SAN MIGUEL CORPORATION

April 15, 2011

The Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Gentlemen:

We are submitting herewith an electronic copy of SEC Form 17-A (Annual Report).

Very truly yours,

MARY ROSE S. TAN
Assistant Corporate Secretary

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

Atty. Mary Rose S. Tan

Contact Person

(632) 632-3000

Company Telephone Number

SEC FORM

1	2

Month

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FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-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, 2010**

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** 6. [ ]
Province, Country or other jurisdiction of incorporation or organization
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, 2010)
Common Shares	**2,329,945,530**
Series 1 Preferred Shares	**970,506,353**
Total	**3,300,451,883**
Total Liabilities	**₱ 562,975 million**

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	**Common and Series "1" Preferred Shares**

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, 2010 and March 31, 2011 is ₱ 24,189,592,916.00 and ₱44,325,606,312.30, respectively.

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 one of the largest companies in the Philippines in terms of market capitalization and is a highly diversified conglomerate. It has leading businesses in beer, liquor, food, packaging, power and fuel and oil. SMC's traditional businesses comprise primarily of beverage, food and packaging products. SMC recently has embarked on a diversification strategy and has expanded into a number of new businesses, including power, fuel and oil, infrastructure, mining, telecommunications, property development and other businesses outside of its traditional businesses. SMC has implemented this strategy through a series of acquisitions and investments.

As part of its growth strategy, SMC, either directly or through its subsidiaries and affiliates, has made a series of acquisitions in the fuel and oil, power, infrastructure, telecommunications, banking and mining industries over the past three years. A summary of these transactions is set forth below.

- SMC has 68.26% equity interest in Petron Corporation (Petron)
- SMC has acquired the rights, pursuant to IPPA agreements with Power Sector Assets and Liabilities Management Corporation to administer three power plants in Sual, Ilijan and San Roque. SMC acquired the Limay Power Plant, which it operates as the Independent Power Producer (IPP).
- SMC owns a 33.19% equity interest in the Manila Electric Company
- SMC made the following infrastructure acquisitions:
    a. A 35.0% equity interest in Private Infra Dev Corporation (PIDC)
    b. A 93.0% equity interest in Trans Aire Development Holdings Corp. (TADHC, formerly known as Caticlan International Airport Development Corporation)
    c. A 51.0% equity interest in Universal LRT Corporation (BVI) Limited (Universal LRT)
- SMC made the following telecommunications acquisitions:
    d. A 41.5% equity interest in Liberty Telecoms Holdings, Inc. (LTHI)
    e. A 100.0% equity interest in Bell Telecommunications Philippines (BellTel)
    f. Through the acquisition of 100.0% of the issued and outstanding shares of A.G.N. Philippines, Inc. (AGNP) acquired a 40.0% in Eastern Telecommunications Philippines, Inc. (Eastern Telecoms)
- SMC made the following mining acquisitions:
    g. A 100.0% equity interest in each of the three concession holders of coal deposits in the Southern Mindanao region – namely, Daguma Agro Minerals, Inc., Bonanza Energy Resources, Inc. and Sultan Energy Phils. Corp.
    h. A 10.1% equity interest in Indophil Resources NL (Indophil), which indirectly holds a 37% equity interest in a joint venture entity with rights to explore, develop and operate the Tampakan copper and gold project in the Southern Mindanao region
- As of December 31, 2010, a 32.8% equity interest in Bank of Commerce

Established in 1890 as a single-product brewery, SMC has transformed itself from a market leading beverages, food and packaging business with a globally recognized beer brand, into a large and diversified conglomerate with additional markets, leading businesses and investments on power, fuel and oil, infrastructure, telecommunications, banking and mining industries. In 2010, the Group accounts for about 2.52 % of the country's gross national product and 2.89% of the country's gross domestic product.

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 value-added 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 companies in Japan.

The Group is one of the nation's biggest private employers with an estimated 16,700 employees. In addition, the Group contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers in 2010.

Major developments in the Group are discussed in Management's Discussion and Analyses of Financial Position and Performance, attached herein as **Annex "A"**, and in Notes 5, 6, 8, 13, 14, 15, 44 and 45 of the Audited Consolidated Financial statements, attached herein as **Annex "B"**.

Core Businesses:

Beverages

San Miguel Brewery Inc. (SMB) has five breweries in the Philippines strategically located in Luzon, Visayas and Mindanao.

The international beer group operates one brewery each in Indonesia, Vietnam, Thailand, and two breweries in China.

Apart from beer, the Group also produces hard liquor through its majority-owned subsidiary, Ginebra San Miguel, Inc. (GSMI). GSMI is the leader in the domestic hard liquor market, and the world's largest gin producer by volume. It has two distillers and four bottling plants.

The Group also produces non-carbonated ready-to-drink tea and fruit juices in the Philippines, Thailand, China, Vietnam and Indonesia through its subsidiary GSMI and San Miguel Foods and Beverage International Limited (SMFBIL).

Below is a list of the beverage subsidiaries:

San Miguel Brewery Inc. and subsidiaries [including Iconic Beverages, Inc., Brewery Properties Inc. and subsidiary, Brewery Landholdings, Inc. and San Miguel Brewing International Ltd. and subsidiaries {including San Miguel Brewery Hong Kong Limited and subsidiaries, PT Delta Djakarta Tbk and subsidiaries, San Miguel (Baoding) Brewery Co. Ltd., San Miguel Brewery

Vietnam Ltd., San Miguel Beer (Thailand) Ltd. and San Miguel Marketing Thailand Ltd.}]

Ginebra San Miguel, Inc. and subsidiaries [including Distileria Bago, Inc. and Ginebra San Miguel International, Ltd., Ginebra San Miguel International Holdings Ltd., Global Beverage Holdings Ltd. and Siam Holdings Ltd.]
San Miguel Foods and Beverage International Limited and subsidiaries [including PT San Miguel Indonesia Foods & Beverages, San Miguel (Thailand) Co. Ltd., San Miguel (Guangdong) Foods & Beverages Co. Ltd., San Miguel (Vietnam) Co. Ltd., PT San Miguel Marketing Indonesia, and 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) and San Miguel Super Coffeemix Co. (SMSCCI), Inc.

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 Jelly Ace. To date, SMPFC has a product line-up that is unparalleled 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 value-added meats, breadfill, dairy and coffee.

As of December 31, 2010, SMPFC is a 99.92%-owned subsidiary of the Parent Company. 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.

The Food Group operates through the following subsidiaries and divisions:

- *San Miguel Foods, Inc.* - is a 99.97%-owned subsidiary of SMPFC and operates the integrated Poultry, Feeds and Basic Meats businesses, the San Miguel 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 and Basic Meats businesses are likewise being served by the Feeds business.

    c) *Fresh Meats Business* - formerly carried out by Monterey Foods Corporation (Monterey) prior to the merger of Monterey into SMFI in September 2010, engages in livestock farming, processing and selling of meat products, mainly pork and cattle. Fresh produce, as well as further processed or value-added meat products, are sold in *Monterey* meat shops located in major supermarkets and cities throughout the country.

The business is also one of the suppliers of PF-Hormel, an affiliate, for its primals requirements.

d) *San Miguel 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 four (4) outlets operating as at December 31, 2010.

e) *San Miguel Integrated Sales* - was formed in May 2009 when the receivables, inventories and fixed assets of SMC's Centralized Key Accounts Group were transferred to SMFI. SMIS is engaged in the business of selling and distributing various products of SMPFC's subsidiaries to modern and general trade customers.

- *San Miguel Mills, Inc.* - is a 100%-owned subsidiary of SMPFC and engages in the manufacture and distribution of flour and premixes.

- *The Purefoods-Hormel Company, Inc.* - is a 60%-40% joint venture between SMPFC and Hormel Netherlands B.V., 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 and pork nuggets, chicken balls, chicken hotdogs, premium marinated chicken, cordon bleu, beef burgers, budget patties, longganisa lines and ready-to-eat meat products.

- *Magnolia Inc.* - is a 100%-owned subsidiary of SMPFC and manufactures and markets butter, margarine, cheese, milk, ice cream and cooking oils. 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.

- *PT San Miguel Pure Foods Indonesia (PTSMPFI, formerly PT Pure Foods Suba Indah)* - started as a 49%-51% joint venture between SMPFC and the Hero Group of Companies and organized in 1995 for the manufacture and distribution of processed meats in Indonesia. In 2004, SMPFC increased its ownership to 75% following the Hero Group's divestment of its interest in PTSMPFI to Lasalle Financial Inc. (Lasalle). The remaining 25% is currently owned by Penderyn Pte Ltd. (Penderyn) of Singapore by virtue of the sale and transfer by Lasalle of its entire shareholding in PTSMPFI to Penderyn effective February 2, 2010. On February 5, 2010, Lasalle, Penderyn and SMPFC executed an Adherence Agreement pursuant to which Penderyn agreed to observe and perform all obligations of Lasalle under the Joint Venture Agreement relating to PTSMPFI.

- *San Miguel Super Coffeemix Co., Inc.* - is a 70%-30% joint venture between SMPFC and Super Coffeemix Manufacturing Ltd (SCML) of Singapore, which started commercial operations in April 2005 by marketing its 3-in-1 coffee mixes in the Philippines. 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, 2-in-1 coffee mixes and a pro-health line of coffee mixes. 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, and SCCPL agreed to perform and comply with all obligations of SCML under the Joint Venture Agreement relating to SMSCCI.

- *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/recipes and menus. GFS also handles the *Smokey's* hotdog bar, *San Mig Café* restaurant, and *Outbox* food-to-go stall/cart franchising operations.

- *San Miguel Pure Foods International, Limited (SMPFIL)* - is a company incorporated in the British Virgin Islands in February 2007 and is 100%-owned by SMPFC.

- *San Miguel Pure Foods Investment (BVI) Limited (SMPFI, formerly TTCV Investment (B.V.I.) Co. Ltd.)* - is a company incorporated in the British Virgin Islands in August 1996 and started as a 51%-49% joint venture between SMFBIL and Hormel Netherlands B.V. In July 2010, SMPFC, through its wholly-owned subsidiary, SMPFIL, acquired SMC's 51% interest (through SMFBIL) in SMPFI. SMPFI owns 100% of San Miguel Pure Foods (Vn) Co., Ltd., a company incorporated in Vietnam that engages in live hog farming and the production of feeds and fresh and processed meats.

- *SMPFC Capital Investments, Limited* - is a 100%-owned subsidiary of SMPFC incorporated in the Cayman Islands in November 2010. It has no commercial operations to date.

- *RealSnacks Mfg. Corp.* - 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 Pure Foods Company, Inc. and subsidiaries [including San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., Magnolia Inc., San Miguel Super Coffeemix Co., Inc. , P.T. San Miguel Pure Foods Indonesia and San Miguel Pure Foods International, Limited and subsidiary, San Miguel Pure Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (Vn) Co. Ltd.]

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 tubes, plastic trays, plastic pails and tubs, plastic consumer and industrial containers, crate and 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 San Miguel Group, the Packaging Group also supplies major Philippine-based multinational corporations such as Nestlé Philippines, Inc., Unilever Philippines Inc., Kraft Foods Phils., Inc., Diageo Philippines, Inc., Del Monte Philippines, Inc., Coca-Cola Bottlers Philippines Inc. and Pepsi-Cola Products Philippines, 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, chemical, 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 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, plastic tubes, plastic consumer and industrial containers, and plastic pails and tubs to domestic and international markets.

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 and Malaysian plants, the Packaging Group manufactures flexible packaging for the food, beverage, personal care, semiconductor & electronics, chemical and healthcare industries.

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

In January 2008, SMC finalized a joint venture agreement with NYG pursuant to which NYG purchased 35% of San Miguel Packaging Specialists, Inc. (SMPSI) and San Miguel Packaging International Limited (SMPIL). SMPSI 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. SMYPIL's subsidiaries are composed of the Packaging Group's international facilities.

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

In December 17, 2009, the packaging business through its international subsidiary, SMPIL, acquired a 65% stake in JHK Investments Pty. Ltd., which owns 100% of Cospak Group, the largest packaging trading firm in Australia.

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 Yamamura Utama Indoplas 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
San Miguel Yamamura Asia Corporation

Properties

San Miguel Properties, Inc. (SMPI) was created in 1990 initially as the corporate real estate arm of SMC. It is the Group's primary property subsidiary, currently 99.68% owned by SMC.

SMPI is presently engaged in commercial property development, sale and lease of real properties, management of strategic real estate ventures and corporate real estate services.

Other subsidiaries include the following:

SMC Stock Transfer Service Corporation
ArchEn Technologies, Inc.
SMITS, Inc. and subsidiary
Anchor Insurance Brokerage Corporation
SMC Shipping and Lighterage Corporation and subsidiaries
Challenger Aero Air Corp.
Philippine Breweries Corporation

New Businesses:

Power Generation

SMC began participating in the bidding for power generation companies being privatized by the Philippine government in 2007. Two years later, SMC successfully entered into the power generation industry. Through SMC Global Power Holdings Corp. (SMC Global) and its subsidiaries San Miguel Energy Corporation (SMEC), Strategic Power Devt. Corp. and South Premier Power Corp., administers three diversified independent power producer administrator contracts and through Panasia Energy Holdings Inc. operates the Limay power plant. SMC

Global is the largest independent power company, by installed capacity in the Philippines with a combined capacity of 3,165 MW.

Sual Power Plant – a 2x647 MW coal fired power plant located in Sual, Pangasinan being administered under an IPPA contract which was turned over in November 2009

Ilijan Power Plant – a 2x600 MW combined cycle natural gas located in Ilijan, Batangas being administered under an IPPA contract which was turned over in June 2010

San Roque Power Plant – a 345 MW multi-purpose hydroelectric power plant located in San Manuel, Pangasinan being administered under an IPPA contract which was turned over in January 2010

Limay Power Plant – a 620 MW combined cycle gas turbine power plant located in Limay Bataan. The power plant's assets are owned by PanAsia which was turned over in January 2010.

SMC, also through SMEC, owns three mining companies who are concession holders of coal deposits in Southern Mindanao.

SMC also acquired a 10.1% stake in Indophil Resources NL, which holds a 37.5% beneficial ownership of Sagittarius Mines, Inc. which holds a 40% controlling equity stake in a joint venture to explore, develop and operate the Tampakan Copper-Gold Project in Southern Mindanao.

Fuel and Oil

In late 2008, SMC entered into an option agreement with SEA Refinery Holdings B.V. (SEA BV) to acquire 50.1% of Petron held by Sea Refinery Corporation, which was partially exercised in April 2010. This move was followed by a tender offer and the acquisition of additional shares from the Ashmore Group. SMC exercised its remaining option in December 2010 and now effectively owns 68.26% of Petron. It is the largest integrated oil refining and marketing company in the Philippines, supplying more than a third of the country's refined oil requirements and is the largest liquefied petroleum gas distributor, with a 33.3% market share in the six months ended June 30, 2010, according to the Department of Energy. Petron's core business involves the refining of crude oil and the marketing and distribution of refined petroleum products, primarily for the domestic market. Petron possesses the most extensive oil distribution infrastructure in the country with more than 30 depots and terminals and over 1,700 service stations in the Philippines. Petron also exports various petroleum products and petrochemical feedstock, including high sulfur fuel oil, naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

Infrastructure

SMC has invested in companies which hold concessions in various infrastructure projects as follows:

San Miguel Holdings Corp. (SMHC), through its subsidiary, Rapid Thoroughfares, Inc. acquired a 35% stake in PIDC which holds a 35-year concession to build and operate an 88.6 kilometer two-lane expressway that will connect Tarlac, Pangasinan and La Union.

SMHC also acquired a 93% stake in TADHC, the company which holds a 25-year contract-add-operate-transfer arrangement for rehabilitating and operating the Caticlan airport.

SMHC also has signed a sale and purchase agreement to acquire up to 51% stake in Universal LRT which holds a 25-year build-transfer-operate concession on the Metro Rail Transit Line 7 project, extending the metro rail system servicing Metro Manila.

Telecommunications

In 2010, SMC through its subsidiary Vega Telecoms Inc. (Vega) owns 41.28% stake in LTHI, a telecommunications carrier listed in the Philippine Stock Exchange, offering telephone services nationwide as well as data communications, inter-exchange carrier services and international voice and data connectivity services.

In early 2010, SMC acquired, through Vega, Two Cassandra – CCI Conglomerates, Inc., Perchpoint Holdings Corp., Power Smart Capital Limited, which in turn, collectively owned 100% of BellTel, a telecommunications company licensed to offer data services throughout the Philippines and data services to all central business districts and special economic zones.

Toward the end of the year, SMC, through its subsidiary Vega, acquired 100% of the outstanding and issued shares of stock of AGNP the beneficial owner of approximately 40% of Eastern Telecoms, which provides voice data and internet services to the business process outsourcing market.

Principal products or services

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

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

The Group's 2010 foreign operations contributed about 9.96% of consolidated sales and (21%) of consolidated net income. Foreign sales is broken down by market as follows:

	% to Consolidated Sales		
Market	**2010**	**2009**	**2008**
China	2.45	3.29	3.76
Indonesia	2.36	2.49	2.33
Vietnam	1.50	2.07	1.82
Others	3.65	3.40	4.23

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.

A list of the Group's third party suppliers of major raw materials in 2010 are attached hereto as **Annex "D"**.

Dependency upon a single customer or a few customers

Due to constant drive toward customer satisfaction and continuous improvement, the Group is able to maintain its wide base of customers. The Group is not dependent upon a single or a few customers.

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 34 of the Consolidated Financial Statements attached hereto as **Annex "B"**.

Registered Trademarks, Patents, and other Intellectual Property

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):

	2010	2009	2008
Research and Development	P 407	P 300	P 427
Percentage to Net Income	2.03%	0.52%	2.21%

Human Resources and Labor Matters

As of December 31, 2010, the Group (SMC and Subsidiaries) has about 16,682 employees and has 39 existing collective bargaining agreements ("CBA"). Of the 39 CBAs, 11 will be expiring in 2011.

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

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 and packaging subsidiaries of the Parent Company in 2010, these did not result into a concerted action and 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 36 of the 2010 Audited Consolidated Financial Statements of the Company attached hereto as **Annex "B"**.

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 and services, improvement of product and service 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 improvement in services, 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, earthquakes and other seismological events, fire, floods, 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, and taking remedial measures to ensure delivery of services.

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 and liquor 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 41 of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "B"** 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 "F"**.

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

Item 3. Legal Proceedings

The Group 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 Parent Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2010.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

The Company's common shares and Series "1" preferred 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 and for the first quarter of 2011 are as follows:

	2011				2010				2009			
	Common		Series "1"		Class A*		Class B		Class A		Class B	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1st	189.50	150.00			74.50	66.50	74.50	67.00	52.00	39.00	52.50	39.50
2nd	-	-			75.00	69.50	76.00	70.00	66.00	49.50	65.50	50.00
3rd	-	-			76.00	66.55	76.00	66.00	69.50	56.00	70.00	57.00
4th	-	-			169.70	73.50	-	-	71.50	63.00	71.50	65.00

* The Company's common A and B shares were declassified on August 26, 2010.

The closing prices as of April 11, 2011, the latest practicable trading date, are as follows:

Common ₱ 160.00
Series "1" Preferred ₱ 76.00

The approximate number of shareholders as of December 31, 2010 is 39,941.

The top 20 common and preferred stockholders as of December 31, 2010 are as follows:

Rank	Name of Stockholders	Common	Series "1" Preferred Shares	Total No. of Shares	Percentage of outstanding
1	Top Frontier Investment Holdings, Inc.**	1,265,518,998	0	1,265,518,998	38.345420%
2	Q-Tech Alliance Holdings, Inc.	301,666,675	0	301,666,675	9.140547%
3	ASC Investors, Inc.	0	167,483,095	167,483,095	5.074763%
4	ARC Investors, Inc.	0	105,689,360	105,689,360	3.202404%
5	Primavera Farms, Inc.	94,738,250	0	94,738,250	2.870584%
6	Toda Holdings, Inc.	0	74,880,174	74,880,174	2.268881%
7	PCD Nominee Corporation (Filipino)	16,156,072	55,174,312	71,330,384	2.161322%
8	Pastoral Farms, Inc.	63,158,769	0	63,158,769	1.913720%
9	Black Stallion Ranch, Inc.	63,158,769	0	63,158,769	1.913720%
10	Misty Mountains Agricultural Corp.	63,158,769	0	63,158,769	1.913720%
11	Te Deum Resources, Inc.	0	58,487,823	58,487,823	1.772190%
12	Rock Steel Resources, Inc.	0	58,237,403	58,237,403	1.764602%
13	San Miguel Officers Corps, Inc.	0	53,863,035	53,863,035	1.632058%
14	Roxas Shares, Inc.	0	52,815,194	52,815,194	1.600308%
15	San Miguel Corporation Retirement Plan	15,001	48,694,406	48,709,407	1.475903%

Rank	Name of Stockholders	Common	Series "1" Preferred Shares	Total No. of Shares	Percentage of outstanding
16	Silver Leaf Plantations, inc.	47,369,061	0	47,369,061	1.435290%
17	Meadow-Lark Plantations, inc.	47,369,039	0	47,369,039	1.435289%
18	Union Bank of the Philippines	0	37,693,500	37,693,500	1.142119%
19	AP Holdings, Inc.	0	34,669,405	34,669,405	1.050488%
20	Valhalla Properties, Inc.	0	31,411,848	31,411,848	0.951784%
	TOTAL	**1,962,309,403**	**779,099,555**	**2,741,408,958**	**83.065112%**

Cash dividends declared per common share amounted to ₱ 6.75 and ₱ 0.70 in 2010 and 2009, respectively, and ₱6.00 for Series "1" preferred shares in 2010.

Description of the following securities of the Group may be found in the indicated Notes to the 2010 audited Consolidated Financial Statements, attached herein as **Annex "B"**:

Long-term Debt	Note 23
Stockholders' Equity	Note 26
Share-Based Transactions	Note 40

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) Management Discussion and Analysis

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

(B) Information on Independent Accountant and Other Related Matters

The accounting firm of Manabat Sanagustin & Co., CPAs served as the Company's external auditors for the last two 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 services rendered amounting to P12 million and P10 million in 2010 and 2009, 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, 75, 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, 57, is the Vice Chairman since January 28, 1999, President and Chief Operating Officer since March 6, 2002 of the Company. 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., 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., San Miguel Pure Foods Company, Inc. and Top Frontier Investment Holdings, Inc. He is also the Chairman and Chief Executive Officer of Petron Corporation and SMC Global Power Holdings Corp.; 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, 81, has been a Director of the Company since April 21, 1998. He is a Member of the Company's Executive Committee, Audit Committee, and the Chairman of the 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, 54, has been a Director of the Company since May 5, 1999.He also holds the following positions: Chairman of Top Frontier Investment Holdings, Inc., Vice Chairman of SMC Global Power Holdings Corp., 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 formerly an Independent Director of San Miguel Brewery Inc., San Miguel Pure Foods Company, Inc. San Miguel Properties, Inc., and Ginebra San Miguel, Inc.

Winston F. Garcia, Filipino, 52, has been a Director of the Company since February 1, 2001; and a Member of the Company's Audit Committee and Executive Compensation Committee. Atty. Garcia was President and General Manager of the Government Service Insurance System and was Vice Chairman of its Board of Trustees. He also held 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 has been a practicing lawyer since 1983.

Menardo R. Jimenez, Filipino, 78, 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: Chairman of the United Coconut Planters Bank; 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.

Leo S. Alvez, Filipino, 68, 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).

Hector L. Hofileña, Filipino, 81, has been a Director of the Company since July 24, 2008 and a Member of the Company's Executive 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 School of Law.

Carmelo L. Santiago, Filipino, 67, has been an Independent Director of the Company since July 24, 2008. He is the Chairman of the Company's Audit Committee, and Member of the Executive Committee, Executive Compensation Committee and the Nomination and Hearing Committee. He is also 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.

Roberto V. Ongpin, Filipino, 74, has been a Director of the Company since September 1, 2009. He is a member of the Nomination and Hearing Committee. He also holds the following positions: Director of Petron Corporation, Top Frontier Investment Holdings, Inc., Araneta Properties, Inc. and Shangri-La Asia (Hong Kong); Chairman of PhilWeb Corporation, ISM Communications Corporation, Developing Countries Investment Corporation, Alphaland Corporation, Atok-Big W edge 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.

Joselito D. Campos, Jr. has been a Director since May 31, 2010. He is a member of the Executive Compensation Committee. He is the Managing Director and Chief Executive Officer and a Director of Del Monte Pacific Ltd, and President and Chief Executive Officer of Del Monte Philippines. He is also the Chairman and Chief Executive Officer of the NutriAsia Group of Companies, a major food conglomerate in the Philippines, Chairman of Fort Bonifacio Development Corp. and Vice-Chairman of Ayala-Greenfield Development Corp., two major Philippine property developers. He is also a Director of FieldFresh Foods (P) Ltd., a joint venture of DMPL with the Bharti Group of India, one of India's largest companies. He was the former Chairman and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and the World Wildlife Fund for Nature-Philippines.

Eric O. Recto, Filipino, 47, has been a Director since May 31, 2010. He is a member of the Company's Executive Compensation Committee and the Nomination and Hearing Committee. He is the President/Executive Director of Petron since 2008, Vice Chairman and President of ISM Communications Corporation, and Director and President of Top Frontier Investment Holdings, Inc. He is also Vice Chairman of Philweb Corporation and Alphaland Corporation. He was previously Undersecretary of the Department of Finance, in charge of both the International Finance Group and the Privatization Office from 2002 to 2005.

Ferdinand K. Constantino, Filipino, 59, has been a Director of the Company since May 31, 2010. He is a member of the Audit Committee and Executive Compensation Committee. He is Senior Vice President, Chief Finance Officer and Treasurer of the Company. He also holds, among others, the following positions: President of Anchor Insurance Brokerage Corporation; and a Director of San Miguel Brewery Inc., San Miguel Yamamura Packaging Corporation, SMC Global Power Holdings Corp., Top Frontier Investment Holdings, Inc. 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), Director of Ginebra San Miguel, Inc. (2008-2010) and 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.

