobayashi
July 24, 2009	Please be informed that at the Annual Stockholders' Meeting of San Miguel Corporation (the “Corporation”) held today, July 23, 2009, at the Valle Verde Country Club, Inc. Capt. Henry P. Javier Street, Oranbo, Pasig City, the following directors were duly elected: Eduardo M. Cojuangco, Jr. Ramon S. Ang Estelito P. Mendoza Iñigo Zobel Winston F. Garcia Menardo R. Jimenez Leo S. Alvez Egmidio de Silva Jose Pacifico M. Fajardo Koichi Matsuzawa Hirotake Kobayashi Hector L. Hofileña Carmelo L. Santiago Keisuke Nishimura Jesusa Victoria Hernandez-Bautista
Jul 24, 2009	Reply to PSE with respect to the news articles entitled “San Miguel ties up with Japan’s Toyota Tsusho, Orix for Laiban and Ramon Ang’s P300 target, published in the July 24, 2009 issue of the BusinessWorld and Manila Standard Today, respectively.
July 29, 2009	Reply to PSE with respect to the news article entitled “SMC to sell shares in units to fund purchases, keen on PNOC-EC” published in the July 29, 2009 issue of the BusinessMirror Online Space dated July 29, 2009.
July 30, 2009	Reply to PSE with respect to the news article entitled “SMC to acquire 35% of expressway unit” posted in the July 30, 2009 issue of The Philippine Star (Internet Edition) dated July 30, 2009.

August 6, 2009	Reply to PSE with respect to the news article entitled “SMC seeks investors in food, liquor units” posted in the August 6, 2009 issue of the Philippine Daily Inquirer (Internet Edition) dated August 6, 2009.
August 10, 2009	Reply to PSE with respect to the news article entitled “SMC to bid for Lopez stake in Meralco” posted in the August 10, 2009 issue of the Philippine Daily Inquirer (Internet Edition) dated August 10, 2009.
August 11, 2009	Reply to PSE with respect to the news article entitled “SMC may partner with Ayala MPIC-DMCI” published in the August 11, 2009 issue of The Philippine Star dated August 11, 2009.
August 18, 2009	In connection with the offer of the Company to its shareholders to exchange their common shares, whether Class A of Class B, for peso-denominated, perpetual, cumulative and non-voting Series “1” Preferred Shares (the “Exchange Offer”), please be informed that the Company has extended the offer period from August 20, 2009 up to 12 noon of September 21, 2009. The extension will allow more shareholders to participate in the Exchange Offer.
August 27, 2009	Reply to PSE to the news article entitled “SMC wins Limay auction” published in the August 27, 2009 issue of the Manila Standard Today.
August 27, 2009	SMC to acquire 35% in PIDC
September 1, 2009	Reply to PSE requesting for additional information on the Subscription Agreement for 35% stake in Private Infra Dev. Corporation and the clarification of news article entitled “SMC buys 35% stake in P15-billion tollway project. We refer to your letter dated August 28, 2009 requesting the Company: a) to provide additional information on the Subscription Agreement entered into by SMC’s subsidiary, Rapid Thoroughfares, Inc. (“RTI”), for a 35% stake in Private Infra Dev Corporation (“PIDC”) and b) to confirm, deny and/or clarify the attached news article published in the August 28, 2009 issue of the Philippine Star (internet Edition) which reported in part that: “… SMC didn’t say how much it was investing in PIDC but sources said the country’s largest private employer could shell out between P1 billion and P1.5 billion for the project… San Miguel was eyeing a 49 percent stake in PIDC with option to increase its holdings to 51 percent… “ We reply as follows: A. Additional Information on the Subscription Agreement 1. Terms and Conditions of the Agreement a. The number of shares to be subscribed by RTI is 1,575,000 common shares with a par value of P1,000 per share. The subscription price for such shares will be at par value and for the total amount of One Billion Five Hundred Seventy Five Million Pesos (P1, 575,000,000.00).