Reynato S. Puno was elected to the Board as an independent director of the Company on January 20, 2011. Former Chief Justice Reynato S. Puno served as the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Court as an Associate Justice on June 1993 and was previously Associate Justice of the Court of Appeals (1986 to 1993), Appellate Justice of the Intermediate Appellate Court (1983), Assistant Solicitor General (1974-1982) and City Judge of Quezon City (1972-1974). He has 177 also served as Deputy Minister of Justice from 1984-1986. He completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern Methodist University, Dallas,Texas (1967).

Virgilio S. Jacinto is the Corporate Secretary, Senior Vice President and General Counsel and Compliance Officer of the Company (since October 8, 2010). He is a Director of San Miguel Brewery Inc. and Petron Corporation. He was formerly the Vice President and First Deputy General Counsel from 2006 to 2010 and appointed as the Company's General Counsel in 2010. He was Director and Corporate Secretary of United Coconut Planters Bank, Partner at Villareal Law Offices and Associate at SyCip, Salazar, Feliciano & Hernandez Law Office. Mr. Jacinto is an associate professor at the University of the Philippines. He obtained his law degree from the University of the Philippines where he was the class salutatorian and placed sixth in the 1981 Bar Examinations. He holds a Master of Laws degree from Harvard University. In addition, Mr. Jacinto holds various directorships in various local and offshore subsidiaries of SMC.

Joseph N. Pineda is the Senior Vice President and Deputy Chief Finance Officer of the Company. He was formerly Vice-President prior to his promotion on July 27, 2010, and has been the Deputy Chief Financial Officer since December 2005. He was previously Special Projects Head of the Company since January 2005. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Master in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC subsidiaries.

Aurora T. Calderon is the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of the Company since January 20, 2011. Previous to her appointment, she was a consultant of the Company reporting to the Chief Operating Officer since 1998. She is also a member of the board of directors of Petron, Petron Marketing Corporation, Petron Freeport Corporation, SMCGP, SRC, Thai San Miguel Liquor Co., Ltd., NVRC, Las Lucas Construction and Development Corp., and Kankiyo Corporation. She is the President and a Director of Total Managers, Inc. and was a Director of Meralco (2008-2009). She is also the Treasurer of the Selling Shareholder. A certified public accountant, Ms. Calderon graduated from the University of the East with a degree in Bachelor of Science in Business Administration, major in Accountancy, *magna cum laude*. In addition, Ms. Calderon holds directorships in various SMC subsidiaries.

Sergio G. Edeza is the Senior Vice President and Head of Treasury of the Company. Prior to joining SMC, Mr. Edeza was a Director of Merchant's Bank (2008), President (2007) and Director (2008) of Money Market Association of the Philippines, Executive Vice President and Treasurer of Rizal Commercial Banking Corporation, Treasury Consultant of YGC Corporate Services, and President and CEO of PhilEXIM Guarantee Corporation. He was also Treasurer of the Republic of the Philippines from February 16, 2001 to February 16, 2004. Mr. Edeza is a Certified Public Accountant and a Career Service Professional. He obtained his Bachelor of Science in Commerce degree and Master of Business Administration degree from the De La Salle University, and was accepted at the John F. Kennedy School of Government at Harvard University. In addition, Mr. Edeza holds various directorships in various SMC subsidiaries.

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
3. Reynato S. Puno

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

Mr. Eric O. Recto is the nephew of Mr. Roberto V. Ongpin. Both are incumbent directors of the Company. Other than this, there are no other 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]	2011 (estimated)	₱152 Million	₱ 49.1 Million	₱ 22.5 Million	₱ 223.6 Million
	2010	₱ 145.8 Million	₱ 161.6 Million	₱ 23.2 Million	₱ 330.6 Million
	2009	₱ 143.9 Million	₱ 126.7 Million	₱ 36.6 Million	₱ 307.2 Million
All other officers and directors as a group unnamed	2011 (estimated)	₱ 100.6 Million	₱ 33.0 Million	₱ 24.9 Million	₱ 158.5 Million
	2010	₱ 91.7 Million	₱ 40.8 Million	₱ 31.8 Million	₱ 164.3 Million
	2009	₱ 115.7 Million	₱ 40.8 Million	₱ 31.8 Million	₱ 164.3 Million

[1] *The Chief Executive Officer and senior executive officers of the Company for 2011 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Eduardo Sergio G. Edeza, Virgilio S. Jacinto, Joseph N. Pineda, Ma. Belen C. Buensuceso, and David S. Santos; 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.*

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total	2011 (estimated)	₱ 252.6 Million	₱ 82.1 Million	₱ 47.4 Million	₱ 382.1 Million
	2010	₱ 237.5 Million	₱ 202.4 Million	₱ 55 Million	₱ 494.9 Million
	2009	₱ 259.6 Million	₱ 166.6 Million	₱ 80.5 Million	₱ 506.7 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 12.45 million shares shares in 2009 and 2008, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 3.23 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, 2010 were as follows:

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	22.84%
Common	ECJ Companies[4] c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	ECJ Companies	Filipino	489,985,271	14.85%

[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 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.*

[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.*

Common	Top Frontier Investment Holdings, Inc.[5] 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	Top Frontier Investment Holdings, Inc.	Filipino	1,567,185,673	38.34%
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	9.14%

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, 2010:

Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares
	Common	Series "1" Preferred		
Eduardo M. Cojuangco, Jr.	292,388 (D)		Filipino	292,388 (0.01%)
Ramon S. Ang	6,050 (D)		Filipino	6,050 (0.00%)
Estelito P. Mendoza	31,972(D)		Filipino	31,972 (0.00%)
Iñigo Zobel	16,171(D)		Filipino	16,171 (0.00%)
Winston F. Garcia	10,000 (D)		Filipino	10,000 (0.00%)
Menardo R. Jimenez	5,000 (D)		Filipino	5,000 (0.00%)
Leo S. Alvez	14,326 (D)		Filipino	14,326 (0.00%)
Hector L. Hofileña	12,303 (D)		Filipino	12,303 (0.00%)
Carmelo L. Santiago	5,000 (D)		Filipino	5,000 (0.00%)
Alexander J. Poblador	5,000 (D)		Filipino	5,000 (0.00%)
Joselito D. Campos, Jr.	9,149 (D)		Filipino	9,149 (0.00%)
Roberto V. Ongpin	5,000 (D)		Filipino	5,000 (0.00%)
Ferdinand K. Constantino	116,809 (D)	210,609 (D)	Filipino	327,418 (0.02%)
Eric O. Recto	5,000 (D)		Filipino	5,000 (0.00%)
Reynato S. Puno	5,000 (D)		Filipino	5,000 (0.00%)
Virgilio S. Jacinto	25,622 (D)		Filipino	25,622 (0.00%)

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of December 31, 2010 is 775,399 shares or approximately 0.0235% 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, 2010 is 1,252,390 shares or approximately 0.0379% of the Company's outstanding capital stock.

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[5] *The shares owned by Top Frontier Investments Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of December 31, 2010, Top Frontier Investments Holdings, Inc. has voting rights to a total of 2,057,170,944 shares of the Company which represent about 89.50% of the outstanding capital stock of the Company.*

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

None of the above key officers have exercised their options under LTIP in 2010 and 2009.

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 34 (Related Party Disclosures) of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

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 the Company has substantially adopted all the provisions of the Manual.

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 2010 Audited Consolidated Financial Statements and the Supplementary Schedules are attached as **Annex "B"** and **Annex "B-1"** 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 11, 2011.

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

VIRGILIO S. JACINTO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this April 11, 2011, affiants exhibiting to me their passports as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ramon S. Ang	XX4227006	July 27, 2009	Manila
Ferdinand K. Constantino	XX0167306	November 24, 2007	Manila
Bella O. Navarra	XX0284770	February 1, 2008	Manila
Virgilio S. Jacinto	EB0971552	September 17, 2010	Manila

Doc. No. 317;
Page No. 63;
Book No. II;
Series of 2011.

MARY ROSE S. TAN
Commission No. 0252-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 47144
PTR No. 0980247; 01/03/11, Mandaluyong City
Lifetime Member No. 09449; 01/04/11 Makati City

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 SEC From 17A for the year ending December 31, 2010 (SEC Form 17-A). The undersigned as Corporate Secretary of the Company, hereby undertakes to submit the Company's notarized SEC Form 17-A with the signature of the Company's Chairman and Chief Executive Officer upon his return.

IN WITNESS WHEREOF, we have hereunto signed these presents this 15th day of April 2011 at Mandaluyong City.

Virgilio S. Jacinto
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of April 2011, affiant exhibiting to me his Passport number as follows:

	Passport No.	**Date of Issue**	**Place of Issue**
Virgilio S. Jacinto	EB0971552	September 17, 2010	Manila

Doc. No 388;
Page No. 79;
Book No. II;
Series of 2011.

MARY ROSE S. TAN
Commission No. 0252-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 47144
PTR No. 0980247; 01/03/11, Mandaluyong City
Lifetime Member No. 09449; 01/04/11 Makati City

SAN MIGUEL CORPORATION

ANNEX "A"

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, 2010. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2010 and 2009, 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, 2010. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2010 and the financial performance and cash flows for the year ended December 31, 2010 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 of accounting, 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 fair value 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 off 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).

Significant Accounting Policies

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

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

The FRSC approved the adoption of a number of new or revised standards, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRS. Accordingly, the Group changed its accounting policies in the following areas:

Adopted Effective 2010

The Group has adopted the following PFRSs starting January 1, 2010:

- 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.

The Group has applied Revised PFRS 3 (2008) in the acquisitions of SMC Global Power Holdings Corp.(SMC Global), Sea Refinery Corporation **(**SRC), Trans Aire Development Holdings Corp. (TADHC), Universal LRT Corporation (BVI) Limited **(**ULC BVI), Two Cassandra – CCI Conglomerates, Inc. (TCCI), Perchpoint Holdings Corp. (PHC), Power Smart Capital Limited (PSCL), A.G.N. Philippines, Inc. (AGNP) and Integrated Geosolutions, Inc. **(**IGI).

- 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 Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group 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 profit or loss.

  The Group has applied the Revised PAS 27 to acquisitions of non-controlling interests in SMC Global.

- 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. The adoption of these amendments to standards did not have a material effect on the 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. The adoption of this Philippine Interpretation did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 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. The adoption of these improvements to standard did not have a material effect on the consolidated financial statements.

- 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, that is, it includes only a parent and its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2010. The adoption of these amendments to standards did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 2009,* contain 15 amendments to 12 standards. The improvements are generally effective for annual periods beginning on or after January 1, 2010. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - PFRS 2 and PFRS 3 (2008). The amendments clarify that business combinations as defined in PFRS 3 (2008) are outside the scope of PFRS 2, notwithstanding that they may be outside the scope of PFRS 3 (2008). Therefore business combinations among entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under PFRS 2.

  - PAS 38, *Intangible Assets*. The amendments clarify that (i) an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognized separately from goodwill together with the related item; and (ii) complementary intangible assets with similar useful lives may be recognized as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists.

  - Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*. The International Accounting Standards Board (IASB) amended the scope of IFRIC 9 so that embedded derivatives in contracts acquired in business combinations as defined in PFRS 3 (2008), joint venture formations and common control transactions remain outside the scope of IFRIC 9.

  - Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. The amendments remove the restriction that prevented a hedging instrument from being held by a foreign operation that itself is being hedged.

  - PFRS 5. The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in PFRS 5.

  - PFRS 8, *Operating Segments*. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.

  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that the classification of the liability component of a convertible instrument as current or non-

current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.

- PAS 7, *Statement of Cash Flows*. The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

- PAS 17, *Leases*. The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 - 13 of PAS 17, taking account of the fact that land normally has an indefinite economic life.

- PAS 36, *Impairment of Assets*. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in PFRS 8 before applying the aggregation criteria of PFRS 8.

- PAS 39. The amendments provide: (i) additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; (ii) clarify that the scope exemption in PAS 39 paragraph 2 (g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (iii) clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

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 financial performance for the last three years are summarized in the following tables.

	Years Ended December 31		
	2010	2009	2008
		(In Millions)	
Sales	**₱246,109**	₱174,213	₱168,041
Gross Profit	**72,203**	49,918	43,969
Selling and Administrative Expenses	**(37,426)**	(30,249)	(29,151)
Financing Income (Charges) - Net	**(13,555)**	(1,937)	598
Equity in Net Earnings (Losses) of Associates	**6,817**	2,816	(1,132)
Gain on Sale of Investments and Property and Equipment	**529**	50,630	8,746
Other Income (Charges) - Net	**6,926**	(6,843)	(2,262)
Income from Continuing Operations	**24,056**	60,629	14,670
Income after Income Tax from Discontinued Operations	**-**	-	5,413
Net Income Attributable to Equity Holders of the Parent Company	**20,091**	57,799	19,348

2010 vs. 2009

San Miguel Corporation's consolidated sales revenue amounted to ₱246,109 million, 41% above last year. The core businesses accounted for the 9% of the increase while the new businesses accounted for the remaining 32% increase. The power business which was consolidated starting third quarter brought in revenues amounting to ₱45,701 million or around 19% of the Group's consolidated revenue. Most of the core businesses also delivered improved volumes in the last quarter of 2010.

Correspondingly, the consolidation of Power brought in an additional ₱9,568 million in operating income. This resulted to a consolidated operating income of ₱34,777 million, 77% higher than last year. Without the new businesses, the core businesses also did well registering 25% increase in operating income versus 2009.

The increase in equity in net earnings of associates resulted from the recognition of equity in net income of the Manila Electric Company (Meralco) and of the following subsidiaries prior to consolidation: San Miguel Energy Corporation (SMEC), Strategic Power Devt. Corp. (SPDC) and Petron Corporation (Petron).

Net financing charges increased in 2010 as a result of higher interest expense, attributable to higher average balances of drafts and loans payable and long-term debt in 2010 and the interest expense on SMC Global's finance lease liabilities.

Other income of ₱6,926 million in 2010, principally includes foreign exchange gains, gain on acquisition of a subsidiary and loss on impairment on the noncurrent assets of the Group's China and Hong Kong operations.

With other income from new investments, offset by higher net financing charges and higher income taxes, the Group's resulting net income attributable to equity holders of the Parent Company amounted to ₱20,091 million. Excluding one-off items, recurring net income for 2010 is ₱17,078 million, more than double of last year's comparable net income.

2009 vs. 2008

The Group's 2009 consolidated sales revenue amounted to ₱174,213 million, 4% higher than 2008. 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 Meralco, Bank of Commerce (BOC) and 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 Board of Directors (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 SMBIL and foreign exchange losses of ₱3,364 million, net of gain on derivatives of ₱962 million.

Consolidated net income attributable to equity holders of the Parent Company in 2009 reached ₱57,799 million, significantly higher than 2008's net income.

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

2010 vs. 2009

BEVERAGE

San Miguel Brewery Inc. (SMB)

SMB's accelerated growth in 2010 owing to the strong economic recovery, election-related spending, an improving cost environment and stepped-up consumption-generating programs. Consolidated SMB sales revenue rose 6% to reach ₱67,575 million, while operating income increased to ₱18,551 million. This is on a consolidated beer volumes of about 221 million cases, 2% above 2009 level.

An important milestone for SMB included the acquisition of a 100% stake in San Miguel Brewing International Limited (SMBIL) in January 2010. In SMBIL, SMB has acquired a platform for its beer business in Southeast Asia and China. By integrating both the domestic and international beer businesses, SMB will improve the growth and returns of the business as a whole and broaden SMB's geographic participation, strengthening its brands and presence in the region.

Beer Domestic

SMB maintained its lead in the growing domestic beer market, directly attributable to SMB's outlet conversion and occasion-creation programs, and improved frequency of call and suggested retail price (SRP) campaigns. Comprehensive brand-building and off-take generating programs also strengthened preference and consumption of beer brands.

To capture the growing ranks of entry-point and female drinkers, SMB introduced San Miguel Alcoholic Malt Beverage in lemon and apple flavors through a soft launch in mid-December 2010. The new products have lower alcohol content relative to regular beers and are available in 330 ml bottles. All together, this robust performance generated stronger financial results in 2010. SMB domestic volumes reached an all-time high level of 183.6 million cases, representing a growth of 5.2% versus year-ago levels. Domestic sales revenue grew by 9.5% from the higher volumes and a price increase implemented in November 2009.

Beer International

In its international operations, the Brewery's Exports business, Vietnam's core brands as well as Thailand's domestic operations performed strongly, with volumes significantly higher compared to 2009. These gains however were not enough to offset volume losses suffered in South China, Hong Kong and Indonesia. As a result, consolidated volumes for SMBIL fell 11% behind last year.

In South China, sales of both Guangzhou San Miguel Brewery (GSMB) and San Miguel Guangdong Brewery (SMGB) remained sluggish due to aggressive trade offers of competitors and lower volumes from base markets Dongguan and Foshan markets, which continued to suffer from the lingering effects of the global recession.

In North China, Blue Star remains the leading beer brand in Baoding City. SMB's North China operations posted a strong recovery in the last eight months of the year, reversing the declining

trend during the early part of the year. Volumes were slightly ahead versus 2009 by year-end driven by improvements in wholesaler channel management.

SMB retained its position as the leading player in the Hong Kong beer industry even as domestic volumes fell short of the previous year. Premium brands continued to grow by double-digit in 2010 while exports nearly doubled versus 2009 volumes, bringing total production volumes 11% ahead of last year.

Industry volumes in Indonesia were adversely affected by the tax restructuring, which significantly increased tax rates for beer products in 2010. PT Delta Djakarta's (PT Delta) Anker volumes fell, reflecting the industry's decline. On the other hand, core brands San Miguel Pale Pilsen (SMPP) and San Mig Light did well, posting double-digit growth in 2010.

In Vietnam, San Miguel brands continued their growth momentum in 2010, growing by 20% compared to the previous year, the result of greater outlet coverage, particularly in cities popular with tourists, and strong sales of SMB's draft beer variant.

Despite the political unrest in Thailand during the first half of 2010, SMB's Thai unit was able to grow domestic volumes by 7% year-on-year. Despite a decline in the total industry's premium segment, sales were particularly good for San Mig Light and San Miguel Draught Beer. Volume growth for these brands was brought about by a focus on outlet penetration and an improvement in sales yields.

Beer export volumes surged by 15% versus 2009 fueled by incremental volumes from as yet untapped markets as well as sustained on-premise promotional activities in major markets such as Sudan, the Maldives, South Korea, the United States, Singapore and Malaysia.

Liquor and Spirits

Ginebra San Miguel, Inc. (GSMI) ended 2010 with positive results, greatly surpassing the previous year's performance. Domestic liquor sales volumes reached 39.4 million cases, 7% higher than 2009 levels and a new all-time high record.

Flagship Ginebra San Miguel Gin and G.S.M. Blue were the main contributors to GSMI's volume growth. Marketing programs like "Blueniversity" and exposure in both traditional media and social media sites helped sustain the brand's popularity among younger drinkers. Ginebra San Miguel performed creditably, posting 11% growth. GSMI continues to provide the brand steady marketing support via the popular "Gin- U-Win 2" consumer promo. Vino Kulafu held its own in southern Philippines, with volumes rising markedly above the prior year. Owing to the decline in the overall brandy segment, sales of Gran Matador slid despite retaining its lead in the brandy market. To provide consumers choice, GSMI launched a lower-proof variant, Gran Matador Primo in late 2010.

GSMI's export sector performed strongly. GSMI's non-alcoholic beverage segment continues to face challenges owing to a weak beverage market.

Overall, GSMI's consolidated revenues for 2010 reached ₱22,688 million, 16% higher than 2009. Consolidated operating income stood at ₱1,519 million, a robust 40% over prior year levels—the result of significant growth in the core liquor segments and exports. Losses from both Thai liquor and the non-alcoholic beverage sectors were also considerably lower than 2009.

FOOD

Full-year 2010 reflected the continuing success of San Miguel Food Group's strategy of growing its value-added sales with its branded poultry, flour, coffee and overseas operations all continuing to perform strongly in terms of volumes.

San Miguel Pure Foods Company, Inc. (SMPFC) and Subsidiaries ended 2010 with consolidated revenues of ₱80,418 million, 4% higher than the previous year, largely on the back of sustained volume growth across the majority of its businesses. Cost pressures remained an issue as do lower selling prices for some food products, but in the aggregate, the Food Group has managed to offset these pressures by pricing actions, new product launches and strong promotional activities. Efforts to raise operating efficiencies over the years, complemented by lower costs of critical raw materials in poultry, basic meats, flour and dairy, translated into higher profitability—enabling SMPFC to post an operating income that was 30% above 2009 at ₱5,906 million.

Agro-Industrial Cluster

*Integrated Agro-Industrial Zone. S*an Miguel Food Inc.'s (SMFI) poultry business, the Food Group's biggest revenue contributor, posted a 9% increase in sales for 2010 driven primarily by a 13% growth in poultry volumes even as a glut in industry broiler supply resulted in lower average selling prices. In terms of broiler performance, it was a banner year for SMFI with all-time record highs in operational efficiencies. Better efficiencies and reduced costs resulted in a 5% rise in poultry's operating profits for the year.

The numerous market challenges bearing down on business profitability on SMFI's feeds business; i.e., increasing farm inputs, surging raw material prices, threats of animal disease, and weather disturbances, stood Feeds' operating income lower than 2009 performance. The continued use of raw material substitutes like cassava is being intensified to help manage direct material costs.

Improved efficiencies contributed to SMFI's basic meats business' operating profits, reversing last year's loss. This strong showing offset lower volumes and revenues.

*Milling***.** The Food Group's flour business under San Miguel Mills, Inc. (SMMI) continued its strong year-on-year performance, with better operating margins versus last year helped by lower wheat and operating costs. Flour volumes grew by 7% amid competition from other local flour manufacturers and flour imports. Revenues dropped 3% due to lower selling prices, an offshoot of better global wheat prices.

Branded and Value-Added Businesses

Processed Meats. Sales volumes of the value-added or processed meats business under the Purefoods-Hormel Company, Inc. (PF – Hormel) grew by 1% despite capacity issues resulting from the permanent closure of PF – Hormel's Marikina plant towards the end of 2009. Core brands such as TJ Hotdogs continue to maintain market share through a combination of innovation and advertising, supported by strong promotional campaigns. The result was an improved sales mix and revenue growth of 2% even though prices of major raw materials continued to weigh down the business. To improve profitability, PF – Hormel focused on high margin products and worked at raising production efficiencies.

Dairy, Oils & Fats. The Dairy, Spreads and Oils Business under Magnolia Inc. (Magnolia) turned in another record breaking year in operating profits, largely the result of sustained operational efficiencies, and effective portfolio management on top of favorable input costs. Total revenue was 4% better than 2009 levels primarily driven by volume growth and higher average selling prices for Magnolia's butter, cheese, oil and ice cream categories.

Emerging Businesses. San Miguel Super Coffeemix Co., Inc.'s revenues topped 2009 by 17%, resulting in a significant improvement in operating profits.

PACKAGING

San Miguel Yamamura Packaging Group (SMYPG) had a strong year in 2010, with the PET and paper businesses in particular showing robust profit growth. Including the consolidation of Australian trading company, Cospak, the packaging group generated revenue of ₱23,438 million, 19% higher than 2009. Likewise, operating income for the group reached ₱1,999 million, 26% above the prior year, on account of lower raw material costs.

Glass. Sales revenues of the glass business reached ₱7,615 million in 2010, mainly attributable to volume sales to the Coca-Cola Bottlers Group (CCBG) and GSMI. Other customers contributing to revenue were SMB, pharmaceutical company United Laboratories and Cospak. The year marked SMYPG's successful commercial delivery of the first flint and antique green wine bottles to customers in Australia.

Metal. For SMYPG's metal operations, sales revenues amounted to ₱4,276 million, mainly from sales of crowns to SMB and CCBG, metal caps to GSMI and roll-on-pilfer-proof caps to CCBG and Bickford's. For the second year running, SMYPG's metal container plant bagged the Best Two-Piece Can Award in the Asia CanTech 2010.

Plastics. For the plastics business, higher sales of regrinds, pallets and crates pushed sales revenue to reach ₱1,361 million, at par versus 2009 level. In 2010, the plastics business launched its four-liter paint buckets for leading paint maker, Boysen, and developed the flexi-pallet, eight-piece pallet molds and SMYPG's patented Suretube for customers in the pharmaceutical and personal care industries.

PET. Driven by higher volume sales to CCBG and Del Monte, the Packaging Group's PET operations' sales revenue of ₱1,960 million was 12% above last year. Preform sales to CCBG were also strong. The PET business introduced 38 mm caps and preforms for Pepsi as well as the amorphous neck finish preforms and 1-liter hot fill bottle for Del Monte.

Flexibles. Rightpak's sales served Nestle Philippines, SMFI, Alaska and Del Monte resulting in sales revenue of ₱647 million, 12% higher than last year's level.

Paper. The paper business posted sales revenue of ₱1,440 million for 2010. Nestle Philippines was a major customer as were customers from the fresh produce segment.

Malaysia. SMYPG's Malaysia operations' sales revenue of ₱3,075 million was 9% better than 2009.

Cospak. Through synergy between San Miguel Yamamura Packaging Corporation and Cospak, new multi-year contracts were secured with major Australian customers such as General Mills, Gage Roads, Amcor Glass and Bickford's. At the end of 2010, Cospak's sales revenue totaled ₱3,698 million.

POWER GENERATION AND DISTRIBUTION

SMC Global is San Miguel's holding firm for all power-related units such as SMEC, SPDC, SPPC and PanAsia Energy Holding Inc. (PanAsia), which in turn own the 620-megawatt Limay combined-cycle power plant and manage the IPPA contracts of three power plants—the 1,200-megawatt Ilijan natural gas-fired power plant IPPA; 1,200-megawatt Sual coalfired power plant IPPA, and the 345-megawatt San Roque hydroelectric power plant IPPA. The power companies were consolidated into San Miguel during the third quarter of 2010 following SMC's subscription of 75% of the shares and voting interests of Global 5000 Investment Inc. (Global) and its acquisition of the remaining 25% stake from existing shareholders.

In February 2011, San Miguel's power business successfully completed its US$300 million,

five-year benchmark US dollar bond at a 7% yield. SMC Global plans to use the proceeds to finance investments in other power-related assets, finance payment or, subject to negotiation with the Power Sector Assets and Liabilities Management Corporation (PSALM), prepay the obligations, and/or for general corporate purposes. SMC's four power plants—Sual, Limay, San Roque and Ilijan—generated an estimated 11.1 million megawatt hours in 2010. The revenue and operating income contribution of the power generation and distribution business to the Group upon consolidation up to December 31, 2010 amounted to ₱45,701 million and ₱9,568 million, respectively.

PROPERTY

Election-related spending and overseas Filipino workers (OFW) remittances resulted in more reservation sales take-up for San Miguel Properties, Inc.'s (SMPI) existing projects. However, due to depleting inventory and implementation of stringent measures to ensure the creditworthiness of buyers, SMPI residential sales dipped by 29%. The policy of requiring buyers' equity prior to loan releases also affected SMPI's booked sales.

SMPI implemented an aggressive marketing campaign that led to the re-launch of SMPI and its existing projects. Operating expenses grew 28% as SMPI invested in advertising and promotions to raise the profile of existing projects and its newest development, Asian Leaf, an eight-hectare horizontal development located at General Trias, Cavite.

Despite achieving a 100% building occupancy rate at San Miguel Properties Centre, rental revenue declined by 10% following the sale of over five floors to BOC.

SMPI is looking to expand in such growth areas as asset management services for the entire San Miguel Group and the introduction of mid-rise walk-up condominium developments to meet the residential needs of the middle-income market.

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 with the purchase price of $302 million. The acquisition was finalized on January 29, 2010.

SMB ended 2009 with sales volumes of 174.6 million cases. SMB's sales revenue of ₱51,010 million grew 5% from 2008 helped along by a price increase implemented in November 2009. On-going efforts to stimulate volumes, improved cost efficiencies and managed fixed costs resulted in an operating income of ₱16,012 million, 3% higher compared to 2008.

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 San Mig 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, strengthening SMPP sales.

Beer International

The economic crisis and tough industry conditions in most of the relevant 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 2008's loss of US$1.57 million, driven by margin improvements, reduction in discounts and fixed cost management.

SMBHK remained the no. 1 beer company with the 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 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 2008's results, North China turned in the second consecutive year of positive income in 2009.

Largely on the strength of Anker Bir volumes, 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 2008.

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 2009. After three successive quarters of decline, sales of the flagship, SMPP, began trending upward. All these resulted in a significant improvement in the over-all profitability of the Thai operations.

Beer exports unit did well, bolstered by higher sales volumes to the Middle East and South Asia. Operating income for 2009 was significantly higher than 2008, aided by better volumes and higher margins.

Liquor and Spirits

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 2008.

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 2008. 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.

2009 also saw the integration of San Miguel's non-alcoholic beverage subsidiary into GSMI. Beverage volumes posted significant growth from 2008.

FOOD

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 offered the Group 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 stood well in times of economic hardship, affording the Group 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 2008. 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.

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.

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 2008. 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 amid 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 the flour operations to turn in significantly higher operating income compared to a loss in 2008.

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 PF-Hormel's participation in the affordable segment and food service accounts.

Dairy, Oils & Fats. 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 2008 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 2008's loss.

New packaging for Star margarine was launched in 2009, while the new Magnolia Ice Cream plant in Sta. Rosa, Laguna became operational last 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 were 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 continued to be its core strength while sustaining the intensive technical, culinary and food safety training of its front liners.

Emerging Businesses. 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 2008.

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 these 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 the feed products. Despite this, volumes of the feed products grew 7% versus 2008, 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, 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, SMYPG acquired, through its subsidiary San Miguel Yamamura Packaging International Limited (SMYPIL), 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 Australia 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 2008.

SMYPG's metal container plant garnered the top prize in the Asia Can Tech 2009 Conference in the two-piece beverage can category.

PROPERTY

SMPI posted a remarkable 2009 performance which came from higher sales of residential projects posting a 137% growth. SMPI reacted proactively to market needs as it introduced innovative payment terms, in partnership with BOC, paving the way for access to easy financing for prospective buyers.

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 the 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.

III. FINANCIAL POSITION

2010 vs. 2009

The Group's consolidated total assets as of December 2010 amounted to ₱829,800 million, ₱391,309 million higher than 2009. This is basically due to the consolidation of the power assets and the year-end consolidation of Petron, combined with the increase in investments and advances.

Below were the major developments in 2010:

BUSINESS COMBINATIONS

POWER AND MINING

Strategic Power Devt. Corp.

On February 11, 2010, SPDC's BOD approved the subscription by the Parent Company and SMC Global of 1,500 and 6,000 shares, respectively, of SPDC's remaining unissued capital stock.

On March 15, 2010, the Parent Company and SMC Global executed the Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SPDC. Prior to the subscription, the Parent Company beneficially owned the 2,500 subscribed common stock of SPDC, representing 100% ownership interest. 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 ₱0.1875 million.

With the new subscription, SMC Global owned an aggregate of 60% equity ownership interest in SPDC, while the Parent Company retained an aggregate of 40% equity ownership interest in SPDC.

South Premiere Power Corp.

On May 19, 2010, the Parent Company paid in full its remaining unpaid subscription to the 2,495 common shares of stock in SPPC amounting to ₱0.1875 million.

SMC Global Power Holdings Corp.

On August 9, 2010, the Parent Company obtained control of SMC Global, an entity whose subsidiaries are primarily engaged in the production of electricity and mining, by acquiring 75% of the shares.

In September 3 and 8, 2010, the Parent Company acquired the remaining 25% ownership in SMC Global, making it a wholly-owned subsidiary.

On May 17, 2010, the BOD of the Parent Company approved the sale of its entire 40% ownership interest in SMEC and SPDC and 100% ownership in PanAsia and SPPC. On September 21, 2010, the Parent Company and SMC Global executed Deed of Absolute Sale of Shares whereby the former's entire interest in SMEC, PanAsia, SPPC and SPDC were sold for a total price of ₱7.15 million. Following such sale, SMEC, PanAsia, SPPC and SPDC became wholly-owned subsidiaries of SMC Global.

Mining (thru San Miguel Energy Corporation)

- **Sultan Energy Phils. Corp. (SEPC)**

  On May 13, 2010, SMEC acquired 100% ownership interest in SEPC, which has a coal mining property and right over an aggregate area of 7,000 hectares, more or less composed of 7 coal blocks located in Lake Sebu, South Cotabato and Sen. Ninoy Aquino, Sultan Kudarat covered by Coal Operating Contract (COC) No. 134 with the Department of Energy (DOE) dated February 23, 2005. SEPC has an in-situ coal resources (measured plus indicative coal resources) of about 55 million metric tons based on exploratory drilling conducted by SEPC and confirmatory drilling conducted by an independent geologists from March 13 to April 19, 2010.

- **Daguma Agro Minerals, Inc. (DAMI)**

  On January 29, 2010, SMEC acquired 100% ownership interest in DAMI, a coal mining company with coal property covered by COC No. 126 with the DOE, dated November 19, 2002, located in Barangay Ned, Lake Sebu, South Cotabato consisting of 2 coal blocks with a total area of 2,000 hectares, more or less, and has an in-situ coal resources (measured plus indicative coal resources) of about 95 million metric tons based on exploratory drilling conducted by DAMI and additional in-fill drilling being conducted by independent geologists which commenced last May 13, 2010.

- **Bonanza Energy Resources, Inc. (BERI)**

  On January 29, 2010, SMEC acquired BERI, a mining company with coal property covered by COC No. 138 with the DOE dated May 26, 2005. COC No. 138 is located in Maitum, Sarangani Province and Barangay Ned, Lake Sebu, South Cotabato consisting of 8 coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about 5 million metric tons based on initial exploratory drilling conducted by SMEC geologists in Maitum, Saranggani during the period from May to July 2010. The exploratory drilling to be conducted on 4 coal blocks of BERI located in Barangay Ned, Lake Sebu Municipality is projected to contain 30 million metric tons based on a geological setting and initial exploratory drilling conducted in Maitum.

  On February 9, 2009, March 26, 2008 and December 15, 2009, the DOE approved the conversion of the COC for Exploration to COC for Development and Production of SEPC, DAMI and BERI, respectively.

  As of December 31, 2010, SEPC, DAMI and BERI are in the exploratory stages of their mining activities.

FUEL AND OIL

Sea Refinery Corporation and Petron

The Parent Company entered into an option agreement with SEA Refinery Holdings B.V. (SEA BV) (the "Option Agreement") dated December 24, 2008, as amended on March 4, 2010, 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, SRC, consisting of: (i) 16,000,000 common shares of SRC, representing 40% of the outstanding common shares of SRC on or before April 30, 2010; and (ii) 24,000,000 common shares of SRC, representing 60% of the outstanding common shares of SRC on or before December 23, 2010. SRC owns 4,696,885,564 common shares of Petron (representing approximately 50.1% of the outstanding common shares of Petron). The Parent Company conducted a tender offer as a result of its intention to exercise the option to acquire 100% of SRC from SEA BV. The tender offer period

ended on June 2, 2010 and a total of the 184,702,538 Petron common shares tendered were crossed at the PSE on June 8, 2010, which is equivalent to approximately 1.97% of the issued and outstanding common shares of Petron.

On June 15, 2010, the Parent Company executed the Deed of Absolute Sale for the purchase of the 16,000,000 common shares of SRC from SEA BV.

On August 31, 2010, the Parent Company purchased an additional 1,517,637,398 common shares of Petron from SEA BV through a special block sale crossed at the PSE. Said shares comprise approximately 16.19% of the outstanding common shares of Petron.

On October 18, 2010, the Parent Company also acquired from the public a total of 530,624 common shares of Petron, representing approximately 0.01% of the outstanding common shares of Petron.

On December 15, 2010, the Parent Company exercised its option to acquire the remaining 60% of SRC from SEA BV pursuant to the Option Agreement. With the exercise of the option, the Parent Company beneficially owns approximately 68.26% of the outstanding common shares of Petron.

INFRASTRUCTURE

Trans Aire Development Holdings Corp. - Caticlan Airport

On April 8, 2010, the Parent Company, through its wholly-owned subsidiary, San Miguel Holdings Corp. (SMHC), executed a share sale purchase agreement relating to the purchase by SMHC of the rights, title and interests to a total of 2,025,000 common shares in Caticlan International Airport Development Corp. (CIADC) (the "CIADC Shares"). On April 29, 2010, Deeds of Assignment of Shares were executed covering the CIADC Shares. 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 ROP, through the DOTC and the Civil Aviation Authority.

As approved by the SEC on September 23, 2010, CIADC was renamed to Trans Aire Development Holdings Corp.

Universal LRT Corporation (BVI) Limited - MRT 7 Project

On October 28, 2010, the Parent Company, through SMHC, signed a share sale and purchase agreement (the "Agreement") with ULC BVI, pursuant to the authority of the BOD of the Parent Company on March 15, 2010. Under the terms of the Agreement, SMHC shall acquire up to 51% equity interest in ULC BVI, the corporation which holds the exclusive right, obligation and privilege to finance, design, construct, supply, complete and commission the MRT-7 Project by virtue of the Concession Agreement dated June 18, 2008 with the ROP, through the Department of Transportation and Communications (DOTC).

Closing of the Agreement was held on November 8, 2010. As of December 31, 2010, completion of the acquisition is still subject to the satisfaction of certain mandatory conditions by the counterparty.

TELECOMMUNICATIONS

Two Cassandra – CCI Conglomerates, Inc., Perchpoint Holdings Corp., Power Smart Capital Limited

On July 30, 2010, the Parent Company through its wholly-owned subsidiary, Vega, subscribed to unissued shares of stock of TCCI, PHC and PSCL, equivalent to 75% equity interests in each of said companies. TCCI, PHC and PSCL, in turn, collectively own 100% of the outstanding capital stock of Bell Telecommunication Philippines (BellTel).

BellTel is a grantee of a franchise to install, operate and maintain local exchange networks and wireless local loop (WLL) in several areas including special economic zones, inter-exchange networks, nationwide VSAT network, international gateway facilities, and cellular mobile telecommunications network.

On August 1, 2010, Vega acquired the remaining 25% ownership interest in TCCI, PHC and PSCL, making TCCI, PHC and PSCL wholly-owned subsidiaries of Vega.

A.G.N. Philippines, Inc – Eastern Telecommunications Philippines, Inc. (Eastern Telecoms)

On December 30, 2010, the Parent Company through its wholly-owned subsidiary, Vega, executed a Share Purchase Agreement with ISM Communications Corporation, for the purchase of 100% of the outstanding and issued shares of stock of AGNP. The acquisition of AGNP was authorized by the BOD of Vega during the meeting held on December 16, 2010.

AGNP is the registered and beneficial owner of approximately 40% of Eastern Telecoms. Eastern Telecoms' products included wireless access, services for high-end internet cafes, a new data center, business application and special packages for small and medium enterprises and corporations, besides the traditional bandwidth and connectivity solutions. The acquisition of Eastern Telecoms through AGNP, would complement the internet broadband service of Liberty Telecoms Holdings, Inc. (LTHI), in which the Group holds 41.48% interest.

PROPERTIES

On October 31, 2007, the Parent Company through SMPI entered into a Joint Venture Agreement (JVA) with Government Service Insurance System (GSIS) to establish the SMPI-GSIS Joint Venture Corporation (JVC). The SMPI-GSIS JVC will hold ownership and title 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 SMPI-GSIS JVC will have an authorized capital stock of ₱600 million divided into 600,000,000 shares with a par value of ₱1.00 per share. The parties agreed to an equal equity participation wherein the real estate property owned by GSIS is valued at ₱300 million while SMPI has committed to contribute ₱300 million to the SMPI-GSIS JVC. On October 23, 2008, SMPI-GSIS JVC was incorporated.

In 2010, the Articles of Incorporation of SMPI-GSIS JVC was amended accordingly to reflect the increase in its authorized capital stock from ₱600 million divided into 600,000,000 shares to ₱ 625 million divided into 625,000,000 shares, both with par value of ₱1.00. SMPI then completed the acquisition of the 52% equity ownership in SMPI-GSIS JVC by assigning its 100% equity ownership in Maison 17 Properties (MPI), one of its wholly-owned subsidiaries, plus additional cash consideration of ₱181 million, which is in accordance with the JVA. After this transaction MPI became a wholly-owned subsidiary of SMPI-GSIS JVC.

The SMPI-GSIS JVC has not yet started commercial operations as of March 14, 2011.

INVESTMENT IN ASSOCIATES

- **Top Frontier Investment Holdings, Inc. (Top Frontier)**

On January 6, 2010, the Parent Company acquired a 49% stake via equity infusion in Top Frontier consisting of its subscription to 2,401,960 common shares of Top Frontier from its unissued capital stock. On January 7, 2010, the Parent Company paid ₱48,324 million as deposit for future subscription in connection with the option granted to the Parent Company to apply the same to the subscription of 2,598,040 non-voting, redeemable, participating preferred shares of Top Frontier upon the increase in its authorized capital stock, amendment of its Articles of Incorporation and Top Frontier's compliance with its obligations related to the aforementioned investment.

The application for the increase in the authorized capital stock of Top Frontier was approved by the SEC on August 6, 2010.

The stock certificates covering the investment by the Parent Company in the 2,598,040 preferred shares of Top Frontier were issued in the name of the Parent Company on October 22, 2010.

The preferred shares are entitled to preferential dividends at a fixed rate per annum of 3% of the issue price which shall be payable quarterly in arrears and in cash. The dividends on the preferred shares shall be cumulative from and after the issue date of the preferred shares.

The preferred shares are non-voting and participating. These are redeemable in whole or in part, at the sole option of Top Frontier, equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders.

- **Meralco**

On August 9, 2010, the Parent Company's beneficial interest in Meralco increased by 6.19% upon acquisition of SMC Global, which owns 69,059,538 common shares of Meralco for a total consideration of ₱7,063 million, inclusive of transaction costs of ₱46 million.

- **Liberty Telecoms Holdings, Inc.**

In 2009, the Parent Company, through its wholly-owned subsidiary, Vega, acquired 579,111,669 common shares of LTHI from LTHI's existing stockholders for ₱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 for ₱1,764 million. As of December 31, 2010, Vega has fully paid the said subscription.

On October 5, 2010, Vega also acquired from the public a total of 64,589,000 common shares of LTHI amounting to ₱221 million, representing approximately 2.18% of the outstanding capital stock of LTHI.

- **Bank of Commerce**

In 2010, SMPI management decided not to pursue the sale of its ownership interest in BOC and reclassified it back to "Investments and advances" and made further acquisitions of BOC shares.

In 2010, SMPI acquired additional 20,383,210 shares amounting to ₱3,562 million from various stockholders of BOC. These acquisitions increased SMPI's equity ownership interest in BOC to 32.77% as at December 31, 2010.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

- **10.1% stake in Indophil Resources NL (Indophil)**

On October 8, 2010, the Parent Company entered into a share placement agreement with Indophil to subscribe to 48,016,960 common shares (Placement Shares) equivalent to approximately 10.1% of the currently issued common shares of Indophil, on a fully diluted basis.

Indophil is an Australian company listed in the Australian stock exchange, which owns a 37.5% beneficial interest in Sagittarius Mines, Inc. (SMI). SMI has the rights to the Tampakan gold and copper mine in South Cotabato.

On October 15, 2010, the Placement Shares were issued in the name of Coastal View Exploration Corporation, a subsidiary of SMHC. The total consideration for the purchase of the Placement Shares was A$41.3 million (approximately US$40 million) or A$0.86 per Placement Share.

ACQUISITION OF ASSETS

- Independent Power Producer Administration Agreement

  - Sual Power Plant IPP Administration Agreement

    As a result of the bidding conducted by the 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.

  - San Roque IPP Administration Agreement

    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 (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.

  - Ilijan IPP Administration Agreement

    On April 16, 2009, the Parent Company successfully bid for the Appointment of the IPP Administrator for the Contracted Capacity of the Ilijan Natural Gas Fired Combined Cycle Power Plant with an installed capacity of 1200 MW located at Ilijan, Batangas (Ilijan Power Plant) and received a notice of award on May 5, 2010. On June 10, 2010, the Parent Company and SPPC entered into an Assignment Agreement with Assumption of Obligations whereby the Parent Company assigned all its rights and obligations to SPPC under the IPP Administration Agreement for the Contracted Capacity of the Ilijan Power Plant with execution date of May 11, 2010. PSALM consented to the aforementioned assignment in its letter dated June 16, 2010.

On June 26, 2010, SPPC assumed the administration of the contracted capacity of the Ilijan Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the Ilijan Power Plant with Execution Date of May 11, 2010.

In view of the nature of the IPP Administration Agreements, the arrangement has been accounted for as finance lease.

- Independent Power Producer

  o Limay Power Plant

  On September 11, 2009, PSALM issued the Notice of Award to SMEC as the winning buyer of the 620 MW Limay Combined Cycle Power Plant (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, with an option to acquire the land.

  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.

  In July 2010, with the consent of PSALM, PanAsia's option to acquire the land was assigned to Pacific Central Properties, Inc. (PCPI). Accordingly, PCPI assumed all the rights and obligations under the original contract between PanAsia and PSALM. On September 30, 2010, PCPI exercised the option and acquired ownership of the land.

BORROWINGS

- In 2010, the Parent Company entered into a US$1,000 million unsecured loan facility agreement. Proceeds of the loan were used to prepay the US$600 million loan and to finance the diversification projects of the Group.

- In 2010, the Parent Company has drawn down ₱7,850 million for general financing and corporate requirements.

- On January 28, 2010, SMB entered into a US$ 300 million unsecured loan facility agreement. Proceeds of the loan were used to finance SMB's acquisition of the international beer and malt-based beverages business from SMC, through SMB's purchase of San Miguel Holdings Ltd.'s (SMHL) shares in SMBIL, comprising 100% of the outstanding capital stock of SMBIL.

- On May 25, 2010, GSMI entered into unsecured long-term, interest bearing loans from a local bank amounting to ₱1,500 million for the purpose of funding its permanent working capital requirements.

- In December 2010, SMFI offered for sale and subscription to the public Philippine peso-denominated fixed rate and floating rate notes with principal amount of ₱800 million and ₱3,700 million, respectively. Both types of notes have a term of 5 years and 1 day beginning on December 10, 2010 and ending on December 11, 2015. Proceeds from the issuance of

the notes will be used to fund any expansion or any investment in new businesses by SMFI and for other general corporate purposes.

- In 2010, Petron issued peso-denominated notes amounting to ₱20,000 million. The principal and interest will be translated into and paid in US dollars based on the average representative market rate at the applicable rate calculation date at the time of each payment.

- In 2010, Petron has entered into a US$355 million term facility agreement. The loan was used for general corporate purposes and refinancing of peso-denominated debts.

CAPITAL STOCK

- On July 27, 2010, the Parent Company's BOD approved the offer to issue approximately 1,000,000,000 common shares (from unissued capital stock and treasury shares) at a price of not less than ₱75.00 per share. The proceeds will be used to finance investments and acquisitions of the Parent Company.

- Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company were considered as common shares without distinction, as approved by the SEC. Both shall be available for foreign investors, subject to the foreign ownership limit.

- On December 8, 2010, the Parent Company listed 873,173,353 Series "1" preferred shares worth ₱65,488 million, representing 27.6% of its outstanding stock.

OTHERS

o **San Miguel Brewery Inc. and Subsidiaries**

- **Sale of San Miguel Brewing International Ltd. to San Miguel Brewery Inc.**

On January 29, 2010 SMB completed 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), for value of US$302 million (₱13,941 million), after adjustments in accordance with the terms of the SPA. As a result, SMBIL became a wholly-owned subsidiary of SMB.

- **Sale of Brewery Properties Inc. (BPI) to San Miguel Brewery Inc.**

On November 10, 2010, SMB and the Parent Company executed a Deed of Absolute Sale of Shares ("Deed") for the purchase by SMB of all the shares of the Parent Company in BPI (the "BPI Shares"), at the aggregate purchase price of ₱6,829 million ("Purchase Price"). Upon execution of the Deed, SMB paid ₱6,629 million to the Parent Company, corresponding to the appraised value of the 128 land titles transferred in the name of BPI. The balance shall be paid by SMB to the Parent Company upon transfer of the remaining eight (8) land titles in the name of BPI. The BPI Shares comprise 40% of the issued and outstanding capital stock of BPI. The acquisition was financed using part of the proceeds of the bond offering of SMB.

BPI owned the land on which all of SMB's production facilities and certain sales offices are located.

- **Impairment Losses on Noncurrent Assets of San Miguel Brewery Hong Kong and San Miguel Guangdong Brewery**

In 2010, the Group recognized an impairment loss of ₱4,333 million against certain assets of operations in Hong Kong and mainland China, comprising mainly the production plant, office building, warehouse, trademarks and other tangible assets.

o **San Miguel Pure Foods Company, Inc. and Subsidiaries**

- **Merger of Monterey Foods Corporation (Monterey) to San Miguel Foods, Inc.**

In August 2010, the SEC approved the merger of Monterey into SMFI, with SMFI as the surviving corporation, following the approvals of the merger by the respective BOD and stockholders of Monterey and SMFI in June 2010 and July 2010, respectively. The merger became effective September 1, 2010.

- **Sale of San Miguel Pure Foods Investment (BVI) Limited (SMPFI) shares to SMPFC**

In July 2010, the Parent Company, through its wholly-owned subsidiary, San Miguel Foods and Beverage International Limited (SMFBIL), sold to San Miguel Pure Foods International, Limited (SMPFIL), (a wholly-owned subsidiary of SMPFC) its 51% interest in SMPFI for US$18.6 million. SMPFI owns 100% of San Miguel Pure Foods (Vn) Co. Ltd. (SMPFVN). Pursuant to the Sale and Purchase Agreement between SMFBIL and SMPFIL, 10% of the purchase price was paid in July 2010 and the balance of US$ 16.8 million (₱734.3 million as at December 31, 2010) shall be payable (i) upon change in controlling interest of SMPFIL to any third person other than an affiliate or (ii) two years from July 30, 2010, subject to floating interest rate based on one-year LIBOR plus an agreed margin after one year, whichever comes first.

- **Sale of Food-related Brands to SMPFC**

On July 21, 2010, the Parent Company and SMPFC entered into an Intellectual Property Rights Transfer Agreement (the "Agreement") for the transfer to SMPFC of the food-related brands and intellectual property rights at a purchase price of ₱3,200 million. Following the provision of the Agreement between the Parent Company and SMPFC, 10% of the purchase price was paid on July 30, 2010 and the balance payable (i) upon change in controlling interest of SMPFC to any third person other than an affiliate or (ii) two years from July 30, 2010, subject to floating interest rate based on 1 year PDSTF plus an agreed margin after one year, whichever comes first. On March 8, 2011, the remaining balance was fully paid by SMPFC.

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:

BUSINESS COMBINATIONS

PACKAGING

- **JHK Investments**

On December 3, 2009, SMYPIL's 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, 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, 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 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."

FOOD

- **Highbreed Livestock Corporation (HLC)**

In April 2009, Monterey, 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 Monterey and was consolidated into SMPFC through Monterey. On June 22, 2009, the respective BOD and stockholders of Monterey and HLC approved the merger of HLC into Monterey, with Monterey 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 Monterey in its certification No. S40-052-2009.

REAL ESTATE

- **Maison 17 Properties, Inc.**

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.

INVESTMENT IN ASSOCIATES

POWER PLANTS

- **San Miguel Energy Corporation**

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 ₱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 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 ₱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.

- **Strategic Power Devt. Corp.**

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 million 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.

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 ₱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

- **Private Infra Dev Corporation (PIDC)**

On September 11, 2009, Rapid, a wholly-owned subsidiary of SMHC, 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 ₱245 million and ₱561 million on November 30, 2010 and September 11, 2009, respectively.

TELECOMMUNICATIONS

- **Liberty Telecoms Holdings, Inc.**

On July 8, 2009, the Parent Company, through a wholly-owned subsidiary, 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 were 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.

BANKING

- **Bank of Commerce**

Pursuant to the second subscription agreement for a total consideration of ₱600 million, 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 ₱163 million was recognized and is included in "Other income (charges)" account in the consolidated statements of income. 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 and as a result, reclassified the asset to "Assets held for sale" account in the consolidated

statements of financial position. The carrying amount of the investment as of December 31, 2009 amounted to ₱2,746 million, representing 16,396,689 common shares.