	b. RTI will pay a portion of the subscription price amounting to Five Hundred Sixty Million Eight Hundred Fifty One Thousand (P560,851,000.00) on closing. The balance of the subscription price will paid pursuant to the capital calls of PIDC on such dates and amounts as may be determined by PIDC Board. 2. Completion of the transaction is subject to the satisfaction of conditions precedent, including the approval of the Republic of the Philippines on the change in ownership of the common shares in PIDC. B. Philippine Star Article Internet Edition As stated above, the subscription price to be paid by SMC, through RTI, for the 35% equity in PIDC is P1.575 Billion Pesos. SMC has the continuing option to increase its stake in PIDC to 51%.
September 1, 2009	Press Release dated September 1, 2009 San Miguel Corporation today announced that the Company posted an operating income of P8.7 billion for the first half of 2009, 6% higher versus same period last year. The majority of SMC's businesses showed sustained revenue growth despite a general slowdown in the economy, bringing consolidated net sales to P84.9 billion this period, a 7% improvement over last year. Hard liquor continues to post a strong double-digit volume growth of 15% resulting to an operating income of P617 million from P426 million of last year. Strong distribution efforts catapulted Ginebra San Miguel, Inc. to No. 1 in the brandy category under its "Gran Matador" brand. GSMI' market share in the total liquor market rose five percentage points to 56% from 51% as of end-2008. Domestic beer revenues likewise grew by 4%, albeit at a slower pace than last year, while operating income increased by 6% as a result of focused efforts to contain costs. Meanwhile, the food and packaging groups posted slight improvement in volumes, as operating income improved by 8% and 44%, respectively, on account of lower cost of raw material imports and managed overhead costs. The Company's net financing charges for the period is P232 million, versus last year's net financing income of P3.3 billion which included foreign exchange translation gains. Consolidated net income of P55.6 billion ended substantially higher than last year's P19.7 billion. Excluding the one-off items, recurring net income is P5.3 billion for the current period which is 3% lower than the same period last year. One-off items include gain from the sale of SMC's 43.25% stake in domestic beer of P50.7 billion which was used to prepay the Company's debt of $923 million or P44 million, and the gain from discontinued operations of J. Boag in 2008 of P5.7 billion.
September 1, 2009	Reply to PSE on the news article entitled "ABOITIZ UNIT GETS PAGBILAO: San Miguel wins Sual power deal" published in the August 28, 2009 issue of the Philippine Daily Inquirer (Internet Edition).
September 1, 2009	Please be informed that at the Regular Meeting of the Board of Directors held today, September 1, 2009, the following directors were duly elected: Roberto V. Ongpin, Mirzan Mahathir, Alexander J. Poblador.

September 3, 2009	Reply to PSE clarification on two news articles entitled “San Miguel allots $2B for energy projects” published in the September 3, 2009 issue of the Philippine Daily Inquirer (Internet Edition), and “San Miguel puts Laiban project on hold” published in the September 3, 2009 issue of the Philippine Daily Inquirer (Internet Edition) dated September 3, 2009.
September 8, 2009	Reply to PSE clarification on the news article entitled “SMC keen on Sucat Power facility” published in the August 28, 2009 issue of the Philippine Daily Inquirer dated September 8, 2009.
September 11, 2009	San Miguel Corporation today, September 11, 2009, announced that it has completed, through a subsidiary, Rapid Thoroughfares, Inc. the acquisition of a 35% stake in Private Infra Dev. Corporation, a consortium of construction companies behind the Tarlac-Pangasinan-La Union Expressway Project.
September 16, 2009	Reply to PSE on the news article entitled “SMC trains eye abroad for invest shift – Ang” published in the September 16, 2009 issue of The Daily Tribune dated September 16, 2009.
September 18, 2009	Please be informed that the Company paid the amount of P105,000.00 to the PSE in full settlement of the fine imposed by the PSE for non-submission of quarterly report for the period ended June 30, 2009 by way of Odisy on September 14, 2009.
September 18, 2009	Reply to PSE on the news article entitled “San Miguel seeks more ventures; eyes $600M assets sales” published in the September 18, 2009 issue of the BusinessWorld dated September 18, 2009.
September 24, 2009	This is to amend our previous disclosure as attached. The date of deadline for filling SEC 17-Q for the second quarter was inadvertently stated as September 14, 2009 instead of August 14, 2009. The said report is hereby amended as follows: Please be informed that the Company paid the amount of P105,000.00 to the PSE in full settlement of the fine imposed by the PSE for non-submission of quarterly report for the period ended June 30, 2009 by way of Odisy on August 14, 2009.
October 1, 2009	Reply to PSE clarification with respect to the Business Circuit news column published in the October 1, 2009 issue of the Malaya, dated October 1, 2009
October 2, 2009	We refer to the offer of San Miguel Corporation to its common shareholders to exchange their common shares to a new class of preferred shares to be denominated as series “1” Preferred shares. Please be informed that as of the date hereof, the Company had confirmed that a total of 476,296,752 Class A shares and 396,876,601 Class B shares have been offered to be converted to Series “1” Preferred shares. Accordingly, the Company has scheduled the execution of the special block sale of the subject common shares on the Philippine Stock exchange on October 9, 2009. The review and processing of the necessary documentation for the completion of the share exchange and in preparation for the execution of the special block sale on the PSE has been delayed due to shortage in Company personnel, most of whom were unable to report for work due to the recent calamity. Hence, the Company is unable to effect the special block sale of the subject common shares and issuance of the corresponding Series “1” preferred shares on October 2, 2009 as originally contemplated and announced.

October 2, 2009	We refer to our disclosure today, October 2, 2009, on the offer of San Miguel Corporation to its commons shareholders to exchange their common shares to a new class of preferred shares to be denominated as Series "1" Preferred shares. Please be informed that the Company employed additional manpower and was able to complete the review and processing of the necessary documentation for the completion of the share exchange. The Company has filed an application with the PSE for the execution of the special block sale on Monday, October 5, 2009. Accordingly, the Company will effect the special block sale of 476,296,752 Class A shares and 396,876,601 Class B shares common shares and issuance of the corresponding Series "1" preferred shares on October 5, 2009 as soon as the PSE approves the application for block sale.
October 5, 2009	Further to our disclosure last Friday, October 2, 2009 on the offer of the Company to its common shareholders to exchange their common shares to Series "1" preferred shares, please be informed that the Company has completed today the special block sale of 476,296,752 Common Class "A" shares and 396,876,601 Common Class "B" shares or a total of 873,173,353 common shares. Such common shares will be converted into Series "1" preferred shares. The outstanding capital stock of the Company after the conversion of such common shares is as follows: Common Class "A" shares - 1,448,170,112 Common Class "B" shares - 840,455,666 Series "1" Preferred Shares - 873,173,353
October 15, 2009	Please be informed that the Board of Directors approved today, October 15, 2009, the issuance, through private placement, of up to 226.8 million Series 1 Preferred Shares. The proceeds from the issuance will be used to finance investments and acquisitions of the Company. The Board has authorized Management to determine the issue price and dividend rate of said preferred shares. The Company is still in discussions with the prospective investors on the terms of the issuance. We will make appropriate disclosure as soon as an agreement has been reached.
November 3, 2009	Reply to PSE clarification entitled "San Miguel seen bidding for power plant contracts" published in the November 3, 2009 of the Philippine Daily Inquirer.
November 4, 2009	Reply to PSE clarification entitled "SMC waves on option to buy Petron" posted in the November 4, 2009 issue of the Philippine Daily Inquirer (Internet Edition).
November 5, 2009	Please be informed that at the Regular Meeting of the Board of Directors of San Miguel Corporation held today, November 5, 2009, the Board approved the following as members of the Committee vice Mr. Iñigo Zobel: Executive Committee – Carmelo L. Santiago Audit Committee – Winston F. Garcia Executive Compensation – Winston F. Garcia Nominations Committee- Carmelo l. Santiago
November 5, 2009	San Miguel report strong first nine month results

November 11, 2009	Please be informed that the Securities and Exchange Commission has approved the Company's petition for the extension of the offering period of its Employee Stock Purchase Plan (ESPP) for another five (5) years or until November 10, 2014. Enclosed is a copy of the Order.
December 1, 2009	Reply to PSE on the news article entitled "San Miguel sells stake to Ongpin group" published in the November 28, 2009 issue of The Manila Times dated December 1, 2009.
December 3, 2009	We refer to our previous disclosure of December 1, 2009, on the acquisition by Top Frontier of SMC shares. Please be informed that at the meeting of the Board of Directors held today, December 3, 2009, the Board formed a committee that would study the impact on SMC of the possible consolidation of Top Frontier and Qtech shares in SMC and a possible tender offer for the SMC shares and submit a recommendation to the Board. The Committee will engage legal and financial advisors to assist them in the study.
December 10, 2009	Reply to PSE clarification on the news article entitled "Landbank, San Miguel ink P2-B loan agreement" published in the December 10, 2009 issue of The Philippine Star, dated December 10, 2009.
December 15, 2009	SMC ACQUIRES AUSTRALIAN PACKAGING FIRM.
December 16, 2009	Reply to PSE clarification to the news article entitled "SMC unit wins hydro power bid" published in the December 16, 2009 issue of The Philippine Daily Inquirer, dated December 16, 2009.
December 18, 2009	San Miguel Brewery to acquire SMC's overseas beer business.
December 22, 2009	Reply to PSE on the news article entitled "San Miguel moves to acquire Belltel" published in the December 22, 2009 issue of The Philippine Star (Internet Edition) dated December 22, 2009.
December 22, 2009	We refer to the letter dated December 18, 2009 (the "December 18 Letter") requesting additional information relating to the acquisition by San Miguel Corporation ("SMC"), through its offshore subsidiary, San Miguel Yamamura Packaging International Limited ("SMYPIL"), of the Cospak Group. We reply to the questions in the order that they were presented in the December 18 Letter. 1. Reason and Purpose of Acquisition The Cospak Group is the intended vehicle of SMYPIL for its Australasian and rapidly growing exports business. 2. Identity of Seller; Material Relationship between SMYPIL, Cospak Group, Its directors/officers and Affiliates SMYPIL acquired from James Huntly Knox 60,705,521 shares in JHK Investments Pty Ltd. ("JHK Investments"), the parent company of the Cospak Group, for up to a maximum amount of A$34,650,000 (the "Sale Shares").