REAL ESTATE

- **Primeria Commercio Holdings, Inc. (PCHI)**

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.

- **Integrated Geosolutions, Inc.**

In June 2009, SMPI entered into a 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. In 2010, the Deed of Assignment between SMPI and the Co-Venturer was consummated and SMPI became the parent company of IGI. Accordingly, the balance of its advances earmarked for such subscription was applied to the subscription price.

ACQUISITION OF ASSETS

- **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.

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.

- On October 8, 2009, the Parent Company obtained a three-year US$600 million loan to fund some acquisitions, particularly in the power sector.

- On April 3, 2009, SMB offered for sale and subscription to the public 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

  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.

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 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 meantime, the Parent Company has available cash and shares of stock for the dividends payable on the treasury shares.

OTHERS

- **Kaliwa Water Development Corp. (Kaliwa)**

On November 6, 2009, the Parent Company's wholly-owned subsidiary San Miguel Bulk Water, Inc. incorporated Kaliwa with an authorized capital stock of ₱1 million. 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 December 31, 2010.

- **San Miguel Rengo Packaging Corporation (Rengo) and Mindanao Corrugated Fibreboard, Inc. (Mincorr)**

On April 17, 2009, the Parent Company acquired Rengo Co. Ltd.'s 30% and 20% stake in Rengo 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 Rengo and Mincorr becoming wholly-owned subsidiaries of the Parent Company in 2009.

Rengo 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.

- **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 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 ₱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 Assets of Centralized Key Accounts Group (CKAG) to San Miguel Foods, Inc**

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 ₱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, 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.

Detailed discussion of developments relating to the Group's business combinations and asset acquisitions, investments in subsidiaries, investments and advances and available-for-sale financial assets is presented in Notes 5, 6, 13 and 14, respectively, of the attached Notes to the Consolidated Financial Statements.

MATERIAL CHANGES PER LINE OF ACCOUNT

2010 vs. 2009

Cash and cash equivalents decreased by 40% from ₱209,411 million in 2009 to ₱125,188 million in 2010 mainly due to: (1) acquisition of subsidiaries (Petron & SRC, SMC Global, Belltel, ULC BVI, AGNP, TADHC, IGI and SMPI - GSIS JVC); (2) investment in shares of stock of Top Frontier, BOC, LTHI, PIDC and Indophil; (3) payment of dividends; (4) net payments of short-term loans; and (5) various acquisition of property plant equipment by GSMI, SMCSL, SMYPIL and SMB, net of the net proceeds from loan availment of the Parent Company, SMB, SMFI and the consolidation of Petron and SMC Global's cash balance.

Trade and other receivables increased by 55% to ₱75,904 million in 2010 mainly due to the consolidation of Petron and SMC Global's balance and additional advances to SMCRP and other related parties, net of the collection of insurance claim of SMPFC and interest received from money market placements.

Inventories increased by 126% to ₱57,442 million in 2010 due to the consolidation of Petron and SMC Global's balances and increase in the inventory of raw alcohol and production volume of liquor products of GSMI, net of the decrease in inventory of the packaging group due to higher sales.

Current biological assets increased by 29% to ₱3,267 million in 2010 due to the increase in the volume of growing poultry livestock and hogs as a result of expected increase in sales volume and the reclassification to current portion of SMPFVN's biological assets.

Prepaid expenses and other current assets increased by 90% to ₱16,914 million in 2010 mainly due to the consolidation of Petron and SMC Global's balance and of IGI's - raw land inventory and input tax of SMPFC from the acquisition of brands.

Assets held for sale as of December 31, 2010, consist of Petron's office units located at Petron Mega Plaza. On December 1, 2010, Petron's BOD approved the sale of these properties to provide cash flows for various projects. The investment property's carrying amount amounted to ₱823 million as of December 31, 2010. The balance as of December 31, 2009 of ₱2,746 million represents the carrying value of SMPI's investment in BOC (16,396,689 common shares). In 2010, SMPI's management decided not to pursue the sale of its ownership interest in BOC and reclassified it back to "Investments and advances" account in the consolidated statements of financial position.

Investments increased from ₱39,005 million to ₱152,814 million in 2010 mainly due to the: (a) investment in shares of stock of Top Frontier and Eastern Telecoms; (b) additional investments in BOC and LTHI; (c) consolidation of SMC Global's investment in shares of stock of Meralco and of Petron's investment in Petrochemical Asia (HK) Limited and Limay Energen Corp.; (d) reclassification of investment in BOC previously reported in assets held for sale; and (e) equity in net earnings of Meralco, SMEC, SPDC and BOC, net of equity in net loss of Top Frontier, LTHI and dividend income from Meralco.

The increase in available-for-sale financial assets was mainly due to consolidation of Petron's balance and the investment in shares of stock of Indophil.

Property, plant and equipment increased from ₱65,919 million to ₱308,073 million in 2010 mainly due to the consolidation of Petron and SMC Global's balance, which mainly accounts for the Sual, Ilijan, Limay and San Roque power plants under IPPA agreements with PSALM and expansion of GSMI's distillery capacity, net of the impairment of SMBIL's plant and depreciation during the year.

Investment properties increased by 14% due to the consolidation of Petron's balance and translation adjustments of SMBIL's investment properties.

Noncurrent biological assets decreased by 20% to ₱1,479 million in 2010 mainly due to the reclassification to current portion of SMPFVN's biological assets.

Goodwill increased to ₱30,251 million in 2010 mainly due to the goodwill recognized from the acquisition of Petron, ULC BVI and TADHC, net of the impairment of SMBHK's goodwill and translation adjustments.

Other intangible assets increased by 202% from ₱3,630 million in 2009 mainly due to the licenses recognized by Vega from the acquisition of BellTel and the mining rights recognized by SMEC from the acquisition of Sultan, Daguma and BERI.

Deferred tax assets decreased by 20% from ₱8,883 million in 2009 to ₱7,134 million in 2010 mainly due to the effect of recognition of unrealized foreign exchange gains and the decrease in MCIT and NOLCO of the Parent Company and utilization of Monterey's NOLCO, net of the consolidation of SMC Global and SRC's balance.

Other noncurrent assets increased by 171% from ₱12,468 million in 2009 to ₱33,801 million in 2010 mainly due to the (a) consolidation of Petron's balance, attributable to the noncurrent receivables from Petron Corporation Employee Retirement Plan; (b) project development cost of ULC BVI; and (c) the noncurrent portion of receivable on the sale of SMPI's Reliance Property, net of the sale of long-term receivables from Coca-cola South Asia Holdings.

Drafts and loans payable increased by 31% from ₱56,789 million in 2009 mainly due to consolidation of Petron's balance, net of the net payments and translation adjustments.

Accounts payable and accrued expenses increased by 122% from ₱31,391 million in 2009 mainly due to the (a) consolidation of Petron and SMC Global's balance, attributable to the current portion of liability related to the acquisition of Meralco shares of stock and trade and other payables of the power group; (b) reclassification to current liabilities of the unpaid balance due next year of the Parent Company, related to the acquisition of Meralco shares of stock; (c) SMHC's payable on the acquisition of TADHC; and (d) the reclassification to current liabilities of the subscriptions payable related the investment in PIDC.

The increase in income and other taxes payable of ₱5,815 million from ₱4,186 million in 2009 to ₱10,001 million in 2010, primarily represents the income tax payable of SMC Global.

Dividends payable increased by 44% mainly due to the dividends payable of PF – Hormel to its non-controlling stockholder in 2010.

Deferred tax liabilities increased by 14% from ₱12,037 million in 2009 to ₱13,752 million in 2010 mainly due to the consolidation of Petron and SMC Global's balance, net of the decrease of deferred tax liability on the undistributed net earnings of foreign subsidiaries.

The increase in finance lease liabilities represents the amount payable to PSALM, attributable to the IPP administration of the Sual, Ilijan and San Roque power plants.

Other noncurrent liabilities decreased by 12% in 2010 mainly due to the (a) reclassification to current portion of the unpaid balance due next year related to the acquisition of Meralco shares of stock of the Parent Company; (b) reclassification to current liabilities of amount due next year on the acquisition of PIDC; net of the consolidation of Petron and SMC Global, related to the acquisition of Meralco shares of stock and the subscriptions payable of Vega and SMHC on the acquisition of AGNP and TADHC, respectively.

The increase in revaluation increment of ₱1,373 million in 2010 is mainly due to the recognition of revaluation increment in connection with the acquisition of non-controlling interest in SMC Global.

Cumulative translation adjustments decreased by 8% from ₱5,845 million in 2009 mainly due to the translation of foreign subsidiaries' net assets. The exchange rates used for net assets in December 31, 2010 is ₱43.84 to US$1 (₱46.2 in December 31, 2009).

Non-controlling interests increased by ₱23,673 million in 2010 mainly due to the additional amount recognized as a result of the acquisition of 68.26% ownership interest in Petron, 51% ownership interest in ULC BVI and 52% ownership interest in SMPI - GSIS JVC and share in the 2010 net income of non-controlling stockholders of SMB and SMYPC, net of dividends declared to non-controlling stockholders and translation adjustments.

Equity
The increase in equity in 2010 is due to:

(In millions)	2010
Income during the period	₱24,056
Addition to non-controlling interests	24,854
Issuance of capital stock	2,514
Effect of translation adjustments	(673)
Cash dividends	(26,260)
Acquisition of a subsidiary and others	1,396
	₱25,887

2009 vs. 2008

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, LTHI and PIDC 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 decided to divest in 2009.

The decrease in available-for-sale financial assets from ₱590 million in 2008 to ₱351 million in 2009 was mainly due to the decline in fair value of the financial assets.

Investments and advances increased from ₱31,663 million to ₱39,005 million in 2009 mainly due to: a) investment in shares of stock of LTHI and PIDC; b) advances for future stock subscription in PCHI, IGI and SMPI-GSIS JVC; c) equity in net earnings and share in comprehensive income of Meralco and d) equity in net earnings of SMEC, net of dividend declared by Meralco, 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 MPI.

Drafts and loans payable increased by 17% from ₱48,560 million in 2008 mainly due to net availments and consolidation 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 (a) reclassification to current liabilities of the unpaid balance due next year related to the acquisition of Meralco shares of stock; (b) subscriptions payable related to the investment in shares of stock of LTHI; (c) consolidation of Cospak Group's balance; and (d) 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.

Finance lease liabilities amounting to ₱30 million in 2009 pertains to TSML's finance leases covering the transportation equipment needed for business operations.

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 and common shares 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 and issuance of BPI's preferred stocks to SMB Retirement Plan, 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

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	20010	2009	2008
		(In Millions)	
Net cash flows provided by operating activities	₱45,314	₱13,368	₱7,049
Net cash flows provided by (used in) investing activities	(126,931)	49,155	31,898
Net cash flows provided by (used in) financing activities	(2,226)	32,550	(13,865)

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		
	2010	2009	2008
		(In Millions)	
Acquisition of subsidiaries, net of cash acquired	**(₱18,978)**	(₱1,494)	₱ -
Additions to investments and advances	**(99,762)**	(5,771)	(6,667)
Additions to property, plant and equipment	**(8,518)**	(6,249)	(6,437)
Decrease (increase) in other noncurrent assets and others	**1,424**	(950)	(16,010)
Payment by (advances to) related parties	**(6,070)**	3,243	31,708
Proceeds from sale of investments and property and equipment	**1,175**	55,127	13,663
Interest received	**3,798**	5,249	6,558
Proceeds from disposal of discontinued	**-**	-	9,083

operations, net of cash and cash equivalents disposed of

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

	December 31		
	2010	2009	2008
		(In Millions)	
Proceeds from short-term borrowings	**₱685,768**	₱691,093	₱608,756
Payments of short-term borrowings	**(703,376)**	(683,569)	(605,088)
Proceeds from long-term borrowings	**72,937**	67,786	64
Payments of long-term borrowings	**(29,196)**	(44,657)	(13,336)
Payments of finance lease liabilities	**(4,798)**	(12)	-
Cash dividends paid	**(26,001)**	(5,493)	(4,856)
Increase in non-controlling interests	**126**	315	592
Proceeds from issuance of capital stock	**2,314**	7,087	3

The effect of exchange rate changes on cash and cash equivalents amounted to (₱380 million), (₱2,601 million) and (₱1,424 million) in December 31, 2010, 2009 and 2008 respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2010	2009
		(In Millions)
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	**₱16,429**	₱18,184
Treasury stock	**(69,541)**	(69,541)

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	
	2010	2009
Liquidity:		
Current Ratio	**1.57**	3.17
Solvency:		
Debt to Equity Ratio	**2.11**	0.82
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**9.35%**	31.78%
Operating Efficiency:		
Volume Growth	**3%***	-
Revenue Growth	**41%**	4%

**Does not include the volume of Petron and SMC Global*

The manner by which the Group calculates the key performance 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

- Events After the Reporting Date

a. Increase in BOC ownership

On January 13, 2011, SMPI acquired additional 7.16% of the outstanding capital stock of BOC, by way of a Deed of Sale of Shares with Assignment of Subscription Rights from Valiant Ventures and Development Holdings, Inc., consisting of: (i) 2,800,000 outstanding and issued common shares of stock and; (ii) the subscription rights to 5,237,265 common shares of stock for a total consideration of ₱876 million.

The said acquisition has been approved by SMPI's BOD in its meeting held on December 8, 2010.

b. Purchase of Manila North Harbour Port Inc.

On January 3, 2011, Petron entered into a Share Sale and Purchase Agreement with Harbour Centre Port Terminal Inc. for the purchase of 35% of Manila North Harbour Port Inc.'s outstanding and issued capital stock.

c. SMC Global issuance of bonds

On January 28, 2011, SMC Global carried out a US$300 million, 7%, 5 year bond issue under Regulations of the US Securities Act of 1933, as amended. SMC Global has filed an application for listing of the bond issue in the Singapore Exchange Securities Trading Limited and does not intend to register any securities subject of the proposed bond issue under the US Securities Act and the Philippine Securities Regulation Code.

d. SMPFC

On January 20, 2011, the SEC favorably considered SMPFC's Registration Statement covering the registration of 15,000,000 preferred shares with a par value of ₱10.00 per share.

On January 26, 2011, the PSE approved, subject to certain conditions, the application of SMPFC to list up to 15,000,000 preferred shares with a par value of ₱10.00 per share to cover SMPFC's follow-on preferred shares offering at an offer price of ₱1,000.00 per share and with a dividend rate determined by management on the dividend rate setting date.

On February 10, 2011, the SEC issued the order for the registration of SMPFC's 15,000,000 preferred shares with a par value of P10.00 per share and released the Certificate of Permit to Offer Securities for Sale.

On February 11, 2011, SMPFC's BOD approved the terms of the preferred shares offer.

SMPFC, through the underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares with 5-year maturity at an offer price of ₱1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by SMPFC's BOD. Optional redemption of the preferred shares prior to 5th year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events). Unless the preferred shares are redeemed by SMPFC on its 5th year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On March 3, 2011, SMPFC's 15,000,000 preferred shares with par value of ₱10.00 per share were listed with the PSE.

e. Top Frontier

On February 2, 2011, the BOD of Top Frontier declared cash dividends amounting to ₱139.50 per share or a total of ₱363 million to preferred shareholders of record as of February 2, 2011. The cash dividend was paid on February 10, 2011.

- 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.

a. Deficiency Excise Tax

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) (1st Division) 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 (1st Division), 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.

The above assessment cases (CTA case numbers 7052 and 7053) and claim for refund (CTA case number 7405), which involve common questions of fact and law, had been consolidated and are now deemed submitted for decision by the CTA.

On November 27, 2007, the Parent Company filed with the CTA (3rd Division), 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.

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 March 14, 2011, 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 trial.

On January 7, 2011, the CTA under CTA case number 7708 rendered its decision in this case, granting the Parent Company’s petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of the Parent Company in the amount of ₱926 million, representing erroneously, excessively and/or illegally collected and over paid excise taxes on “San Mig Light” during the period from December 1, 2005 up to July 31, 2007.

b. Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron. The assessment relates to Petron’s use of ₱659 million worth of Tax Credit Certificates

("TCCs") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron is contesting the BIR's assessment before the CTA. In July 1999, the CTA ruled that, as a fuel supplier of Board of Investments-registered companies, Petron is a qualified transferee of the TCCs. Following an unfavorable ruling from the CTA En Banc, Petron filed an appeal to the Supreme Court. A Resolution was issued by the Supreme Court (1st Division) on September 13, 2010 denying with finality The Commissioner of Internal Revenue's motion for reconsideration of the Decision dated July 28, 2010.

In November 1999, the BIR issued a P284 million assessment against Petron for deficiency excise taxes for the years 1995 to 1997. The assessment results from the cancellation by the Philippine Department of Finance ("DOF") of tax debit memos, the related TCCs and their assignment to Petron. Petron contested the assessment before the CTA. In August 2006, the CTA denied Petron's petition, ordering it to pay the BIR P580 representing the P284 unpaid deficiency excise from 1995 to 1997, and 20% interest per annum computed from December 4, 1999. In July 2010, the Philippine Supreme Court ("SC') nullified the assessment against Petron and declared Petron as a valid transferee of the TCCs. The BIR filed a motion for reconsideration, which remains pending.

In May 2002, the BIR issued a P254 assessment against Petron for deficiency excise taxes for the years 1995 to 1998. The assessment results from the cancellation by the DOF of tax debit memos, the related TCCs and their assignment to Petron. Petron contested the assessment before the CTA. In May 2007, the CTA second division denied Petron's petition, ordering Petron to pay the BIR P601 million representing Petron's ₱254 million unpaid deficiency excise taxes for the taxable years 1995 to 1998, and 25% late payment surcharge and 20% delinquency interest per annum computed from June 27, 2002. Petron appealed the decision to the CTA *en banc,* which ruled in favor of Petron, reversing the unfavorable decision of the CTA second division. The BIR is contesting the CTA *en banc* decision before the SC where the case is still pending as of March 14, 2011.

There are duplications in the TCCs subject of the three assessments described above. Excluding these duplications, the aggregate deficiency excise taxes, excluding interest and penalties, resulting from the cancellation of the subject TCCs amount to ₱911 million.

c. Pandacan Terminal Operations

In November 2001, the City of Manila enacted City Ordinance No. 8027 ("Ordinance 8027") reclassifying the areas occupied by the oil terminals of Petron, Shell and Chevron from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. However, in June 2002, Petron, together with Shell and Chevron, entered into a Memorandum of Understanding ("MOU") with the City of Manila and DOE, agreeing to scale down operations, recognizing that this was a sensible and practical solution to reduce the economic impact of Ordinance 8027. In December 2002, in reaction to the MOU, Social Justice Society ("SJS") filed a petition with the SC against the Mayor of Manila asking that the latter be ordered to enforce Ordinance 8027. In April 2003, Petron filed a petition with the Regional Trial Court ("RTC") to annul Ordinance 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance ("Ordinance 8119"), which applied to the entire City of

Manila. Ordinance 8119 allowed Petron (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance 8119, which was thought to effectively repeal Ordinance 8027, in April 2007, the RTC dismissed the petition filed by Petron questioning Ordinance 8027.

However, on March 7, 2007, in the case filed by SJS, the SC rendered a decision (the "March 7 Decision") directing the Mayor of Manila to immediately enforce Ordinance 8027. On March 12, 2007, Petron, together with Shell and Chevron, filed motions with the SC seeking intervention and reconsideration of the March 7 Decision, on the ground that the SC failed to consider supervening events, notably (i) the passage of Ordinance 8119 which supersedes Ordinance 8027, as well as (ii) the RTC orders preventing the implementation of Ordinance 8027. Petron, Shell, and Chevron also noted the possible ill-effects on the entire country arising from the sudden closure of the oil terminals in Pandacan.

On February 13, 2008, the SC resolved to allow Petron, Shell and Chevron to intervene, but denied their motion for reconsideration. In its February 13 resolution (the "February 13 Resolution"), the Supreme Court also declared Ordinance 8027 valid, dissolved all existing injunctions against the implementation of the Ordinance 8027, and directed Petron, Shell and Chevron to submit their relocation plans to the RTC. Petron, Shell and Chevron have sought reconsideration of the February 13 Resolution. In compliance with the February 13 Resolution, Petron, Shell and Chevron have submitted their relocation plans to the RTC.

In May 2009, Manila City Mayor Alfredo Lim approved Ordinance No. 8187 ("Ordinance 8187"), which repealed Ordinance 8027 and Ordinance 8119, and permitted the continued operations of the oil terminals in Pandacan.

In June 2009, petitions were filed with the SC, seeking the nullification of Ordinance 8187 and enjoining its implementation. These petitions are still pending as of March 14, 2011.

d. Oil Spill Incident in Guimaras

On August 11, 2006, M/T Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, capsized 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice ("DOJ") and the Special Board of Marine Inquiry ("SBMI"), both agencies found the owners of M/T Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the Philippine Department of Transportation and Communication and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, who are charterers.

e. Bataan Realty Property Tax Cases

Petron has three pending real property tax cases with the Province of Bataan, arising from three real property tax assessments. The first is for an assessment made by the Municipal Assessor of Limay, Bataan in 2006 for the amount of ₱86.4 million covering Petron's isomerization and gas oil hydrotreater facilities which enjoy, among others, a five -year real property tax exemption under the Oil Deregulation Law per the Board of Investments Certificates of Registration. The second is for an assessment made also in 2006 by the Municipal Assessor of Limay for P17 million relating to the leased foreshore area on which the pier of Petron's

Refinery is located. In 2007, the Bataan Provincial Treasurer issued a Final Notice of Delinquent Real Property Tax requiring Petron to settle the amount of ₱2,168 million allegedly in delinquent real property taxes as of September 30, 2007, based on a third assessment made by the Provincial Assessor covering a period of 13 years from 1994 to 2007. The third assessment cited Petron's non-declaration or under-declaration of machineries and equipment in the Refinery for real property tax purposes and its failure to pay the corresponding taxes for the said period.

Petron timely contested the assessments by filing appeals with the Local Board of Assessment Appeals ("LBAA"), and posted the necessary surety bonds to stop collection of the assessed amount.

However, with regard to the third assessment, notwithstanding the appeal to the LBAA and the posting of the surety bond, the Provincial Treasurer, acting on the basis of the Final Notice of Delinquent Real Property Tax relating to the third assessment, proceeded with the publication of the public auction of the assets of Petron, which was set for October 17, 2007. Due to the Provincial Treasurer's refusal to cancel the auction sale, Petron filed a complaint for injunction on October 8, 2007 before the RTC to stop the auction sale. A writ of injunction stopping the public auction until the final resolution of the case was issued by the RTC on November 5, 2007.

A motion to dismiss filed by the Provincial Treasurer on the ground of forum-shopping was denied by the RTC. However, a similar motion based on the same ground of forum shopping was filed by the Provincial Treasurer before the LBAA and the motion was granted by the LBAA in December 2007. On appeal by Petron, the Central Board of Assessment Appeals ("CBAA"), in August 2008, remanded the case to the LBAA for factual determination, effectively granting Petron's appeal and reversing the LBAA's dismissal of the case.

The RTC issued a Decision dated June 25, 2010 upholding Petron's position and declared null and void the demand on Petron for the payment of realty taxes in the amount of P1,731 million made by the Provincial Assessor of Bataan and the levy of the properties of Petron. The Court issued a Writ of Prohibition permanently prohibiting, preventing and restraining the Provincial Treasurer of Bataan from conducting a public auction of the properties of Petron or selling the same by auction, negotiated sale, or any act of disposition pending the finality of the disposition by the LBAA or CBAA, as the case maybe, on the pending appeal made by Petron from the revised assessment of the Provincial Assessor of Bataan.

- Commitments

  The outstanding purchase commitments of the Group as of December 31, 2010 amounted to ₱237 million.

  Amount authorized but not yet disbursed for capital projects as of December 31, 2010 is approximately ₱4,856 million.

- The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of ₱43.84 in 2010 and ₱46.20 in 2009 for consolidated statements of financial position accounts; and average rates of ₱45.12, ₱47.64 and ₱44.47 in 2010, 2009 and 2008, respectively, for income and expense accounts.

- 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.

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

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

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

- 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 26 (c) of the 2010 Audited Consolidated Financial Statements and "Contingencies" of Section VI above, that remain outstanding as of December 31, 2010. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

- 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, 2010.

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

ANNEX "B"

SAN MIGUEL CORPORATION
2010
CONSOLIDATED FINANCIAL STATEMENTS

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Corporation (the "Company") 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, 2010 and 2009, 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, 2010. 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

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
Mandaluyong City) S. S.

Before me, a Notary Public for and in Mandaluyong City this MAR 15 2011 day of March 2011, personally appeared the following:

Name	Passport No.	Date/Place of Issue
Mr. Eduardo M. Cojuangco, Jr.	XX1347206	06/06/08/Manila
Mr. Ramon S. Ang	XX4227006	07/27/09/Manila
Mr. Ferdinand K. Constantino	XX0167306	11/24/07/Manila

known to me to be the same persons who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

Doc. No. 115;
Page No. 24;
Book No. II;
Series of 2011.