	The San Miguel Group has been supplying packaging products to the Cospak Group since the early 1980's. 3. Terms and Conditions of the Agreement (Number of Shares; Acquisition Price; Terms of Payment) The amount of A$24,737,500 was paid on December 17, 2009 for the Sale Shares. The balance of the purchase price for Sale Shares in the amount of $9,912,500 will be payable by SMYPIL through an earn-out scheme based on the attainment by JHK Investments of an agreed EBITDA for the period ending December 31, 2008 and June 30, 2010. SMYPIL also subscribed to an additional 12,269,939 shares in JHK Investments for A$5,000,000. SMYPIL owns an aggregate of 65% of the outstanding shares of JHK Investments. The acquisition price by SMYPIL was based on the enterprise value of the Cospak Group as determined with the assistance of external consultants
December 22, 2009	Further to the Company's disclosure dated October 15, 2009 on the approval of the Company's Board of Directors to issue Series "1" Preferred Shares through private placement, pleas be informed that the Company issue today 97,333,000 Series "1" Preferred Shares to Qualified Buyers and by way of private placement to not more than 19 non-Qualified Buyers (as defined under Securities Regulation Code) at the issue price of Php75.00 per Series "1" Preferred Share.
December 23, 2009	Further to our disclosure, the names of the qualified and the non-qualified buyers are the following: Qualified Buyers: 1. Union Bank of the Philippines 2. UnionBank Trust as Investment Manager for Beneficial PNB Life Insurance Co., Inc. 3. UnionBank Trust as Trustee for Peter Ng and/or Josephine Ng Lo 4. UnionBank as Trustee for UnionBank Retitrement Fund 5. UnionBank as Trustee for First Union Plans (Pension Classic) 6. BDO Capital & Investments Corporation 7. BDO Private Bank, Inc. 8. Chinabank Savings for Various Trust Accounts 9. Chinabank Savings for Various Trust Accounts 10. Philippine National Reinsurance Corporation 11. Standard Chartered Bank Non-Qualified Buyers: 1. UnionBank Trust as Investment Manager for FLG Management and Development Corp. 2. BDO Leasing Finance, Inc. 3. BDO Strategic Holdings, Inc. 4. Equitable Card Network, Inc. The proceeds from the issuance will be used to finance investments and acquisitions of the Company.

ANNEX "H"

SUPPLIERS OF RAW MATERIALS

Beverage Business

Molasses/Alcohol	Balayan Distillery Inc.
	Berbacs Chemicals, Inc.
	Ed & F Man Asia Pte. Ltd.
	Heindrich Trading Corporation
	Kooll Company, Inc.
	Progressive Chemicals Trade, Inc.
	Schuurmans & Van Ginneken Phils., Inc.
	Second Consolidated Sugar Corporation
	Sunnix, Inc.
Malt and Hops	COFCO Malt (Jiangyin) Co. Ltd.
	Joe White Maltings Pty Ltd.
	Malteurop (Baoding) Malting Co. Ltd.
	Malteurop S.A.
	Guangzhou Malting Co., Ltd.
	N. V. Boortmalt S.A.
	John I. Haas, Inc.
Sugar, Corn, Corn Grits and Tapioca	All Asian Countertrade, Inc.
	Cagayan Corn Products Corp.
	Chaodee Starch (2004) Co., Ltd.
	RJJ Enterprises
	Korn2rise Trading
	Heindrich Trading Limited
	Limketkai Manufacturing Corp.
	Miwon Vietnam Co., Ltd.
Packaging Materials	Printwell Inc.
Enzymes	Novozymes Singapore Pte Ltd
	Induplex, Inc.
	ISP International Corp.