MARY ROSE S. TAN
Commission No. 0252-11
Notary Public for Mandaluyong City
Until Dec. 31, 2012
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 47144
PTR No. 0980247; 01/03/11, Mandaluyong City
Lifetime Member No. 09449; 01/04/11 Makati City

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010, 2009 and 2008

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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, 2010 and 2009, 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, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Manabat Sanagustin & Co., CPAs, a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 at December 31, 2010 and 2009, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2010, 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. 08-001987-7-2010
Issued June 30, 2010; Valid until June 29, 2013
PTR No. 2639631MB
Issued January 3, 2011 at Makati City

March 14, 2011
Makati City, Metro Manila

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

		December 31	
	Note	**2010**	2009
ASSETS			
Current Assets			
Cash and cash equivalents	*9, 41, 42*	**P125,188**	P209,411
Trade and other receivables - net	*4, 10, 34, 41, 42*	**75,904**	49,082
Inventories	*4, 11*	**57,442**	25,458
Current portion of biological assets - net	*4, 18*	**3,267**	2,525
Prepaid expenses and other current assets	*12, 36, 41, 42*	**16,914**	8,891
		278,715	295,367
Assets held for sale	*5, 8*	**823**	2,746
Total Current Assets		**279,538**	298,113
Noncurrent Assets			
Investments and advances - net	*4, 13, 41*	**152,814**	39,005
Available-for-sale financial assets	*14, 41, 42*	**3,597**	351
Property, plant and equipment - net	*4, 16*	**308,073**	65,919
Investment properties - net	*4, 17*	**2,133**	1,867
Biological assets - net of current portion	*4, 18*	**1,479**	1,847
Goodwill - net	*4, 5, 19, 39*	**30,251**	6,408
Other intangible assets - net	*4, 5, 19*	**10,980**	3,630
Deferred tax assets	*4, 25*	**7,134**	8,883
Other noncurrent assets - net	*4, 5, 20, 36, 41, 42*	**33,801**	12,468
Total Noncurrent Assets		**550,262**	140,378
		P829,800	P438,491
LIABILITIES AND EQUITY			
Current Liabilities			
Drafts and loans payable	*21, 41, 42*	**P74,128**	P56,789
Accounts payable and accrued expenses	*22, 35, 36, 41, 42*	**69,774**	31,391
Finance lease liabilities - current portion	*35, 41, 42*	**10,946**	13
Income and other taxes payable		**10,001**	4,186
Dividends payable	*6, 37*	**826**	573
Current maturities of long-term debt - net of debt issue costs	*23, 41, 42*	**12,549**	1,077
Total Current Liabilities		**178,224**	94,029

Forward

		December 31	
	Note	**2010**	2009
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*23, 41, 42*	**P156,378**	P71,885
Deferred tax liabilities	*25*	**13,752**	12,037
Finance lease liabilities - net of current portion	*35, 41, 42*	**197,461**	17
Other noncurrent liabilities	*24, 36, 41, 42*	**17,160**	19,585
Total Noncurrent Liabilities		**384,751**	103,524
Equity	*26, 37, 38*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common		**16,343**	16,150
Capital stock - preferred		**4,852**	4,852
Additional paid-in capital		**101,406**	99,085
Revaluation increment		**1,391**	18
Cumulative translation adjustments		**5,365**	5,845
Retained earnings:			
Appropriated		**5,671**	5,497
Unappropriated		**150,544**	151,911
Treasury stock		**(69,541)**	(69,541)
		216,031	213,817
Non-controlling Interests	*2*	**50,794**	27,121
Total Equity		**266,825**	240,938
		P829,800	P438,491

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In Millions, Except Per Share Data)

	Note	**2010**	2009	2008
SALES	*34*	**P246,109**	P174,213	P168,041
COST OF SALES	*27*	**173,906**	124,295	124,072
GROSS PROFIT		**72,203**	49,918	43,969
SELLING AND ADMINISTRATIVE EXPENSES	*28*	**(37,426)**	(30,249)	(29,151)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*21, 23, 31, 35*	**(16,578)**	(7,926)	(6,032)
INTEREST INCOME	*32*	**3,023**	5,989	6,630
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES	*13*	**6,817**	2,816	(1,132)
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*13, 16, 17*	**529**	50,630	8,746
OTHER INCOME (CHARGES) - Net	*33*	**6,926**	(6,843)	(2,262)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**35,494**	64,335	20,768
INCOME TAX EXPENSE	*25*	**11,438**	3,706	6,098
INCOME FROM CONTINUING OPERATIONS		**24,056**	60,629	14,670
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS	*8*	**-**	-	5,413
NET INCOME		**P24,056**	P60,629	P20,083
Attributable to:				
Equity holders of the Parent Company		**P20,091**	P57,799	P19,348
Non-controlling interests		**3,965**	2,830	735
		P24,056	P60,629	P20,083
Basic Earnings Per Common Share Attributable to Equity Holders of the Parent Company	*38*			
From Continuing Operations		**P6.18**	P19.21	P4.41
From Discontinued Operations		**-**	-	1.72
		P6.18	P19.21	P6.13
Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	*38*			
From Continuing Operations		**P6.14**	P19.10	P4.40
From Discontinued Operations		**-**	-	1.71
		P6.14	P19.10	P6.11

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In Millions)

	Note	**2010**	2009	2008
NET INCOME		**P24,056**	P60,629	P20,083
GAIN (LOSS) ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		**(653)**	521	689
SHARE IN COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES	*13*	**(422)**	252	(19)
GAIN (LOSS) ON CASH FLOW HEDGES - Net	*42*	**-**	222	(221)
INCOME TAX BENEFIT (EXPENSE)		**-**	(67)	66
NET GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		**447**	(33)	(17)
INCOME TAX BENEFIT (EXPENSE)		**(45)**	3	2
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX		**(673)**	898	500
TOTAL COMPREHENSIVE INCOME - NET OF TAX		**P23,383**	P61,527	P20,583
Comprehensive Income Attributable to:				
Equity holders of the Parent Company		**P19,611**	P58,807	P19,314
Non-controlling interests		**3,772**	2,720	1,269
		P23,383	P61,527	P20,583

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company											Non-controlling Interests	Total Equity
		Capital Stock		Additional		Cumulative Translation Adjustments			Retained Earnings					
	Note	Common	Preferred	Paid-in Capital	Revaluation Increment	Translation Reserve	Hedging Reserve	Fair Value Reserve	Appro-priated	Unappro-priated	Treasury Stock	Total		
As of January 1, 2010		**P16,150**	**P4,852**	**P99,085**	**P18**	**P5,737**	**P -**	**P108**	**P5,497**	**P151,911**	**(P69,541)**	**P213,817**	**P27,121**	**P240,938**
Loss on exchange differences on translation of foreign operations		-	-	-	-	(496)	-	-	-	-	-	(496)	(157)	(653)
Share in comprehensive loss of associates	*13*	-	-	-	-	-	-	(422)	-	-	-	(422)	-	(422)
Net gain on available-for-sale financial assets, net of tax		-	-	-	-	-	-	438	-	-	-	438	(36)	402
Other comprehensive income (loss)		-	-	-	-	(496)	-	16	-	-	-	(480)	(193)	(673)
Net income for the year		-	-	-	-	-	-	-	-	20,091	-	20,091	3,965	24,056
Total comprehensive income (loss) for the year		-	-	-	-	(496)	-	16	-	20,091	-	19,611	3,772	23,383
Issuance of capital stock	*26*	193	-	2,121	-	-	-	-	-	-	-	2,314	-	2,314
Stock options	*40*	-	-	200	-	-	-	-	-	-	-	200	-	200
Addition to non-controlling interests	*2, 5, 6, 13*	-	-	-	(23)	-	-	-	-	-	-	(23)	24,877	24,854
Appropriations - net	*26*	-	-	-	-	-	-	-	174	(174)	-	-	-	-
Cash dividends	*37*													
Common		-	-	-	-	-	-	-	-	(15,584)	-	(15,584)	(4,976)	(20,560)
Preferred		-	-	-	-	-	-	-	-	(5,700)	-	(5,700)	-	(5,700)
Acquisition of subsidiary and others	*5*	-	-	-	1,396	-	-	-	-	-	-	1,396	-	1,396
As of December 31, 2010	*26*	**P16,343**	**P4,852**	**P101,406**	**P1,391**	**P5,241**	**P -**	**P124**	**P5,671**	**P150,544**	**(P69,541)**	**P216,031**	**P50,794**	**P266,825**

Forward

	Note	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		
		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
Gain on exchange differences on translation of foreign operations		-	-	-	-	662	-	-	-	-	-	662	(141)	521
Share in comprehensive income of associates	*13*	-	-	-	-	193	-	59	-	-	-	252	-	252
Gain on cash flow hedges, net of tax	*42*	-	-	-	-	-	123	-	-	-	-	123	32	155
Net gain on available-for-sale financial assets, net of tax		-	-	-	-	-	-	(29)	-	-	-	(29)	(1)	(30)
Other comprehensive income (loss)		-	-	-	-	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	*26*	38	486	6,563	-	-	-	-	-	-	-	7,087	-	7,087
Exchange of capital stock	*26*	-	4,366	61,122	-	-	-	-	-	-	(65,488)	-	-	-
Stock options	*40*	-	-	217	-	-	-	-	-	-	-	217	-	217
Addition to non-controlling interests	*2, 5, 6, 13*	-	-	-	-	-	-	-	-	-	-	-	8,392	8,392
Appropriations - net	*26*	-	-	-	-	-	-	-	(25)	25	-	-	-	-
Cash dividends	*37*	-	-	-	-	-	-	-	-	(2,211)	-	(2,211)	(2,298)	(4,509)
As of December 31, 2009	*26*	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											Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total		
		Common	Preferred			Translation Reserve	Hedging Reserve	Fair Value Reserve	Appro-priated	Unappro-priated				
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
Gain on exchange differences on translation of foreign operations		-	-	-	-	183	-	-	-	-	-	183	506	689
Share in comprehensive loss of associates	*13*	-	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Loss on cash flow hedges, net of tax	*42*	-	-	-	-	-	(123)	-	-	-	-	(123)	(32)	(155)
Net gain on 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	*26*	3	-	-	-	-	-	-	-	-	-	3	-	3
Stock options	*40*	-	-	253	-	-	-	-	-	-	-	253	-	253
Addition to non-controlling interests	*2, 5, 6, 13*	-	-	-	-	-	-	-	-	-	-	-	6,217	6,217
Appropriations - net	*26*	-	-	-	-	-	-	-	(512)	512	-	-	-	-
Cash dividends	*37*	-	-	-	-	-	-	-	-	(4,417)	-	(4,417)	(508)	(4,925)
As of December 31, 2008	*26*	P16,112	P -	P31,183	P18	P4,882	(P123)	P78	P5,522	P96,298	(P4,053)	P149,917	P18,307	P168,224

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In Millions)

	Note	**2010**	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations		**P35,494**	P64,335	P20,768
Loss before income tax from discontinued operations	*8*	**-**	-	(19)
Gain from disposal of discontinued operations	*8*	-	-	5,425
Income before income tax		**35,494**	64,335	26,174
Adjustments for:				
Depreciation, amortization and others - net	*29*	**9,457**	14,724	9,303
Interest expense and other financing charges	*31*	**16,578**	7,926	6,032
Interest income		**(3,023)**	(5,989)	(6,630)
Equity in net losses (earnings) of associates	*13*	**(6,817)**	(2,816)	1,132
Gain on sale of investments and property and equipment		**(5,020)**	(50,630)	(8,746)
Gain from disposal of discontinued operations	*8*	**-**	-	(5,425)
Operating income before working capital changes		**46,669**	27,550	21,840
Changes in noncash current assets, certain current liabilities and others	*39*	**13,112**	(1,183)	(1,291)
Cash generated from operations		**59,781**	26,367	20,549
Interest paid		**(5,155)**	(6,348)	(5,665)
Income taxes paid		**(9,312)**	(6,651)	(7,835)
Net cash flows provided by operating activities		**45,314**	13,368	7,049
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash and cash equivalents acquired	*39*	**(18,978)**	(1,494)	-
Additions to investments and advances		**(99,762)**	(5,771)	(6,667)
Additions to property, plant and equipment	*16*	**(8,518)**	(6,249)	(6,437)
Decrease (increase) in other noncurrent assets and others		**1,424**	(950)	(16,010)
Payment by (advances to) related parties		**(6,070)**	3,243	31,708
Proceeds from sale of investments and property and equipment		**1,175**	55,127	13,663
Interest received		**3,798**	5,249	6,558
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	*8*	**-**	-	9,083
Net cash flows (used in) provided by investing activities		**(126,931)**	49,155	31,898

Forward

	Note	**2010**	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**P685,768**	P691,093	P608,756
Long-term borrowings		**72,937**	67,786	64
Payments of:				
Short-term borrowings		**(703,376)**	(683,569)	(605,088)
Long-term borrowings		**(29,196)**	(44,657)	(13,336)
Payment of finance lease liabilities		**(4,798)**	(12)	-
Cash dividends paid	*37*	**(21,118)**	(3,301)	(4,463)
Proceeds from issuance of capital stock	*26*	**2,314**	7,087	3
Dividends paid to non-controlling shareholders		**(4,883)**	(2,192)	(393)
Increase in non-controlling interests		**126**	315	592
Net cash flows provided by (used in) financing activities		**(2,226)**	32,550	(13,865)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(380)**	(2,601)	(1,424)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(84,223)**	92,472	23,658
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**209,411**	116,939	93,281
CASH AND CASH EQUIVALENTS AT END OF YEAR	*9*	**P125,188**	P209,411	P116,939

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

San Miguel Corporation (SMC or Parent Company) was incorporated in the Philippines. The accompanying consolidated financial statements 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 engaged in the production, processing and marketing of beverage, food and packaging products, power generation and distribution, mining, fuel and oil, infrastructure, telecommunications and management and development of real estate properties. The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 14, 2011.

2. Basis of Preparation

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting, 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 fair value 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 off 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
	2010	2009	Incorporation
Beverage Business:			
San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) [(a)] and subsidiary, Brewery Landholdings, Inc. (BLI) and San Miguel Brewing International Ltd. (SMBIL) [(b)] and subsidiaries {including San Miguel Brewery Hong Kong Limited (SMBHK) and subsidiaries, PT Delta Djakarta Tbk (PT-Delta) and subsidiaries, San Miguel (Baoding) Brewery Co. Ltd., San Miguel Brewery Vietnam Ltd. (SMBV), San Miguel Beer (Thailand) Ltd. (SMBTL) and San Miguel Marketing Thailand Ltd.}]	**51.00**	51.00	Philippines
Ginebra San Miguel, Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc. and Ginebra San Miguel International, Ltd. (GSMIL), Ginebra San Miguel International Holdings Ltd. (GSMIHL), Global Beverage Holdings Ltd. (GBHL) and Siam Holdings Ltd. (SHL)]	**78.00**	79.53	Philippines
San Miguel Foods and Beverage International Limited (SMFBIL) and subsidiaries [including PT San Miguel Indonesia Foods & Beverages (PTSMIFB), San Miguel (Thailand) Co. Ltd., San Miguel (Guangdong) Foods & Beverages Co. Ltd., San Miguel (Vietnam) Co. Ltd., PT San Miguel Marketing Indonesia, and San Miguel (Malaysia) Sdn. Bhd.]	**100.00**	100.00	BVI
Food Business:			
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), P.T. San Miguel Pure Foods Indonesia (PTSMPFI) [(c)] and San Miguel Pure Foods International, Limited (SMPFIL) and subsidiary, San Miguel Pure Foods Investment (BVI) Limited (SMPFI) and subsidiary, San Miguel Pure Foods (Vn) Co. Ltd. (SMPFVN)]	**99.92**	99.92	Philippines
Packaging Business:			
San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiary, San Miguel Yamamura Fuso Molds Corporation	**65.00**	65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Co. Ltd., Zhaoqing San Miguel Yamamura Glass Co., Ltd., Foshan San Miguel Yamamura Packaging Co. Ltd., San Miguel Yamamura Utama Indoplas, San Miguel Yamamura Packaging & Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd., Packaging Research Centre Sdn. Bhd., San Miguel Plastic Films Sdn. Bhd. and San Miguel Yamamura Knox Pty. Ltd. (SMYK) [(d)] and subsidiaries]	**65.00**	65.00	BVI
Mindanao Corrugated Fibreboard, Inc. (Mincorr) [(c)]	**100.00**	100.00	Philippines
San Miguel Paper Packaging Corporation (SMPPC) [(c)]	**100.00**	100.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC)	**60.00**	60.00	Philippines

Forward

	Percentage of Ownership		Country of
	2010	2009	Incorporation
Power Generation and Distribution Business:			
SMC Global Power Holdings Corp. (SMC Global) [(e)] and subsidiaries [including Strategic Power Devt. Corp. (SPDC), San Miguel Energy Corporation (SMEC), Panasia Energy Holdings Inc. (PanAsia) and South Premiere Power Corp. (SPPC)]	**100.00**	-	Philippines
Fuel and Oil Business:			
Sea Refinery Corporation (SRC) and subsidiary, Petron Corporation (Petron) and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation (Petrogen), Overseas Ventures Insurance Corporation, Petron Singapore Trading Pte. Ltd., and New Ventures Realty Corporation and subsidiary, Las Lucas Construction & Development Corporation] [(f)]	**100.00**	-	Philippines
Infrastructure Business:			
San Miguel Holdings Corp. (SMHC) and subsidiaries [including Rapid Thoroughfares Inc. (Rapid), Trans Aire Development Holding Corp. (TADHC) [(c, g)], Universal LRT Corporation (BVI) Limited (ULC BVI) [(c, h)] and subsidiaries]	**100.00**	100.00	Philippines
Telecommunications Business:			
Vega Telecom, Inc. (Vega) and subsidiaries [including Two Cassandra-CCI Conglomerates, Inc. (TCCI), Perchpoint Holdings Corp. (PHC), Power Smart Capital Limited (PSCL) and A.G.N. Philippines, Inc. (AGNP)] [(i)]	**100.00**	100.00	Philippines
Real Estate Business:			
San Miguel Properties, Inc. (SMPI) and subsidiaries [including SMPI-Government Service Insurance System Joint Venture Corporation (SMPI-GSIS JVC) and Integrated Geosolutions, Inc. (IGI)] [(c)]	**99.68**	99.68	Philippines
Others:			
SMC Stock Transfer Service Corporation	**100.00**	100.00	Philippines
ArchEn Technologies, Inc.	**100.00**	100.00	Philippines
SMITS, Inc. [(c)] and subsidiary	**100.00**	100.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC)	**58.33**	58.33	Philippines
SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiary	**70.00**	70.00	Philippines
Challenger Aero Air Corp.	**100.00**	100.00	Philippines
Philippine Breweries Corporation (PBC)	**99.52**	99.52	Philippines
Pacific Central Properties, Inc. (PCPI)	**100.00**	100.00	Philippines

(a) Parent Company owned 40% of BPI and SMBRP owned 60% of BPI when the increase in capital stock (including the assignment of the land in exchange for the common shares and assignment of BLI shares in exchange for the preferred shares) was approved by SEC on September 10, 2009. Consolidated to SMB in November 10, 2010 (Note 6).

(b) Consolidated to SMB effective January 29, 2010.

(c) The financial statements of these subsidiaries were audited by other auditors.

(d) Consolidated to SMYPIL effective December 17, 2009. JHK Investments was renamed "San Miguel Yamamura Knox Pty. Ltd." in February 2010.

(e) Formerly Global 5000 Investment Inc. Consolidated effective July 31, 2010.

(f) Consolidated effective December 15, 2010.

(g) Formerly Caticlan International Airport Development Corp. (CIADC). Consolidated to SMHC effective April 8, 2010.

(h) Consolidated to SMHC effective November 8, 2010.

(i) TCCI, PHC, and PSCL were consolidated to Vega effective July 30, 2010. AGNP was consolidated to Vega effective December 30, 2010.

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 income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Group in SMB, SMBHK, PT-Delta, SMBV, SMBTL, GSMI, PTSMIFB, SMPFC, PTSMPFI, SMPFI, SMYPC, SMYPIL, SMYAC, SMPI, AIBC, SMCSLC, PBC in 2010 and 2009 and also Petron, TADHC, ULC BVI, SMPI-GSIS JVC and IGI in 2010.

3. Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The FRSC approved the adoption of a number of new or revised standards, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRS. Accordingly, the Group changed its accounting policies in the following areas:

Adopted Effective 2010

The Group has adopted the following PFRSs starting January 1, 2010:

- 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.

The Group has applied Revised PFRS 3 (2008) in the acquisitions of SMC Global, SRC, TADHC, ULC BVI, TCCI, PHC, PSCL, AGNP and IGI (Notes 5 and 13).

- 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 Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group 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 profit or loss.

  The Group has applied the Revised PAS 27 to acquisitions of non-controlling interests in SMC Global (Note 5).

- 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. The adoption of these amendments to standards did not have a material effect on the 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. The adoption of this Philippine Interpretation did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 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. The adoption of these improvements to standard did not have a material effect on the consolidated financial statements.

- 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, that is, it includes only a parent and its subsidiaries. The amendments are effective for annual periods beginning on or after January 1, 2010. The adoption of these amendments to standards did not have a material effect on the consolidated financial statements.

- *Improvements to PFRSs 2009*, contain 15 amendments to 12 standards. The improvements are generally effective for annual periods beginning on or after January 1, 2010. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - PFRS 2 and PFRS 3 (2008). The amendments clarify that business combinations as defined in PFRS 3 (2008) are outside the scope of PFRS 2, notwithstanding that they may be outside the scope of PFRS 3 (2008). Therefore business combinations among entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under PFRS 2.

  - PAS 38, *Intangible Assets*. The amendments clarify that (i) an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognized separately from goodwill together with the related item; and (ii) complementary intangible assets with similar useful lives may be recognized as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists.

  - Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*. The International Accounting Standards Board (IASB) amended the scope of IFRIC 9 so that embedded derivatives in contracts acquired in business combinations as defined in PFRS 3 (2008), joint venture formations and common control transactions remain outside the scope of IFRIC 9.

  - Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*. The amendments remove the restriction that prevented a hedging instrument from being held by a foreign operation that itself is being hedged.

  - PFRS 5. The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in PFRS 5.

  - PFRS 8, *Operating Segments*. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.

  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.

  - PAS 7, *Statement of Cash Flows*. The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

  - PAS 17, *Leases*. The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 - 13 of PAS 17, taking account of the fact that land normally has an indefinite economic life.

- PAS 36, *Impairment of Assets*. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in PFRS 8 before applying the aggregation criteria of PFRS 8.

- PAS 39. The amendments provide: (i) additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; (ii) clarify that the scope exemption in PAS 39 paragraph 2 (g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (iii) clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

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:

- 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.

- *Improvements to PFRSs 2010* contain 11 amendments to 6 standards and 1 interpretation, of which only the following are applicable to the Group.

  - PFRS 3. The amendments: (i) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (ii) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (iii) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments are effective for annual periods beginning on or after July 1, 2010. Early application is permitted and is required to be disclosed.

  - PAS 27. The amendments clarify that the consequential amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates,* and PAS 31, *Interests in Joint Ventures,* resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010.

  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - PAS 1. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income also is required to be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - PAS 34, *Interim Financial Reporting.* The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011.

  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*. The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendments are effective for annual periods beginning on or after January 1, 2011.

None of the above amendments are expected to have a significant effect on the consolidated financial statements of the Group.

- 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.

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011.

- *Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12, Income Taxes)* introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, *Investment Property*. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3 provided the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation Standards Interpretation Committee (SIC) - 21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into PAS 12, and as a result Philippine Interpretation SIC - 21 has been withdrawn. The effective date of the amendments is for periods beginning on or after January 1, 2012 and is applied retrospectively.

- PFRS 9, *Financial Instruments* (2009) was issued as the first phase of the PAS 39 replacement project. The chapters of the standard released in 2009 only related to the classification and measurement of financial assets. PFRS 9 (2009) 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. In October 2010, a new version of PFRS 9, *Financial Instruments* (2010) was issued which now includes all the requirements of PFRS 9 (2009) without amendment. The new version of PFRS 9 also incorporates requirements with respect to the classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. 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. PFRS 9 (2010) supersedes PFRS 9 (2009). However, for annual periods beginning before January 1, 2013, an entity may elect to apply PFRS 9 (2009) rather than PFRS 9 (2010).

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for PFRS 9, *Financial Instruments*, which will be mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets.

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

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 or loss (FVPL), includes transaction costs.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Group classifies its financial liabilities as either financial liabilities at FVPL 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 of 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 profit or loss 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 profit or loss 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. A financial asset is classified at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. 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, 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;

- 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. Attributable transaction costs are recognized in profit or loss as incurred. Fair value changes and realized gains or losses are recognized in profit or loss. 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 profit or loss when the right to receive payment has been established.

The Group's derivative assets and financial assets at FVPL are classified under this category (Notes 12 and 42).

The combined carrying amounts of financial assets under this category amounted to P442 and P202 as of December 31, 2010 and 2009, respectively (Note 42).

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 profit or loss 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 and which are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included in this category (Notes 9, 10 and 20).

The combined carrying amounts of financial assets under this category amounted to P225,875 and P264,426 as of December 31, 2010 and 2009, respectively (Note 42).

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 reclassified 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 profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

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

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of income. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right to receive payment has been established. 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 profit or loss.

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 "Available-for-sale financial assets" account are classified under this category (Note 14).

The carrying amounts of financial assets under this category amounted to P3,597 and P351 as of December 31, 2010 and 2009, respectively (Note 42).

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 profit or loss. 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 (Notes 22 and 42).

The carrying amounts of financial liabilities under this category amounted to P71 and P111 as of December 31, 2010 and 2009, respectively (Note 42).

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, finance lease liabilities and other noncurrent liabilities (Notes 21, 22, 23, 24 and 35).

The combined carrying amounts of financial liabilities under this category amounted to P536,828 and P179,882 as of December 31, 2010 and 2009, respectively (Note 42).

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 recognized in profit or loss.

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 ongoing 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 profit or loss. 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 profit or loss.

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, 2010 and 2009, the Group has no outstanding derivatives accounted for as fair value hedges.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented under the "Hedging reserve" account in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or 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 profit or loss.

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 profit or loss.

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

Net Investment Hedge. As of December 31, 2010 and 2009, 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 repay.

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 profit or loss.

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 profit or loss. 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 profit or loss, to the extent that the carrying amount 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 profit or loss, is transferred from equity to profit or loss. 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 recognized in 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 profit or loss.

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 impairment 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;
- 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.
Petroleum products (except lubes and greases, waxes and solvents), crude oil, and other products	-	at cost which includes duties and taxes related to the acquisition of inventories; costs are determined using the first-in, first-out method.
Lubes and greases, waxes and solvents	-	at cost which includes duties and taxes related to the acquisition of inventories; costs are determined using the moving-average method.
Materials, supplies and others	-	at cost using the moving-average method.
Coal	-	at cost using the first-in, first-out 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.

For petroleum products, crude oil, and tires, batteries and accessories (TBA), the net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

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 amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts 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

Business Combination

Acquisitions on or after January 1, 2010

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

For acquisitions on or after January 1, 2010, the Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. 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 amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

- *Goodwill in a Business Combination*
  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 determined in accordance with PFRS 8.

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.

- *Intangible Asset Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of intangible asset is assessed to be either finite or indefinite.

  Intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimates. The amortization expense on intangible asset with finite life is recognized in profit or loss.

- *Loss of Control*
  Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Acquisitions Prior to January 1, 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs.

The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Transactions Under Common Control

Transactions under common control entered into in contemplation of each other, and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly controlled entities are accounted for using the book value accounting.

Non-controlling Interests

For acquisitions of non-controlling interests on or after January 1, 2010, the acquisitions are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Investments in Associates

The Group's investments in associates are accounted for under the equity method of accounting from the date when it becomes an associate. 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 initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the associate after the date of acquisition. The Group's share of the profit or loss of the associate is recognized in the Group's profit or loss. Dividends received from an associate reduce the carrying amount of the investment. 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. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognized in other comprehensive income.

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. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the 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. 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 generally 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 (ARO) 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	2 - 50
Power plants	3 - 43
Refinery and plant equipment	5 - 16
Service stations and other equipment	1 1/2 - 10
Machinery and equipment	3 - 40
Transportation equipment	5 - 7
Tools and small equipment	2 - 5
Office equipment, furniture and fixtures	2 - 10
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 amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts 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 recognized in profit or loss.

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 profit or loss 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 profit or loss 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 amount 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.

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 recognized in profit or loss 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 profit or loss 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
Service concession rights	25
Mining rights	19 - 30
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 licenses, 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.

Licenses, 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 profit or loss when the asset is derecognized.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls [through ownership, beneficial entitlement or otherwise] any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under the provisions of the Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This Interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11 and PAS 18, for the services it performs. If an entity performs more than one service (i.e. construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage costs incurred to date to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e. at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs*, borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

Intangible Asset - Service Concession Rights

The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value of the construction services. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

This includes the service concession right granted by the ROP to the Group to operate the Caticlan Airport, as expressly stated in the CA (Note 35). This includes the right to design and finance the development of the Caticlan Airport and operate and maintain the airport during the concession period. Except for the position that relates to the annual fee as defined in the CA, the right is earned and recognized by the Group as the project progresses. This also includes the present value of the obligation to pay the annual franchise fee to the ROP over the concession period (Note 4).

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The service concession period is 25 years. The amortization period and the amortization method 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 is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses from derecognition of an intangible asset - service concession right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Deferred Exploration and Evaluation Costs

Deferred exploration and evaluation costs comprise expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and evaluation costs also include expenditures incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest, amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and evaluation costs are transferred to property and equipment under mine development costs.

Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, investment properties, containers, biological assets, other intangible assets with finite useful lives and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount 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 and 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 profit or loss 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 profit or loss. 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.

Cylinder Deposits

The liquefied petroleum gas cylinders remain the property of the Group and are loaned to dealers upon payment by the latter of an equivalent 100% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting period, cylinder deposits, shown under "Other noncurrent liabilities - others" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is credited directly to profit or loss.

Provisions

Provisions are recognized when the Group has: a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or b) a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. 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 those 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 some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Infrastructure restoration obligation (IRO) represents the present value of the Group's obligation to keep the rehabilitated and upgraded Caticlan Airport at a serviceability level acceptable to the ROP through continuous maintenance and restoration prior to turnover to the ROP at the end of the concession period.

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 they are non-redeemable, or redeemable only at the Parent Company's option, and any dividends thereon 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 they are 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 profit or loss 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, which is normally upon delivery and the amount of revenue can be measured reliably.

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 Payment 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 payment 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 payment 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. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) there is a change in the determination of whether fulfillment is dependent on a specific asset;
(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, 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. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in profit or loss.

Capitalized lease assets are depreciated over the estimated useful life of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease
Group as Lessee. 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 profit or loss 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 as an expense 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 amount 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 amount 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 and 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

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS equity investments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Foreign Operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates at the reporting dates.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve ("Translation reserve") in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the "Translation reserve" in equity.

Taxes
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax. Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 profit or loss 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

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and

then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Intangible assets, property, plant and equipment and investment property once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

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 7 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchase between business segments and between geographical segments. Such sales and purchases are eliminated in consolidation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements 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 and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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:

Finance Lease - Company in the Group as Lessee. In accounting for its Independent Power Producer (IPP) Administration Agreements with Power Sector Assets and Liabilities Management Corporation (PSALM), the Group's management has made a judgment that the IPP Administration Agreement is an agreement that contains a lease. In addition, TSML and TGT, the Group's joint venture in Thailand entered into lease agreements with Thai bank covering transportation equipment. The Group's management has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plants and transportation equipment. Accordingly, the Group accounted for the agreements as finance lease and recognized the power plants and transportation equipment and finance lease liabilities at the present value of the agreed monthly payments (Notes 16 and 35).

Finance lease liabilities recognized in the consolidated statement of financial position amounted to P208,407 and P30 as at December 31, 2010 and 2009, respectively (Note 35). The carrying amount of power plants and transportation equipment under finance lease amounted to P209,301 and P30 as of December 31, 2010 and 2009, respectively (Note 16).

Operating Lease Commitments - Group as Lessor/Lessee. The Group has entered into various lease agreements as either a lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the properties leased out on operating leases while the significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent expense charged to profit or loss amounted to P1,795, P2,120 and P1,796 in 2010, 2009 and 2008, respectively (Notes 27, 28 and 35).

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its Concession Agreement (CA) with the Republic of the Philippines (ROP), significant judgment was applied to determine the most appropriate accounting policy to use. Management used Philippine Interpretation IFRIC 12, as guide and determined that the CA is within the scope of the interpretation since it specifically indicated that ROP will regulate what services the Group must provide and at what price those will be offered, and that at the end of the concession period, the entire infrastructure, as defined in the CA, will be transferred to the ROP. Reference was made to the terms of the CA in determining the consideration receivable from the ROP in exchange for the fulfillment of the Group's obligations under the CA.

Management determined that the consideration receivable is an intangible asset in the form of a license to operate the Caticlan Airport; i.e. license to charge fees to users. Judgment was further exercised by management in determining the components of the cost of acquiring the right. Further reference to the terms of the CA (Note 35) was made to determine such costs and it identified the following as the components: (i) total Project cost; (ii) present value of total franchise fees over 25 years amounting to P8 per year; and, (iii) present value of IRO.

Management also exercised judgment in determining the timing and manner of recognition of these costs. Project cost is recognized as part of intangible assets as the construction progresses (Note 19). It used the cost to cost method as it believes that the actual cost of construction is most relevant to the amount that should be recognized as cost of the intangible asset at the end of every reporting period as opposed to the other percentage of completion approach.

The present value of the IRO is recognized as part of intangible assets upon completion of the Project and amortized simultaneously with the cost related to the Project because only at that time would significant maintenance of the Caticlan Airport also commence. However, since the Group has already started the maintenance of the existing Caticlan Airport which is currently being rehabilitated, the entire present value of the annual fees have already been recognized in construction in progress - service concession arrangements and portion of which representing the actual amount incurred in the current year for the maintenance of the Caticlan Airport have been recognized as part of the cost of intangible assets and also subjected to amortization.

The present value of the obligation to pay annual franchise fees over 25 years has been immediately recognized as part of intangible assets because the right related to it has already been granted and is already being enjoyed by the Group as evidenced by its taking over the operations of the Caticlan Airport during the last quarter of 2010. Consequently, management has also started amortizing the related value of the intangible asset.

Difference in judgment with respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

Assumption of Profit Margin on the Service Concession Project. The Group did not assume any profit margin for the Project as it believes that the fair value of the intangible asset related to it reasonably approximates the cost of the Project. It believes that the margin of its contractors is enough to cover any difference in the fair value and carrying amount.

Classification of Redeemable Preferred Shares. Based on the features of the preferred shares, particularly mandatory redemption that TADHC issued, management determined that the shares are in substance a financial liability. Accordingly, it was classified as part of "Other noncurrent liabilities" account in the 2010 consolidated statements of financial position (Note 24).

Accounting for SMPI's Investment in SMPI-GSIS JVC. Under normal circumstances, the Group would account for its investment in a joint venture classified as jointly controlled entity using proportionate consolidation. In the recently consummated joint venture of SMPI with GSIS, however, significant judgment was exercised to determine whether SMPI's interest in the joint venture should be accounted for as jointly controlled entity under PAS 31 or as a subsidiary under PAS 27. After considering the salient provisions of the Joint Venture Agreement (JVA), particularly, with respect to the option granted by SMPI to GSIS, i.e. GSIS to sell to SMPI its whole ownership interest in SMPI-GSIS JVC (the "Put Option") at a pre-determined exercise price at different dates, management concluded that it is most appropriate to account for the investment as a subsidiary. The main factor considered by management was the potential voting rights brought about by the Put Option which gives SMPI control over the SMPI-GSIS JVC once exercised (Note 35). At present, although SMPI owns 52% of SMPI-GSIS JVC, the JVA clearly specified joint control of the entity but such was without due consideration to the Put Option yet; hence the SMPI-GSIS JVC was consolidated in the Group's financial statements.

Determining Fair Values of Financial Instruments. Where the fair values of financial assets and financial liabilities recognized in the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The Group uses judgments to select from variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

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 45).

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 P4,519 and P2,729 as of December 31, 2010 and 2009, respectively. The carrying amounts of trade and other receivables amounted to P75,904 and P49,082 as of December 31, 2010 and 2009, respectively (Note 10).

Allowance for Inventory Losses. The Group provides an 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 P1,297 and P1,149 as of December 31, 2010 and 2009, respectively. The carrying amounts of inventories amounted to P57,442 and P25,458 as of December 31, 2010 and 2009, respectively (Note 11).

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 on fair valuation of agricultural produce included in the cost of inventories as of December 31, 2010 and 2009 amounted to P41 and P63, respectively (Note 11).

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 or loss and equity.

Fair value of financial assets and financial liabilities are discussed in Note 42.

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 P96,410 and P56,714 as of December 31, 2010 and 2009, respectively. Property, plant and equipment, net of accumulated depreciation and amortization amounted to P319,790 and P73,892 as of December 31, 2010 and 2009, respectively (Note 16). Investment properties, net of accumulated depreciation amounted to P2,524 and P2,263 as of December 31, 2010 and 2009, respectively (Note 17). Deferred containers net of accumulated amortization included under "Other noncurrent assets" account in the consolidated statements of financial position amounted to P4,420 and P4,446 as of December 31, 2010 and 2009, respectively (Note 20).

Fair Value of Investment Properties. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be exchanged between a willing buyer and seller in an arm's length transaction, or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Estimated fair values of investment properties amounted to P3,129 and P2,886 as of December 31, 2010 and 2009, respectively (Note 17).

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 P3,544 and P1,433 as of December 31, 2010 and 2009, respectively (Note 19).

Estimated Useful Lives of Intangible Asset - Service Concession Rights. The Group estimates the useful lives of intangible assets arising from service concessions based on the period over which the assets are expected to be available for use, which is 25 years. The Group has not included any renewal period on the basis of uncertainty as of reporting date of the probability of securing renewal contract at the end of the original contract term.

Impairment of Goodwill, Trademarks, Licenses, and Brand Names and Formulas and Recipes with Indefinite Lives. The Group determines whether goodwill, trademarks, licenses, and brand names and formulas and recipes 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 amounts of goodwill as of December 31, 2010 and 2009 amounted to P30,251 and P6,408, respectively (Note 19).

The carrying amounts of trademarks, licenses and brand names and formulas and recipes amounted to P7,436 and P2,197 as of December 31, 2010 and 2009, respectively (Note 19).

Acquisition Accounting. The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed be recognized at the date of acquisition at their respective fair values.

The application of the acquisition method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

Recoverability of Deferred Exploration and Development Costs. A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group's mining activities are all in the exploratory stages as of December 31, 2010. All related costs and expenses from exploration are currently deferred as exploration and development costs to be amortized upon commencement of commercial operations. The Group had not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded recoverable amounts as of December 31, 2010.

Deferred exploration and development costs included in "Other noncurrent assets - others" in the consolidated statements of financial position amounted to P41 as of December 31, 2010 (Note 20). There were no impairment losses recognized for the year ended December 31, 2010.

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 P7,134 and P8,883 as of December 31, 2010 and 2009, respectively (Note 25).

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, intangible asset - service concession rights, other intangible assets with finite useful lives and idle assets when events or changes in circumstances indicate that the carrying amount 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 P12,108 and P8,369 as of December 31, 2010 and 2009, respectively. The aggregate amount of investments and advances, AFS financial assets, property, plant and equipment, investment properties, biological assets, intangible assets - service concession rights and other intangible assets with finite useful lives, containers, and idle assets, amounted to P479,496 and P117,628 as of December 31, 2010 and 2009, respectively (Notes 13, 14, 16, 17, 18, 19 and 20).

Present Value of Defined Benefit Obligation. The present value of the retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 36 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 amounting to P25,846 and P3,271 as of December 31, 2010 and 2009, respectively (Note 36).

Present Value of Obligation Under a Put Option. In estimating the obligation, significant assumptions were made by management, such as the period in which the option would be exercised and the discount rate appropriate to determine the present value of such obligation. Management assumed that the option will be exercised within the next 12 months from the reporting date. Accordingly, the Group used a risk-free rate of 3.9% based on the Group's ordinary and short-term borrowing arrangements.

Management believes that the Group's estimated obligation arising from the Put Option is reasonable; however, subsequent changes in assumptions or circumstances may potentially result in significant increase or decrease in the obligation under the Put Option. Should there be changes in assumptions or circumstances and the amount of the estimated obligation will be recognized by the Group prospectively.

As of December 31, 2010, the estimated obligation of the Group under a Put Option arrangement, amounts to P386 (Note 22).

Asset Retirement Obligation. The Group has an ARO arising from leased service stations and depots. Determining ARO requires estimation of the costs of dismantling, installations and restoring leased properties to their original condition. The Group determined the amount of ARO, by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 4.81% to 11.17% depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The Group also has an ARO arising from its refinery. However, such obligation is not expected to be settled for the foreseeable future and therefore a reasonable estimate of fair value cannot be determined. Thus, the ARO included under "Other noncurrent liabilities" account in the consolidated statements of financial position amounting to P815 as of December 31, 2010, covers only the Group's leased services stations and depots (Note 24).

Present Value of Annual Franchise Fee and IRO - Service Concession Arrangements. Almost the entire amount of recognized intangible asset - service concession rights as of December 31, 2010 pertains to the present value of annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in construction in progress - service concession arrangements until the completion of the Project.

The present value of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate. The carrying amount of present value of annual franchise fee already recognized in the intangible asset and carrying amount of IRO recognized in construction in progress - service concession arrangements are presented in Notes 19 and 20. A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect on profit or loss.

Amortization of Intangible Asset - Service Concession Rights. Management used 25 years to amortize portion of the intangible asset, together with the portion representing maintenance costs already incurred and recognized as intangible asset - service concession rights (Note 19).

Percentage of Completion - Service Concession Arrangements. The Group determines the percentage-of-completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total Project cost. The Group reviews and revises when necessary the estimate of Project cost as it progresses to appropriately adjust the amount construction revenue recognized at the end of each reporting period (Note 20).

5. Business Combinations and Asset Acquisitions

Business Combinations:

Power and Mining

- SMEC

  On October 26, 2009, SMEC's BOD approved the subscription by the Parent Company and Global 5000 Investment Inc. (SMC Global) (now named SMC Global Power Holdings Corp. as approved by the Securities and Exchange Commission (SEC) on October 15, 2010) of 15,000 and 60,000 shares, respectively, of SMEC's remaining unissued capital stock.

  The Parent Company, on November 16, 2009, and SMC Global, on November 17, 2009, executed the Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SMEC. Prior to the subscription, the Parent Company beneficially owned the 25,000 subscribed common stock of SMEC representing 100% ownership interest. 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, SMC Global owned an aggregate of 60% equity ownership interest in SMEC, while the Parent Company retained an aggregate of 40% equity ownership interest in SMEC.

Mining Companies

Sultan Energy Phils. Corp. (SEPC)
On May 13, 2010, SMEC acquired 100% ownership interest in SEPC, which has a coal mining property and right over an aggregate area of 7,000 hectares, more or less composed of 7 coal blocks located in Lake Sebu, South Cotabato and Sen. Ninoy Aquino, Sultan Kudarat covered by Coal Operating Contract (COC) No. 134 with the Department of Energy (DOE) dated February 23, 2005. SEPC has an In-situ coal resources (measured plus indicative coal resources) of about 55 million metric tons based on exploratory drilling conducted by SEPC and confirmatory drilling conducted by an independent geologists from March 13 to April 19, 2010.

Daguma Agro Minerals, Inc. (DAMI)
On January 29, 2010, SMEC acquired 100% ownership interest in DAMI, a coal mining company with coal property covered by COC No. 126 with the DOE, dated November 19, 2002, located in Barangay Ned, Lake Sebu, South Cotabato consisting of 2 coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about 95 million metric tons based on exploratory drilling conducted by DAMI and additional in-fill drilling being conducted by independent geologists which commenced last May 13, 2010.

Bonanza Energy Resources, Inc. (BERI)
On January 29, 2010, SMEC acquired BERI, a mining company with coal property covered by COC No. 138 with the DOE dated May 26, 2005. COC No. 138 is located in Maitum, Sarangani Province and Barangay Ned, Lake Sebu, South Cotabato consisting of 8 coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about 5 million metric tons based on initial exploratory drilling conducted by SMEC geologists in Maitum, Saranggani during the period from May to July 2010. The exploratory drilling to be conducted on 4 coal blocks of BERI located in Barangay Ned, Lake Sebu Municipality is projected to contain 30 million metric tons based on a geological setting and initial exploratory drilling conducted in Maitum.

The coal operating contracts met the contractual/legal criterion and qualified as intangible assets under PFRS 3.

On February 9, 2009, March 26, 2008 and December 15, 2009, the DOE approved the conversion of the COC for Exploration to COC for Development and Production of SEPC, DAMI and BERI, respectively.

As of December 31, 2010, SEPC, DAMI and BERI are in the exploratory stages of their mining activities. All related costs and expenses from exploration are currently deferred as exploration and development costs to be amortized upon commencement of commercial operations included as part of "Other noncurrent assets - others" account in the statements of financial position (Note 20).

The Group had not identified any facts and circumstances which suggest that the carrying amounts of the deferred exploration and development costs exceeded recoverable amounts as of December 31, 2010.

The following summarizes the recognized amounts of assets acquired and liabilities assumed from SEPC, DAMI and BERI at the acquisition date:

	2010
Assets	
Other receivables	P1
Deferred exploration and development costs	72
Other intangible assets - mining rights	81
Liabilities	
Accounts payable and accrued expenses	(8)
Due to related parties	(47)
Total identifiable net assets at fair value	P99

Mining rights were recognized as a result of the acquisition as follows:

	Note	2010
Total cash consideration transferred		P1,818
Total identifiable net liabilities at fair value		(99)
Other intangible asset - mining rights	*19, 39*	P1,719

- SPDC

  On February 11, 2010, SPDC's BOD approved the subscription by the Parent Company and SMC Global of 1,500 and 6,000 shares, respectively, of SPDC's remaining unissued capital stock.

  On March 15, 2010, the Parent Company and SMC Global executed the Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SPDC. Prior to the subscription, the Parent Company beneficially owned the 2,500 subscribed common stock of SPDC, representing 100% ownership interest. 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, SMC Global owned an aggregate of 60% equity ownership interest in SPDC, while the Parent Company retained an aggregate of 40% equity ownership interest in SPDC.

- PanAsia

  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.

- SPPC

  On May 19, 2010, the Parent Company paid in full its remaining unpaid subscription to the 2,495 common shares of stock in SPPC amounting to P0.1875.

- SMC Global

  On August 9, 2010, the Parent Company obtained control of SMC Global by acquiring 75% of the shares and voting interests therein.

From the date of acquisition, SMC Global has contributed revenue of P25,665 and profit of P8,230 to the Group's results.

The Group has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
Assets	
Cash and cash equivalents	P2,699
Trade and other receivables	5,578
Inventories	893
Prepaid expenses and other current assets	556
Investments and advances - net	12,824
Property, plant and equipment - net	140,260
Deferred tax assets	36
Other noncurrent assets - net	1,367
Liabilities	
Accounts payable and accrued expenses	(4,194)
Income and other taxes payable	(1,261)
Deferred tax liabilities	(225)
Other noncurrent liabilities	(148,226)
Total identifiable net assets at fair value	P10,307

The fair value of the trade and other receivables amounts to P5,578. None of the receivables has been impaired and it is expected that the full amount can be collected.

Bargain purchase gain, which was presented as part of "Other income (charges)" in the consolidated statement of income, was recognized as a result of the acquisition as follows:

	Note	2010
Total cash consideration transferred		P3,240
Non-controlling interest measured at proportionate interest in identifiable net assets		2,577
Total identifiable net assets at fair value		(10,307)
Bargain purchase gain	*33*	(P4,490)

Acquisition of Non-controlling Interests
On September 3 and 8, 2010, the Parent Company acquired the remaining 25% ownership in SMC Global, making it a wholly-owned subsidiary. A cash consideration of P1,080 was paid to non-controlling interest shareholders. The carrying amount of SMC Global's net assets on the date of acquisition was P10,111, and the carrying amount of the additional interest acquired was P2,528. The difference of P1,448 between the consideration and the carrying amount of the interest acquired has been recognized in "Revaluation increment" in the consolidated statements of changes in equity.

SMEC, PanAsia, SPPC and SPDC
On May 17, 2010, the BOD of the Parent Company approved the sale of its entire 40% ownership interest in SMEC and SPDC and 100% ownership in PanAsia and SPPC. On September 21, 2010, the Parent Company and SMC Global executed Deed of Absolute Sale of Shares whereby the former's entire interest in SMEC, PanAsia, SPPC and SPDC were sold for a total price of P7.15. Following such sale, SMEC, PanAsia, SPPC and SPDC became wholly-owned subsidiaries of SMC Global.

Fuel and Oil

- SRC and Petron

The Parent Company entered into an option agreement with SEA Refinery Holdings B.V. (SEA BV) (the "Option Agreement") dated December 24, 2008, as amended on March 4, 2010, 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, SRC, consisting of: (i) 16,000,000 common shares of SRC, representing 40% of the outstanding common shares of SRC on or before April 30, 2010; and (ii) 24,000,000 common shares of SRC, representing 60% of the outstanding common shares of SRC on or before December 23, 2010. SRC owns 4,696,885,564 common shares of Petron (representing approximately 50.1% of the outstanding common shares of Petron). The Parent Company conducted a tender offer as a result of its intention to exercise the option to acquire 100% of SRC from SEA BV. The tender offer period ended on June 2, 2010 and a total of 184,702,538 Petron common shares tendered were crossed at the PSE on June 8, 2010, which is equivalent to approximately 1.97% of the issued and outstanding common shares of Petron.

On June 15, 2010, the Parent Company executed the Deed of Absolute Sale for the purchase of the 16,000,000 common shares of SRC from SEA BV.

On August 31, 2010, the Parent Company purchased an additional 1,517,637,398 common shares of Petron from SEA BV through a special block sale crossed at the PSE. Said shares comprise approximately 16.19% of the outstanding common shares of Petron.

On October 18, 2010, the Parent Company also acquired from the public a total of 530,624 common shares of Petron, representing approximately 0.01% of the outstanding common shares of Petron.

On December 15, 2010, the Parent Company exercised its option to acquire the remaining 60% of SRC from SEA BV pursuant to the Option Agreement. With the exercise of the option, the Parent Company beneficially owns approximately 68.26% of the outstanding common shares of Petron.

From the date of acquisition, SRC and Petron has contributed revenue of P10,383 and profit of P284 to the Group's results.

The Group has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
Assets	
Cash and cash equivalents	P39,948
Trade and other receivables - net	26,945
Inventories	34,422
Prepaid expenses and other current assets	3,177
Investments and advances - net	2,172
Property, plant and equipment - net	34,550
Investment properties - net	121
Assets held for sale	823
Deferred tax assets	394
Other noncurrent assets - net	23,422
Liabilities	
Drafts and loans payable	(34,987)
Accounts payable and accrued expenses	(21,604)
Income and other taxes payable	(6)
Current maturities of long-term debt - net of debt issue costs	(9,193)
Long-term debt - net of current maturities and debt issue costs	(43,452)
Deferred tax liabilities	(2,312)
Other noncurrent liabilities	(2,652)
Total identifiable net assets at fair value	P51,768

The fair value of the trade and other receivables amounts to P26,945. The gross amount of trade receivables is P27,883, of which P938 are expected to be uncollectible at the acquisition date (Note 10).

Goodwill was recognized as a result of the acquisition as follows:

	Note	2010
Total consideration transferred:		
Cash		P33,323
Equity interest held before business combination		16,720
		50,043
Non-controlling interest measured at proportionate interest in identifiable net assets		23,750
Total identifiable net assets at fair value		(51,768)
Goodwill	*19, 39*	P22,025

Goodwill arising from the acquisition is attributable to the benefit of expected synergies with the Group's power generation and shipping businesses, revenue growth, future market development and the assembled workforce of Petron. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognized is expected to be deductible for income tax purposes.

Infrastructure

- ULC BVI

On October 28, 2010, the Parent Company, through SMHC, signed a share sale and purchase agreement (the "Agreement") with ULC BVI, pursuant to the authority of the BOD of the Parent Company on March 15, 2010. Under the terms of the Agreement, SMHC shall acquire up to 51% equity interest in ULC BVI, the corporation which holds the exclusive right, obligation and privilege to finance, design, construct, supply, complete and commission the MRT-7 Project by virtue of the Concession Agreement dated June 18, 2008 with the ROP, through the Department of Transportation and Communications (DOTC) (Note 35).

Closing of the Agreement was held on November 8, 2010. As of December 31, 2010, completion of the acquisition is still subject to the satisfaction of certain mandatory conditions by the counterparty.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
Assets	
Cash and cash equivalents	P1
Trade and other receivables - net	1
Other intangible assets - net	2,182
Liabilities	
Accounts payable and accrued expenses	(136)
Deferred tax liability	(1)
Total identifiable net assets at fair value	P2,047

The fair value of the trade and other receivables amounts to P1. None of the receivables has been impaired and it is expected that the full amount can be collected.