Food Business

Breeder Stocks	Cobb Vantress and Aviagen
Soybean Meal	Ag Processing Inc. Louis Dreyfus Asia Pte Ltd. Noble Resources S.A.
Spring / Soft Wheat	The Canadian Wheat Board Columbia Grain International, Inc. Toyota Tsusho Corporation
Sausage Casing Requirements	Viskase Companies, Inc.
Cheese Curds and Anhydrus Milk Fat	Fontera (SEA) Pte Limited
Oil Requirements	JNJ Oil Industries, Inc.
Coffee Mixes	Super Coffee Corporation Pte Ltd
Other Raw Materials	Various local suppliers

Packaging Business

Adhesives	Trans World Trading Co. Inc. Material Solutions Inc. Henkel Philippines, Inc.
Aluminum - coil	Alcoa Australia Rolled Products Pty Limited Macro International Corporation Sumitomo Corporation
Aluminum - foil	Daching Enterprises Limited Daihan Eunpakgy Industrial Co. Ltd. Lotte Aluminum Company Ltd. Gruppo Teknologia Inc.
Aluminum - sheet	Macro International Corporation Laminazione Sottile S.P. Samhwa Trading & Packaging Co. Ltd.
Cap/Crown Liner	Chemdis Manufacturing Corp

	First In Colors Inc.
	Fortune Plastics Processing & Chemical Corporation
	Samhwa Trading & Packaging Co. Ltd.
	Sancap Liner Technology, Inc.
	Kwok Fung (Sino HK) Enterprise
	D & L Polymer & Colours,
Castings/ Rings & Equipment	Metals Engineering Resources Corp.
	Supercast Foundry and Machinery Corp
	BF Glass Mold Overseas Pte. Ltd
	TMI Taiwan Mould Industrial Co. Ltd.
	LS Dueñas Machine Shop
Carbon Dioxide	Coca-Cola Bottlers Philippines, Inc.
Melt	W.R. Grace (Philippines), Inc.
Coatings - Overprint	CDI Sakata Inx Corp.
	Chemdis Manufacturing Corp
	Inkote Philippines, Inc.
	The Valspar (Singapore) Corporation Pte Ltd
	W.R. Grace (Philippines), Inc.
Coatings - Powder	Henkel Philippines, Inc.
Cullet	Coca-Cola Bottlers Philippines, Inc.
	Sanven Marketing Corporation
Feldspar	Feldspar Corporation
Films	PT Argha Karya Prima Industry, Tbk.
	Tri-Pack Philippines Corporation
Glue for Carton	Henkel Philippines, Inc.
Inks and Coatings	ELIXIR Industrial Suppliers and Services
	CDI Sakata Inx Corp.
	Toyo Ink (Philippines) Co., Inc.
	Inkote Philippines, Inc.
	W. R. Grace (Phils) Inc.
	PPG Industries Pte. Ltd.

	The Valspar (Singapore) Corporation MCR Industries, Inc. Siegwerk Malaysia Sdn Bhd
Limestone	Megarock Milling Corporation
OPP/CPP Films	San Miguel Plastic Films
Paint - ACL	CDI Sakata Inx Corp.
PET - Preforms	HC (Asia) Holdings Co., Ltd. Taiwan Hon Chuan Enterprise Co., Ltd.
PET Films	Polyplex Corporation Ltd. AJ Plast Public Co. Ltd
Pigments	Masterbatch Philippines, Inc.
PVC Shrink Film	Nippon Film Industrial Co. Ltd Kyung Won Chemical Co. Ltd Macro International Corporation
Resin - Coating / Laminate	JG Summit Petrochemical Corporation
Resin - HDPE	Basell Asia Pacific Limited JG Summit Petrochemical Corporation
Resin - LDPE	Chemvision Inc. Dow Chemical Pacific (Singapore) Pte. Ltd Trans World Trading Co., Inc.
Resin - LLDPE	Chemvision Inc. Filplast Enterprises Petroplast Corporation
Resin - PET	Far Eastern Textile Ltd. Indorama Polymers Public Company Limited Shinkong Synthetic Fibers CorporatIon
Round Bars	Pan Pacific Industrial Sales

Sand	Connell Bros. Co. Pilipinas, Inc. Woodward Japan Inc.
Separator Seets	Uni-Fiber Multi Sales Enterprises
Soda Ash	Arvin International Marketing Inc. Connell Bros. Co. Pilipinas, Inc. Ilyon Industrial Corporation
TFS	Macro-Lite Korea Corporation Metal One Corporation Mitsui & Co., Ltd. (Japan) Kemeny Overseas Products
Welding Supplies	Durametal (s) Pte. Ltd. Lykonos Trading Corporation