Goodwill was recognized as a result of the acquisition as follows:

	Note	**2010**
Total cash consideration transferred		P2,508
Non-controlling interest measured at proportionate interest in identifiable net assets		1,003
Total identifiable net assets at fair value		(2,047)
Goodwill	*19, 39*	P1,464

- TADHC

On April 8, 2010, the Parent Company, through its wholly-owned subsidiary, SMHC, executed a share sale purchase agreement relating to the purchase by SMHC of the rights, title and interests to a total of 2,025,000 common shares in CIADC (the "CIADC Shares"). On April 29, 2010, Deeds of Assignment of Shares were executed covering the CIADC Shares. 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 ROP, through the DOTC and the Civil Aviation Authority (Note 35). As of December 31, 2010,

SMHC paid P675 for the acquisition of CIADC Shares. The balance of P350 is payable as follows: (i) P180, one year after closing of the transaction; (ii) P100, two years after the closing of the transaction; and (iii) P70, one year from the date of the previous payment.

The current portion of the Group's outstanding payable related to the purchase as of December 31, 2010 amounting to P180, is included under "Accounts payable and accrued expenses" account (Note 22), while the noncurrent portion amounting to P170 as of December 31, 2010, is reported as part of "Other noncurrent liabilities" account (Note 24).

As approved by the SEC on September 23, 2010, CIADC was renamed to Trans Aire Development Holdings Corp.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
Assets	
Prepaid expenses and other current assets	P4
Property, plant and equipment - net	11
Other intangible assets - licenses	58
Liabilities	
Accounts payable and accrued expenses	(9)
Other noncurrent liabilities	(4)
Total identifiable net assets at fair value	P60

Goodwill was recognized as a result of the acquisition as follows:

	Note	**2010**
Total consideration transferred		
Cash		P675
Deferred consideration		350
		1,025
Non-controlling interest measured at proportionate interest in identifiable net assets		2
Total identifiable net assets at fair value		(60)
Goodwill	*19, 39*	P967

Telecommunications

- TCCI, PHC and PSCL

On July 30, 2010, the Parent Company through its wholly-owned subsidiary, Vega, subscribed to unissued shares of stock of TCCI, PHC and PSCL, equivalent to 75% equity interests in each of said companies. TCCI, PHC and PSCL, in turn, collectively own 100% of the outstanding capital stock of Bell Telecommunications Philippines (BellTel).

BellTel is a grantee of a franchise to install, operate and maintain local exchange networks and wireless local loop (WLL) in several areas including special economic zones, inter-exchange networks, nationwide VSAT network, international gateway facilities, and cellular mobile telecommunications network (Note 35).

On August 1, 2010, Vega acquired the remaining 25% ownership interest in TCCI, PHC and PSCL, making TCCI, PHC and PSCL wholly-owned subsidiaries of Vega.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
Assets	
Cash and cash equivalents	P68
Trade and other receivables - net	429
Prepaid expenses and other current assets	55
Property, plant and equipment - net	374
Other noncurrent assets	6
Liabilities	
Accounts payable and accrued expenses	(1,181)
Deferred tax liabilities	(1)
Other noncurrent liabilities	(256)
Total identifiable net liabilities at fair value	(P506)

The fair value of the trade and other receivables amounts to P429. The gross amount of trade receivables is P456, of which P27 are expected to be uncollectible at the acquisition date (Note 10).

License was recognized as a result of the acquisition as follows:

	Note	**2010**
Total cash consideration transferred		P4,715
Total identifiable net liabilities at fair value		506
Other intangible asset - license	*19, 39*	P5,221

- AGNP

On December 30, 2010, the Parent Company through its wholly-owned subsidiary, Vega, executed a Share Purchase Agreement (the "Agreement") with ISM Communications Corporation ("ISMCorp."), for the purchase of 100% of the outstanding and issued shares of stock of AGNP. The acquisition of AGNP was authorized by the BOD of Vega during the meeting held on December 16, 2010.

AGNP is the registered and beneficial owner of approximately 40% of Eastern Telecommunications Philippines, Inc. (Eastern Telecoms). Eastern Telecoms' products included wireless access, services for high-end internet cafes, a new data center, business application and special packages for small and medium enterprises and corporations, besides the traditional bandwidth and connectivity solutions. The acquisition of Eastern Telecoms through AGNP, would complement the internet broadband service of Liberty Telecommunications Holdings, Inc. (LTHI), in which the Group holds 41.48% interest.

Upon the signing of the Agreement, Vega paid P320 as initial payment. Under the Agreement, the outstanding balance of P1,280 is payable in two installments. The first payment amounting to 50% of the outstanding balance is due on December 29, 2011 while the remaining balance is to be settled on December 29, 2012.

The current portion of the Group's outstanding payable related to the purchase of AGNP shares as of December 31, 2010 amounted to P640, included under "Accounts payable and accrued expenses" account (Note 22), while the noncurrent portion amounting to P640 as of December 31, 2010 is reported as part of "Other noncurrent liabilities" account (Note 24).

Total identifiable assets at fair value on the acquisition date pertains to its investment in Eastern Telecoms amounting to P1,600, which is also equal to the total consideration of the purchase made by Vega.

Properties

- SMPI-GSIS

On October 31, 2007, the Parent Company through SMPI entered into a JVA with GSIS to establish the SMPI-GSIS JVC. The SMPI-GSIS JVC will hold ownership and title 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 SMPI-GSIS JVC will have an authorized capital stock of P600 divided into 600,000,000 shares with a par value of P1 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 SMPI-GSIS JVC. On October 23, 2008, SMPI-GSIS JVC was incorporated.

In 2010, the Articles of Incorporation of SMPI-GSIS JVC was amended accordingly to reflect the increase in its authorized capital stock from P600 divided into 600,000,000 shares to P625 divided into 625,000,000 shares, both with par value of P1. SMPI then completed the acquisition of the 52% equity ownership in SMPI-GSIS JVC by assigning its 100% equity ownership in Maison 17 Properties (MPI), one of its wholly-owned subsidiaries, plus additional cash consideration of P181, which is in accordance with the JVA. After this transaction MPI became a wholly-owned subsidiary of SMPI-GSIS JVC.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2010
Assets	
Cash	P13
Prepaid expenses and other current assets	10
Property, plant and equipment - net	455
Total identifiable net assets at fair value	P478

In 2010, SMPI's ownership interest in Maison was diluted when SMPI assigned its entire interest in MPI to the SMPI-GSIS JVC. The effect of dilution in SMPI's share in MPI's net assets amounting to P52 was recognized in equity.

The dilution loss recognized as a result of the acquisition is as follows:

	Note	**2010**
Total cash consideration transferred		P181
Non-controlling interest measured at proportionate interest in identifiable net assets		349
Total identifiable net assets at fair value		(478)
Dilution loss	*39*	P52

Under the JVA, SMPI grants GSIS the option to sell to SMPI all the shares of stock of the SMPI-GSIS JVC issued in the name of GSIS and its nominees under certain terms and conditions (Note 35).

The SMPI-GSIS JVC has not yet started commercial operations as of March 14, 2011.

Packaging

- SMYK

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, the Parent Company through its wholly-owned subsidiary, San Miguel Holdings Ltd. (SMHL), and Nihon Yamamura Glass Co., Ltd. (NYG) made additional investments in SMYPIL amounting to US$23.6 and US$12.7, respectively.

On December 17, 2009, SMYPIL acquired from James Huntly Knox "JHK" 60,705,521 shares of SMYK, the parent company of the Cospak Group, for up to a maximum amount of Australian Dollar (A$)34.65 (US$31.64). Of the said purchase price, A$9.91 (US$9.05) is placed on escrow and will be released in favor of JHK based on the attainment of SMYK of an agreed earnings before interest, taxes, depreciation and amortization for the periods ended December 31, 2009 and June 30, 2010. On March 12, 2010 and November 22, 2010, the escrow account was released to JHK.

On the same date, SMYPIL also subscribed to an additional 12,269,939 shares in SMYK for A$5 (US$4.57). With this additional acquisition, SMYPIL owns an aggregate of 65% of the outstanding shares of SMYK.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	2009
Assets	
Cash and cash equivalents	US$4
Trade and other receivables - net	20
Inventories	14
Prepaid expenses and other current assets	6
Property, plant and equipment - net	11
Deferred tax assets	1
Liabilities	
Drafts and loans payable	(19)
Accounts payable and accrued expenses	(20)
Dividends payable	(2)
Income and other taxes payable	(1)
Noncurrent portion of finance lease liability	(1)
Total net identifiable assets	US$13

Goodwill was recognized as a result of the acquisition as follows:

	Note	2009
Total cash consideration transferred		US$36
Non-controlling interest measured at proportionate interest in identifiable net assets		5
Total identifiable net assets at fair value		(13)
Goodwill	*19, 39*	US$28

The following summarizes the major classes of consideration transferred:

Cash	US$27.16
Contingent consideration	9.05
	US$36.21

Identifiable assets acquired and liabilities assumed as a result of the foregoing acquisitions are disclosed in Note 39.

The Parent Company's diversification into new businesses such as power, fuel and oil, infrastructure and telecommunications are opportunities that will provide growth momentum and better earnings for the Group as a whole. If the acquisitions had occurred on January 1, 2010, management estimates that consolidated revenue would have been P474,427, and consolidated net income for the year would have been P34,895. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2010.

Asset Acquisitions:

- IPP Administration Agreement (Note 35)

  - Sual Power Plant IPP Administration Agreement

    As a result of the bidding conducted by the 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.

  - San Roque IPP Administration Agreement

    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 (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.

  - Ilijan IPP Administration Agreement

    On April 16, 2009, the Parent Company successfully bid for the Appointment of the IPP Administrator for the Contracted Capacity of the Ilijan Natural Gas Fired Combined Cycle Power Plant with an installed capacity of 1200 MW located at Ilijan, Batangas (Ilijan Power Plant) and received a notice of award on May 5, 2010. On June 10, 2010, the Parent Company and SPPC entered into an Assignment Agreement with Assumption of Obligations whereby the Parent Company assigned all its rights and obligations to SPPC under the IPP Administration Agreement for the Contracted Capacity of the Ilijan Power Plant with execution date of May 11, 2010. PSALM consented to the aforementioned assignment in its letter dated June 16, 2010.

    On June 26, 2010, SPPC assumed the administration of the contracted capacity of the Ilijan Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the Ilijan Power Plant with Execution Date of May 11, 2010.

    The IPPA Agreements include, among others, the following common salient rights and obligations:

    i. The right and obligation to manage and control the Capacity for its own account and at its own cost and risks;

    ii. The right to trade, sell or otherwise deal with the Capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own risk and cost. Such rights shall carry the rights to receive

revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. The right to receive a transfer of the Power Station in case of buy-out or termination of the Agreement for no consideration;

iv. The right to receive an assignment of National Power Corporation (NPC) interest to existing short-term bilateral Power Supply Contracts;

v. The obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Station to generate the electricity required to be produced by the IPP;

vi. Maintain the Performance Bond in full force and effect with a Qualified Bank; and

vii. The obligation to pay PSALM the monthly payments and generation fees in respect of all electricity generated from the Capacity.

In view of the nature of the IPP Administration Agreements, the arrangement has been accounted for as finance lease (Note 35).

- Independent Power Producer

  - Limay Power Plant

    On September 11, 2009, PSALM issued the Notice of Award to SMEC as the winning buyer of the 620 MW Limay Combined Cycle Power Plant (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, with an option to acquire the land.

    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.

    In July 2010, with the consent of PSALM, PanAsia's option to acquire the land was assigned to PCPI. Accordingly, PCPI assumed all the rights and obligations under the original contract between PanAsia and PSALM. On September 30, 2010, PCPI exercised the option and acquired ownership of the land.

6. Investment in Subsidiaries

The following are the developments relating to the Parent Company's investments in subsidiaries in 2010 and 2009:

Beverages

- 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. The transfer of the net assets is pursuant to a Master Deed of Assignment of Domestic Beer Assets dated August 23, 2007 between the Parent Company and SMB with amendments dated September 7, 2007.

  On September 27, 2007, the SEC approved the increase in SMB's authorized capital stock from P100 to P25,000 and the decrease of the par value of its shares from P100.00 to P1.00. 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, were 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. In a letter dated May 26, 2010, the SEC ordered the release of the escrow on the said common shares.

  On May 12, 2008, SMB listed its shares in the PSE pursuant to its listing application approved on March 26, 2008. In April to May 2008, SMB sold at P8.00 per share 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 in 2008.

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 in 2009.

- SMBIL

On August 17, 2009, the Parent Company assigned its international trademarks, trade dress, know-how, copyrights, patents and other intellectual property rights used in connection with the international beer business of the Parent Company and its international subsidiaries ("International IP Rights") 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.

The value of International IP Rights was derived from the independent valuation study done by Fortman Cline Capital Markets (FCCM), in which FCCM applied one valuation methodology, the royalty relief method.

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, a wholly-owned subsidiary of Parent Company, 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. The SPA includes contingent consideration that will be paid through an earn-out scheme based on the attainment by SMBIL and certain subsidiaries of SMBIL of EBITDA and sales volume targets at certain periods. 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 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 (P13,941), after adjustments in accordance with the terms of the SPA. As a result, SMBIL became a wholly-owned subsidiary of SMB.

- 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 out of the existing and unissued capital stock and the increase in IBI's authorized capital stock.

  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 to SMB. SMB's BOD approved on the same date, the purchase of the Domestic IP Rights through the purchase of all of Parent Company's interests in IBI after the completion of such transfer to IBI by the Parent Company of the Domestic 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 Parent Company's Domestic IP Rights to IBI in exchange for 100,000,000 additional common shares in IBI. Such shares were issued to Parent Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-405-2008 dated December 24, 2008.

  On April 29, 2009, SMB acquired the Parent Company's shares in IBI comprising 100% of the outstanding capital stock of IBI, for a total purchase price of P32,000, thereby making IBI its wholly-owned subsidiary. For SMB, the value of the Domestic IP Rights represents the purchase price after giving due consideration to various factors and valuation methodologies including the independent valuation study and analysis prepared by UBS Investments Philippines, Inc. SMB, after considering said valuation methodologies, viewed the royalty relief (based on commercial rates) and advertising spent methodologies to be generally more relevant, compared to other methodologies that may be used to value the Domestic IP Rights on the basis that such methodologies require fewer assumptions and less reliance on subjective reasoning since key assumptions come from primary sources based on SMB's filings and projections, actual industry precedents and industry common practice. The purchase price agreed upon is within the value range yielded by said methodologies, which value range is P25,000 to P32,000. For the Parent Company, the value of the Domestic IP Rights was derived after considering the independent valuation study done by FCCM, in which FCCM applied several methodologies, including the replacement methodology.

- 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, SMB's BOD approved the purchase of all interest of the Parent Company in BPI after: (i) Parent Company has transferred certain land used in the domestic beer operations of SMB ("Land") to BPI in exchange for BPI common shares, and (ii) San Miguel Brewery Inc. Retirement Plan ("SMBRP") has transferred its shares in BLI to BPI preferred shares for the purchase price of P6,829, corresponding to the appraised value of the Land transferred by the Parent Company to BPI.

  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, the Parent Company 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 used in the domestic beer business 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 the 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.

On November 10, 2010, SMB and the Parent Company executed a Deed of Absolute Sale of Shares ("Deed") for the purchase by SMB of all the shares of the Parent Company in BPI (the "BPI Shares"), at the aggregate purchase price of P6,829 ("Purchase Price"). SMB paid P6,629, corresponding to the appraised value of the 128 Land titles transferred in the name of BPI to Parent Company upon execution of the Deed. The balance shall be paid by SMB to Parent Company upon transfer of the remaining eight (8) Land titles in the name of BPI. The BPI Shares comprise 40% of the issued and outstanding capital stock of BPI. The acquisition was financed using part of the proceeds of the bond offering of SMB.

SMB has the ability to govern BPI's financial and operating policies and conduct activities in order that SMB may obtain benefits from its operations. As such and in accordance with PAS 27, BPI is consolidated to SMB.

- 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.

Foods

- 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.

On April 12, 2010, the SEC approved SMPFC's amendment to its Articles of Incorporation for the de-classification of common shares.

On May 21, 2010, the SEC issued to SMPFC the Certificate for the Approval of Increase of Capital Stock from 146,000,000 common shares to 246,000,000 common shares with par value of P10.00 per share and the Certificate of Filing of Amended Articles of Incorporation.

On July 6, 2010, the PSE approved the application of SMPFC to list additional 25,423,746 common shares, with a par value of P10.00 per share, to cover the 18% stock dividend declaration to stockholders. Stock dividend payment was made on July 26, 2010.

On July 21, 2010, the Parent Company and SMPFC entered into an Intellectual Property Rights Transfer Agreement (the "Agreement") for the transfer to SMPFC of the food-related brands and intellectual property rights at a purchase price of P3,200. Following the provision of the Agreement between the Parent Company and SMPFC, 10% of the purchase price was paid on July 30, 2010 and the balance payable (i) upon change in controlling interest of SMPFC to any third person other than an affiliate or (ii) two years from July 30, 2010, subject to floating interest rate based on 1 year PDSTF plus an agreed margin after one year, whichever comes first. On March 8, 2011, the remaining balance was fully paid by SMPFC.

In July 2010, the Parent Company, through its wholly-owned subsidiary, SMFBIL, sold to SMPFIL, (a wholly-owned subsidiary of SMPFC) its 51% interest in SMPFI for US$18.6. SMPFI owns 100% of SMPFVN. Pursuant to the Sale and Purchase Agreement between SMFBIL and SMPFIL, 10% of the purchase price was paid in July 2010 and the balance of US$16.8 (P734.3 as at December 31, 2010) shall be payable (i) upon change in controlling interest of SMPFIL to any third person other than affiliate or (ii) two years from July 30, 2010, subject to floating interest rate based on one-year LIBOR plus an agreed margin after one year, whichever comes first.

The Parent Company and SMPFC engaged FCCM as financial adviser to perform a third party valuation of the food-related brands. The Parent Company and SMPFC arrived at a purchase price of P3,200 after taking into account the valuation study.

On September 15, 2010, SMPFC's BOD approved, among others, the (i) reclassification of up to 75,000,000 authorized and unissued common shares into cumulative, non-participating, non-voting and non-convertible preferred shares with par value of P10.00 per share and with other features determined by management; (ii) issuance of preferred shares with total issue size of up to P50,000, part of the proceeds of which will be used to settle SMPFC's remaining 90% balance on the acquisition of food-related brands and intellectual property rights from the Parent Company and on the purchase of the Parent Company's 51% stake in SMPFI; (iii) listing of such preferred shares at the appropriate exchanges, and (iv) amendment of SMPFC's Articles of Incorporation to reflect the reclassification of such common shares to preferred shares and the denial of pre-emptive rights of shareholders for the proposed issuance of said preferred shares.

On November 3, 2010, SMPFC's stockholders approved, among others, the (i) reclassification of SMPFC's 40,000,000 authorized and unissued common shares into non-voting, cumulative and non-participating preferred shares with par value of P10.00 per share, (ii) issuance of such preferred shares and the listing thereof at the appropriate exchanges, and (iii) amendment of SMPFC's Articles of Incorporation to reflect the reclassification of such common shares to preferred shares and the denial of pre-emptive rights of shareholders for the proposed issuance of said preferred shares.

On December 23, 2010, the SEC approved the Amendment of the Articles of Incorporation of SMPFC to reflect the reclassification of SMPFC's 40,000,000 common shares to cumulative, non-participating, non-voting and non-convertible preferred shares with par value of P10.00 per share and the denial of the pre-emptive rights of shareholders to the issuance of the said preferred shares.

- Highbreed Livestock Corporation (HLC)

  In April 2009, Monterey Food 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 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 dated December 18, 2009.

- 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.

  In August 2010, the SEC approved the merger of MFC into SMFI, with SMFI as the surviving corporation, following the approvals of the merger by the respective BOD and stockholders of MFC and SMFI in June 2010 and July 2010, respectively. The merger became effective September 1, 2010. SMFI's request for confirmation of the tax-free merger, filed in September 2010, is still pending with the BIR as at March 14, 2011.

- 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 SMPFC.

  In December 2010, the SEC approved the declaration of SMFI's 16,457,310 shares in SMMI as property dividend in favor of SMPFC. Prior to the SEC approval, a Deed of Assignment was executed by SMFI in January 2008 assigning its 16,457,310 shares in SMMI to SMPFC effective December 28, 2007.

- PF-Hormel

  In December 2010, the BOD of PF-Hormel approved the declaration of cash dividends amounting to P450 million payable not later than January 31, 2011. Dividends payable to non-controlling interests of PF-Hormel amounting to P180 million was recognized as part of the Group's "Dividends payable" account in the statements of financial position. Dividends were subsequently paid in January 2011.

- Philippine Nutrition Technologies, Inc. (PNTI)

  The SMPFC's application with the SEC for the dissolution of PNTI, a joint venture between SMPFC and the Great Wall Group of Taiwan, was approved on May 27, 2010. As a result of the said dissolution, SMPFC's investment in PNTI amounting to P12 was written off against its allowance for decline in value of investment.

Packaging

- 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.

7. 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's reportable segments are beverage, food, packaging, power generation and distribution, fuel and oil, infrastructure and telecommunications.

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.

The power generation and distribution segment is engaged in power generation and mining. The power generation assets supply electricity to a variety of customers, including the Manila Electric Company (Meralco), electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges.

The telecommunications segment is engaged in rendering all types of domestic and international telecommunications services.

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 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 revenues of the Group.

Operating Segments

Financial information about reportable segments follows:

	For the Years Ended December 31, 2010, 2009 and 2008																								
	Continuing Operations																					Discontinued Operations (Note 8)	Total Operations		
	Beverage			Food			Packaging			Power Generation and Distribution	Fuel and Oil	Infra-structure	Telecommu-nications	Others			Eliminations			Total					
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	**2010**	**2010**	**2010**	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008	2008	**2010**	2009	2008
Sales																										
External sales	**P90,407**	P82,735	P78,599	**P80,415**	P77,220	P73,830	**P19,268**	P14,258	P15,612	**P45,636**	**P10,383**	**P -**	**P -**	**P -**	P -	P -	**P -**	P -	P -	**P246,109**	P174,213	P168,041	P181	**P246,109**	P174,213	P168,222
Inter-segment sales	**139**	1,067	-	**3**	15	50	**4,172**	5,413	4,246	**65**	**246**	-	-	-	-	-	**(4,625)**	(6,495)	(4,296)	-	-	-	-	-	-	-
Total sales	**P90,546**	P83,802	P78,599	**P80,418**	P77,235	P73,880	**P23,440**	P19,671	P19,858	**P45,701**	**P10,629**	**P -**	**P -**	**P -**	P -	P -	**(P4,625)**	(P6,495)	(P4,296)	**P246,109**	P174,213	P168,041	P181	**P246,109**	P174,213	P168,222
Result																										
Segment result	**P19,194**	P14,035	P14,556	**P5,905**	P4,559	P865	**P1,999**	P1,562	P1,315	**P9,568**	**P679**	**(P73)**	**(P57)**	**(P2,727)**	(P2,769)	(P2,216)	**P289**	P2,282	P298	**P34,777**	P19,669	P14,818	(P10)	**P34,777**	P19,669	P14,808
Interest expense and financing charges																				**(16,578)**	(7,926)	(6,032)	-	**(16,578)**	(7,926)	(6,032)
Interest income																				**3,023**	5,989	6,630	-	**3,023**	5,989	6,630
Equity in net earnings (losses) of associates																				**6,817**	2,816	(1,132)	-	**6,817**	2,816	(1,132)
Gain (loss) on sale of investments and property and equipment																				**529**	50,630	8,746	-	**529**	50,630	8,746
Other income (charges) - net																				**6,926**	(6,843)	(2,262)	(9)	**6,926**	(6,843)	(2,271)
Income tax benefit (expense)																				**(11,438)**	(3,706)	(6,098)	7	**(11,438)**	(3,706)	(6,091)
Gain (loss) from discontinued operations																				-	-	-	5,425	-	-	5,425
Net income																				**P24,056**	P60,629	P14,670	P5,413	**P24,056**	P60,629	P20,083
Attributable to:																										
Equity holders of the Parent Company																				**P20,091**	P57,799	P13,935	P5,413	**P20,091**	P57,799	P19,348
Non-controlling interests																				**3,965**	2,830	735	-	**3,965**	2,830	735
Net income																				**P24,056**	P60,629	P14,670	P5,413	**P24,056**	P60,629	P20,083

For the Years Ended December 31, 2010, 2009 and 2008

	Beverage			Food			Packaging			Power Generation and Distribution	Fuel and Oil	Infra-structure	Telecommu-nications	Others			Eliminations			Consolidated		
	2010	2009	2008	**2010**	2009	2008	**2010**	2009	2008	**2010**	**2010**	**2010**	**2010**	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Other Information																						
Segment assets	**P81,412**	P76,816	P100,242	**P43,267**	P43,126	P71,122	**P32,112**	P33,689	P33,021	**P238,591**	**P158,984**	**P4,920**	**P5,881**	**P213,879**	P315,548	P241,782	**(P144,272)**	(P91,069)	(P154,247)	**P634,774**	P378,110	P291,920
Investments in and advances to associates	-	-	-	-	-	-	-	-	-	**12,931**	**804**	**1,581**	**5,125**	**132,373**	39,005	31,663	-	-	-	**152,814**	39,005	31,663
Goodwill, trademarks and brand names																				**30,491**	8,547	7,452
Other assets																				**3,764**	1,200	700
Assets held for sale																				**823**	2,746	-
Deferred tax assets																				**7,134**	8,883	7,638
Consolidated total assets																				**P829,800**	P438,491	P339,373
Segment liabilities	**P20,958**	P9,722	P26,443	**P14,755**	P23,337	P24,095	**P5,380**	P7,714	P7,659	**P225,163**	**P19,633**	**P9,530**	**P11,723**	**P121,981**	P96,547	P146,348	**(P135,218)**	(P87,690)	(P155,935)	**P293,905**	P49,630	P48,610
Drafts and loans payable																				**74,128**	56,789	48,560
Long-term debt and redeemable preferred shares																				**168,927**	72,962	49,763
Income and other taxes payable																				**10,001**	4,186	4,429
Dividends payable and others																				**2,262**	1,949	1,936
Deferred tax liabilities																				**13,752**	12,037	17,851
Consolidated total liabilities																				**P562,975**	P197,553	P171,149
Capital expenditures	**P2,240**	P1,399	P3,471	**P599**	P781	P215	**P1,490**	P1,010	P1,354	**P586**	**P364**	**P8**	**P -**	**P3,231**	P3,059	P1,397	**P-**	P -	P -	**P8,518**	P6,249	P6,437
Depreciation and amortization of property, plant and equipment	**2,248**	2,415	2,251	**906**	940	868	**1,611**	1,533	1,491	**2,468**	**210**	**9**	**55**	**370**	366	323	-	-	-	**7,877**	5,254	4,933
Noncash items other than depreciation and amortization of property, plant and equipment	**717**	763	795	**1,338**	1,167	966	**(30)**	172	(81)	**357**	**1,660**	-	**29**	**(6,875)**	2,612	2,368	-	-	-	**(2,804)**	4,714	4,048
Loss on impairment of goodwill, property, plant and equipment, and other noncurrent assets	**4,333**	3,705	-	**51**	54	-	-	695	-	-	-	-	-	-	302	322	-	-	-	**4,384**	4,756	322

8. Assets Held for Sale and Discontinued Operations

Assets Held for Sale:

a. Petron Mega Plaza

Petron has an investment property consisting of office units located at Petron Mega Plaza which has a floor area of 21,216 square meters covering the 28th - 44th floors and 209 parking lots. On December 1, 2010, Petron's BOD approved the sale of these properties to provide cash flows for various projects. The carrying amount of the investment property as of December 31, 2010 of P823 is presented as "Assets held for sale" in the consolidated statement of financial position.

Total estimated fair value of the properties amounted to P1,242. Management expects to sell the properties within the next 12 months from the reporting date.

b. Bank of Commerce (BOC) (Note 13)

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 was presented as "Assets held-for-sale" in the consolidated statements of financial position.

In 2010, SMPI's management decided not to pursue the sale of its ownership interest in BOC and reclassified it back to "Investments and advances" account in the consolidated statements of financial position. The investment was valued at its adjusted carrying amount amounting to P2,746 which at the time of reclassification was also equivalent to its recoverable amount.

Discontinued Operations:

a. Agribusiness Division of the Parent Company

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

b. 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 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 tax in 2008.

As required by PFRS 5, the financial performance of Agribusiness in 2008, was 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
Net sales		P181
Cost of sales		168
Gross profit		13
Selling and administrative expenses		(23)
Other charges - net		(9)
Loss before income tax		(19)
Income tax benefit	*25*	(7)
Loss from discontinued operations		(12)
Gain on disposal of investment - net of tax of P2,921	*25*	5,425
Net income from discontinued operations, attributable to equity holders of the Parent Company	*38*	P5,413

Basic and diluted earnings per share from discontinued operations, attributable to equity holders of the Parent Company, are presented in Note 38.

Cash flows provided by discontinued operations are presented below:

	2008
Net cash flows provided by operating activities	P1,312
Net cash flows provided by investing activities	7,786
Net cash flows provided by discontinued operations	P9,098

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

9. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2010	2009
Cash in banks and on hand	**P17,344**	P25,926
Short-term investments	**107,844**	183,485
	P125,188	P209,411

Cash in banks earns interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

10. Trade and Other Receivables

Trade and receivables consist of:

	Note	**2010**	2009
Trade		**P39,112**	P17,188
Non-trade	*35, 40*	**30,072**	31,453
Amounts owed by related parties	*34*	**11,239**	3,170
		80,423	51,811
Less allowance for impairment losses		**4,519**	2,729
	41, 42	**P75,904**	P49,082

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:

	Note	**2010**	2009
Balance at beginning of year		**P2,729**	P2,884
Charges for the year		**697**	398
Amounts written off		**(257)**	(257)
Acquisition of subsidiaries	*5*	**965**	**-**
Reversals and others		**385**	(296)
Balance at end of year		**P4,519**	P2,729

As at December 31, 2010 and 2009, the aging of receivables is as follows:

2010	**Total**	**Trade**	**Non-trade**	**Owed by related parties**
Current	**P72,754**	**P33,202**	**P28,313**	**P11,239**
Past due				
Less than 30 days	**2,625**	**2,413**	**212**	**-**
30-60 days	**1,067**	**849**	**218**	**-**
61-90 days	**476**	**387**	**89**	**-**
Over 90 days	**3,501**	**2,261**	**1,240**	**-**
	P80,423	**P39,112**	**P30,072**	**P11,239**

2009	Total	Trade	Non-trade	Owed by related parties
Current	P43,988	P11,142	P29,676	P3,170
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	P31,453	P3,170

Various collaterals for trade receivables such as bank guarantees, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behavior and extensive analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Parent Company has outstanding advances to San Miguel Corporation Retirement Plan (SMCRP) amounting to P3,997 and P2,785 as of December 31, 2010 and 2009, respectively, subject to interest of 6.5% per annum (Note 34). Interest pertaining to the said advances amounted to P82, P639 and P2,310 for the years ended December 31, 2010, 2009 and 2008, respectively (Note 32).

11. Inventories

Inventories at net realizable value consist of:

	2010	2009
Finished goods and goods in process (including petroleum products)	**P37,402**	P8,547
Materials and supplies (including coal)	**18,427**	15,355
Containers	**1,613**	1,556
	P57,442	P25,458

The cost of finished goods and goods in process amounted to P37,637 and P8,877 as of December 31, 2010 and 2009, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have decreased by P715 as of December 31, 2010.

The cost of materials and supplies as of December 31, 2010 and 2009 amounted to P19,185 and P15,879, respectively.

Containers at deposit value amounted to P1,917 and P1,851 as of December 31, 2010 and 2009, respectively.

Finished goods and goods in process include net unrealized gain of P41 and P63 on fair valuation of agricultural produce as of December 31, 2010 and 2009, respectively (Note 4). The fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P416 and P287 as of December 31, 2010 and 2009, respectively, with corresponding cost at point of harvest amounting to P375 and P224, respectively.

12. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2010**	2009
Prepaid taxes and licenses		**P10,539**	P4,180
Raw land inventory and real estate projects		**3,675**	3,062
Prepaid rent		**314**	46
Derivative assets	*41, 42*	**249**	202
Retirement assets - current portion	*36*	**221**	150
Prepaid interest		**212**	-
Prepaid insurance		**198**	66
Financial assets at FVPL	*41, 42*	**193**	-
Construction in progress - service concession arrangements	*4*	**119**	-
Others		**1,194**	1,185
		P16,914	P8,891

"Others" consist of advances to officers and employees and prepayments for various operating expenses.

Construction in progress - service concession arrangements includes the Group's accumulated costs incurred on the design of the upgrade component of the development of the Caticlan Airport (the "Project") as described in Note 35, cost of a parcel of land earmarked for such upgrade and the present value of the obligation to maintain and restore the Caticlan Airport prior to transfer to the ROP at the end of the concession period. This will be transferred and recognized as cost of construction upon commencement of the construction of the new terminal and runway (Note 4). The interest expense related to the IRO (Note 24) in 2010 amounting to P0.9 was recognized and presented as part of "Interest expense and other financing charges" in the consolidated statements of income.

13. Investments and Advances

Investments and advances consist of:

	Note	**2010**	2009
Investments in associates - at equity:			
Acquisition cost			
Balance at beginning of year		**P36,461**	P32,826
Additions		**97,017**	6,794
Acquisition of subsidiaries	*5*	**15,383**	-
Transfer to (from) assets held for sale	*8*	**3,159**	(3,159)
Disposals and reclassifications		**(4)**	-
		152,016	36,461
Accumulated equity in net earnings (losses):			
Balance at beginning of year		**1,388**	(1,163)
Equity in net earnings during the year		**6,817**	2,816
Dividends		**(2,338)**	(752)
Reclassification of investment in associate to investment in subsidiaries	*5*	**(5,095)**	-
Accumulated equity on investments transferred to (from) assets held for sale	*8*	**(413)**	413
Share in other comprehensive gains (losses)		**(422)**	252
Acquisition of subsidiaries		**(154)**	-
Impairment loss and others	*33*	**-**	(178)
Balance at end of year		**(217)**	1,388
		151,799	37,849
Advances		**1,015**	1,156
		P152,814	P39,005

The carrying amounts of investments in associates are as follows:

		2010		2009	
	Country of Incorporation	**Percentage of Ownership**	**Amount**	Percentage of Ownership	Amount
Top Frontier Investment Holdings, Inc (Top Frontier)	Philippines	**49.00**	**P92,480**	-	P -
Meralco	Philippines	**33.19**	**45,309**	27.00	32,029
BOC	Philippines	**32.77**	**6,253**	31.23	-
LTHI	Philippines	**41.48**	**3,525**	32.70	3,714
Eastern Telecoms	Philippines	**40.00**	**1,600**	-	-
Private Infra Dev Corporation (PIDC)	Philippines	**35.00**	**1,581**	35.00	1,575
Petrochemical Asia (HK) Limited (PAHL)	Hong Kong	**33.00**	**591**	-	-
Northpine Land, Inc.	Philippines	**20.00**	**247**	20.00	237
Limay Energen Corp. (LEC)	Philippines	**40.00**	**213**	-	-
SMEC	Philippines	**-**	**-**	40.00	294
			P151,799		P37,849

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

	2010	2009	2008
Current assets	**P355,184**	P100,853	P93,633
Current liabilities	**151,072**	140,332	131,582
Noncurrent assets	**197,516**	297,501	172,880
Noncurrent liabilities	**110,527**	182,838	82,829
Revenue	**253,289**	194,795	198,577
Net income (loss)	**19,290**	8,262	(3,493)

a. Top Frontier

On January 6, 2010, the Parent Company acquired a 49% stake via equity infusion in Top Frontier consisting of its subscription to 2,401,960 common shares of Top Frontier from its unissued capital stock. On January 7, 2010, the Parent Company paid P48,324 as deposit for future subscription in connection with the option granted to the Parent Company to apply the same to the subscription of 2,598,040 non-voting, redeemable, participating preferred shares of Top Frontier upon the increase in its authorized capital stock, amendment of its Articles of Incorporation and Top Frontier's compliance with its obligations related to the aforementioned investment.

The application for the increase in the authorized capital stock of Top Frontier was approved by the SEC on August 6, 2010.

The stock certificates covering the investment by the Parent Company in the 2,598,040 preferred shares of Top Frontier were issued in the name of the Parent Company on October 22, 2010.

The preferred shares are entitled to preferential dividends at a fixed rate per annum of 3% of the issue price which shall be payable quarterly in arrears and in cash. The dividends on the preferred shares shall be cumulative from and after the issue date of the preferred shares.

The preferred shares are non-voting and participating. These are redeemable in whole or in part, at the sole option of Top Frontier, equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders.

b. 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 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 down payment for said shares with the balance payable in three (3) years.

On August 9, 2010, the Parent Company's beneficial interest in Meralco increased by 6.19% upon acquisition of SMC Global, which owns 69,059,538 common shares of Meralco for a total consideration of P7,063, inclusive of transaction costs of P46. SMC Global paid P1,243 representing down payment for the said shares with balance payable in three (3) years.

The current portion of the Group's outstanding payable related to the purchase of Meralco shares as of December 31, 2010 and 2009 amounted to P14,019 and P6,527, respectively, included under "Accounts payable and accrued expenses" account, while the noncurrent portion amounting to P14,253 and P18,148 as of December 31, 2010 and 2009, respectively, is reported as part of "Other noncurrent liabilities" account.

The fair value of the Group's investment in Meralco amounted to P84,365 and P61,396 as of December 31, 2010 and 2009, respectively.

c. BOC

In 2008 and 2007, SMPI made a series of acquisitions of BOC shares and at the end of 2008, SMPI has acquired a total of 11,749,779 shares amounting to P1,749 and equivalent to 30 % equity ownership interest in BOC. In 2009, SMPI subscribed to additional shares of BOC for a total consideration of P1 thereby increasing its equity ownership interest from 30% to 31.23% as of December 31, 2009. However, in the same year, SMPI's management decided to sell SMPI's entire ownership interest in BOC and reclassified the asset to "Assets held-for-sale" in the consolidated statements of position (Note 8).

In 2010, SMPI management decided not to pursue the sale of its ownership interest in BOC and reclassified it back to "Investments and advances" and made further acquisitions of BOC shares.

In 2010, SMPI acquired additional 20,383,210 shares amounting to P3,562 from various stockholders of BOC. These acquisitions increased SMPI's equity ownership interest in BOC to 32.77% as of December 31, 2010. Of the total acquisition cost, P1,800 and P542 were paid by SMCRP and Parent Company in behalf of SMPI. These amounts remained unpaid as of December 31, 2010 (Note 34). The unpaid subscription to BOC arising from the same transaction and amounting to P521 as of December 31, 2010, is presented as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position (Note 22).

As of December 31, 2010, SMPI also has pending share purchase transactions with certain other stockholders of BOC, for the acquisition of sufficient number of shares to increase further of SMPI's equity interest in BOC to 33.86%. Pending consummation of the shares purchase transactions, advance payments made by SMPI to the sellers amounting to P221 as of December 31, 2010 were presented as advances for acquisition of additional BOC shares under the "Investment and advances" account in the consolidated statements of financial position. Accordingly, this was not considered in the determination of SMPI's percentage of equity interest in BOC.

Share in BOC's accumulated fair value gains (losses) amounted to (P201) and P54 in 2010 and 2009, respectively, and are presented as part of "Share in comprehensive income (losses) of associates" account in the consolidated statements of comprehensive income. Additionally, share in BOC's translation adjustment for losses and gains amounted to P8 and P9 in 2010 and 2009, respectively. As of December 31, 2010, cumulative translation adjustments for gains amounted to P1 and P9 in 2010 and 2009, and are presented as "Cumulative translation adjustments" in the consolidated statements of changes in equity.

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 2010 and 2009 audited financial statements of BOC to conform with 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; (b) deferral of losses on sale of non-performing loans; and (c) misstatement in the values of structured financial instruments and certain investment properties.

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, 2010 and 2009, 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. BOC's retained earnings as of December 31, 2010 and 2009 is restricted from being declared as dividend to common stockholders to the extent of the amount of cumulative cash dividend in arrears of P320 declared by BOC's BOD on December 16, 2008 in favor of stockholders of certain redeemed preferred shares. The dividend declaration is pending approval from the BSP as of December 31, 2010 and 2009.

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 33). No impairment loss on the investment was recognized in 2010 and 2008.

d. LTHI

On July 8, 2009, Vega, a wholly-owned subsidiary of the Parent Company, acquired 579,111,669 common shares 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 out of the proposed increase in the authorized capital stock 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 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 transaction was completed with a stock certificate covering the said preferred shares issued in the name of Vega on May 26, 2010.

On October 5, 2010, Vega also acquired from the public a total of 64,589,000 common shares of LTHI amounting to P221.

The fair value of the Group's capital stock investment in LTHI amounted to P4,152 and P1,564 as of December 31, 2010 and 2009, respectively.

e. PIDC

On September 11, 2009, Rapid, a wholly-owned subsidiary of SMHC, 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 P245 and P561 on November 30, 2010 and September 11, 2009, respectively.

f. PAHL

On March 13, 2010, Petron acquired 182,000,000 ordinary shares or 40% of the outstanding shares of PAHL from Vantage Stride (Mauritius) Limited ("Vantage Stride").

PAHL is a company incorporated in Hong Kong. It has an authorized capital of Hong Kong Dollar (HK$)585, consisting of 585,000,000 shares at HK$1.00 per share. Of this, 455,000,000 shares are outstanding. Silverdale (Suisse), S.A. holds the remaining 60% of the outstanding shares of PAHL.

PAHL was incorporated in March 2008 and indirectly owns, among other assets, a 160,000 metric ton-polypropylene production plant in Mariveles, Bataan.

In June 2010, another investor acquired 102,142,858 new Class "B" ordinary shares of PAHL which reduced Petron's ownership to 33%.

PAHL's business operation is expected to commence in the first quarter of 2011.

g. LEC

On August 3, 2010, Petron together with Two San Isidro SIAI Assets, Inc. (Two San Isidro), formed LEC with an authorized capital stock of P3,400. Out of its authorized capitalization, P850 has been subscribed, of which P213 has been paid up. Petron subscribed to P340 worth of shares of LEC representing 40% of the total subscribed capital, while Two San Isidro subscribed to P510 worth of shares of LEC, representing the remaining 60% of the total subscribed capital.

LEC was formed to build, operate and maintain a cogeneration power plant that will engage in a generation of power and steam for the primary purpose of supplying the steam and power requirements of Petron Bataan Refinery.

h. SMPI Advances

IGI
In June 2009, SMPI entered into a 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 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 in IGI. In 2010, the Deed of Assignment between SMPI and the Co-Venturer was consummated and SMPI became the parent company of IGI. Accordingly, the balance of its advances earmarked for such subscription was applied to the subscription price.

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 P794 as of December 31, 2010 and 2009. These advances will be applied against future subscriptions of SMPI to the shares of stock of PCHI.

14. Available-for-sale Financial Assets

Available-for-sale financial assets consist of:

	Note	**2010**	2009
Equity securities		**P2,292**	P103
Government securities		**1,049**	-
Proprietary membership shares and others		**256**	248
	41, 42	**P3,597**	P351

Acquisition of Indophil Resources NL (Indophil)
On October 8, 2010, the Parent Company entered into a share placement agreement with Indophil to subscribe to 48,016,960 common shares (Placement Shares) equivalent to approximately 10.1% of the currently issued common shares of Indophil, on a fully diluted basis.

Indophil is an Australian company listed in the Australian stock exchange, which owns a 37.5% beneficial interest in Sagitarius Mines, Inc. (SMI). SMI has the rights to the Tampakan gold and copper mine in South Cotabato.

On October 15, 2010, the Placement Shares were issued in the name of Coastal View Exploration Corporation, a subsidiary of SMHC. The total consideration for the purchase of the Placement Shares was A$41.3 (approximately US$40) or A$0.86 per Placement Share.

As of December 31, 2010, the fair value of the investment in Indophil amounted to P2,188.

Government Securities
This account consists of investments in government securities of Petrogen and ROP9 bonds of Ovincor.

Petrogen's investments bear fixed annual interest rates of 6.25% to 8.875% in 2010.

Ovincor's ROP9 bonds are maintained at the Bank of Bermuda with fixed interest rate of 8.3% to 8.9% and will mature in March 2015.

15. Interest in a Joint Venture

On August 27, 2008 and September 11, 2008, GSMI incorporated GBHL and 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 Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (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 9, 2009 and December 11, 2009, SHL ("Lender") entered into a loan agreement with SWL ("Borrower") for THB15 and THB10, respectively, to subscribe to the increase in capital stock of TSML.

On February 25, April 8 and December 7, 2010, the Lender entered into a loan agreement with the Borrower for a total of THB40 to subscribe to the increase in capital stock of 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, 2010, 2009 and 2008 of TSML which is included in the Group's consolidated financial statements:

	2010	2009	2008
Current assets	**P777**	P556	P459
Noncurrent assets	**894**	896	911
Current liabilities	**437**	409	288
Noncurrent liabilities	**310**	416	526
Revenue	**893**	474	402
Cost of sales	**826**	397	398
Operating expenses	**63**	136	70
Other income	**7**	1	1
Net income (loss)	**(11)**	59	(65)

The Group's share in the cash flows of TSML for the years ended December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Net cash flows provided by (used in) operating activities	**(P259)**	(P69)	P88
Net cash flows provided by (used in) investing activities	**792**	17	(70)
Net cash flows used in financing activities	**(106)**	(111)	(20)

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, 2010, 2009 and 2008 of TGT which is included in the Group's consolidated financial statements:

	2010	2009	2008
Current assets	**P50**	P102	P142
Noncurrent assets	**14**	30	44
Current liabilities	**276**	237	216
Noncurrent liabilities	**2**	16	29
Revenue	**232**	228	153
Cost of sales	**207**	206	121
Operating expenses	**111**	80	92
Other income	**1**	2	1
Net loss	**85**	57	60

The Group's share in the cash flows of TGT for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Net cash flows provided by (used in) operating activities	**(P50)**	P1	P18
Net cash flows provided by (used in) investing activities	**27**	14	(43)
Net cash flows provided by (used in) financing activities	**(21)**	(13)	29

TSML and TGT both started commercial operations in March 2008.

16. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Cost:													
December 31, 2008	P9,189	P23,973	P -	P -	P -	P77,345	P2,920	P1,854	P2,606	P527	P840	P5,379	P124,633
Additions	424	897	-	-	-	2,766	729	210	126	144	115	838	6,249
Disposals/reclassifications/ acquisition of subsidiaries	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
Additions	437	561	568	-	364	3,073	3,170	285	129	267	73	(409)	8,518
Disposals/reclassifications/ acquisition of subsidiaries	4,136	7,642	214,331	37,286	4,955	5,340	2,148	(334)	1,532	(219)	243	838	277,898
Currency translation adjustments	77	(385)	-	-	-	(539)	(8)	22	(9)	(3)	-	(6)	(851)
December 31, 2010	**15,277**	**32,224**	**214,899**	**37,286**	**5,319**	**86,765**	**8,615**	**2,327**	**4,194**	**702**	**1,237**	**6,097**	**414,942**
Accumulated depreciation and amortization:													
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/ acquisition of subsidiaries	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
Additions	109	745	2,464	86	42	3,630	240	168	161	157	75	-	7,877
Disposals/reclassifications/ acquisition of subsidiaries	1,197	3,358	3,147	16,459	3,700	3,015	170	(203)	1,252	(125)	107	-	32,077
Currency translation adjustments	2	(102)	-	-	-	(199)	(8)	58	(6)	(33)	1	-	(287)
December 31, 2010	**2,462**	**10,732**	**5,611**	**16,545**	**3,742**	**47,330**	**2,389**	**1,691**	**3,585**	**510**	**555**	-	**95,152**

Forward

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	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, 2008	P -	P1,090	P -	P -	P -	P3,442	P1	P10	P15	P2	P -	P -	P4,560
Additions for the year	208	1,571	-	-	-	1,852	6	3	6	-	-	-	3,646
Disposals/reclassifications/ acquisition of subsidiaries	-	(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
Additions for the year	-	1,574	-	-	-	2,248	6	-	20	-	-	-	3,848
Disposals/reclassifications/ acquisition of subsidiaries	204	(5)	-	-	-	(138)	-	7	2	(2)	-	-	68
Currency translation adjustments	-	(53)	-	-	-	(117)	-	-	(1)	(1)	-	-	(172)
December 31, 2010	**412**	**3,829**	-	-	-	**7,403**	**12**	**20**	**41**	-	-	-	**11,717**
Net book value:													
December 31, 2009	P9,265	P15,362	P -	P -	P -	P32,597	P1,312	P673	P344	P143	P549	P5,674	P65,919
December 31, 2010	**P12,403**	**P17,663**	**P209,288**	**P20,741**	**P1,577**	**P32,032**	**P6,214**	**P616**	**P568**	**P192**	**P682**	**P6,097**	**P308,073**

Depreciation, amortization and impairment losses recognized in profit or loss amounted to P11,725, P8,900 and P4,933 in 2010, 2009 and 2008, respectively (Notes 29 and 33). These amounts include annual amortizations of capitalized interest amounting to P2 in 2010, 2009 and 2008.

The Group has interest amounting to P15 and P6 which were capitalized to machinery and equipment in 2010 and 2009, respectively. The capitalization rate used to determine the amount of interest eligible for capitalization was 5.73% in 2010 and 5.96% in 2009. As of December 31, 2010 and 2009, the unamortized capitalized borrowing costs amounted to P97 and P94, respectively.

The carrying amount of power plants and transportation equipment under finance lease amounted to P209,301 and P30 as of December 31, 2010 and 2009, respectively (Note 35).

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" in the consolidated statements of income.

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.

SMFI fully complied with all the provisions of the MOA in October 2010. To formally close the pending cases filed by MAPALAD with the Supreme Court and OP, SMFI forwarded in November 2010 to the Sumilao farmers' counsels the draft of the Joint Manifestation and Motion for Dismissal for their concurrence. As of March 14, 2011, finalization of the Joint Manifestation and Motion for Dismissal is still 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 P889 and P676 in 2010 and 2009, respectively.

17. 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, 2008	P1,765	P671	P1,013	P9	P3,458
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
Additions/reclassifications	289	28	2	-	319
Disposals	(3)	(39)	-	-	(42)
Currency translation adjustments	31	(18)	-	-	13
December 31, 2010	**2,158**	**600**	**1,015**	**9**	**3,782**
Accumulated depreciation:					
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
Additions	8	22	13	-	43
Disposals/reclassifications	-	(6)	-	-	(6)
Currency translation adjustments	(2)	(6)	-	-	(8)
December 31, 2010	**87**	**233**	**929**	**9**	**1,258**
Accumulated impairment losses:					
December 31, 2008	342	73	-	-	415
Additions	3	-	-	-	3
Disposals	-	(24)	-	-	(24)
Currency translation adjustments	4	(2)	-	-	2
December 31, 2009	349	47	-	-	396
Additions	-	-	-	-	-
Disposals/reclassifications	(6)	(11)	-	-	(17)
Currency translation adjustments	13	(1)	-	-	12
December 31, 2010	**356**	**35**	**-**	**-**	**391**
Net book value:					
December 31, 2009	P1,411	P359	P97	P -	P1,867
December 31, 2010	**P1,715**	**P332**	**P86**	**P -**	**P2,133**

Impairment losses amounting to P3 in 2009 is included under "Other income (charges)" account in the consolidated statements of income (Note 33). No impairment loss was recognized in 2010.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment properties that generated income in 2010, 2009 and 2008.

18. Biological Assets

Biological assets consist of poultry, hogs and cattle as follows:

	2010	2009
Current:		
Growing stocks	**P2,559**	P2,309
Goods in process	**708**	216
Total Current	**3,267**	2,525
Noncurrent breeding stocks - net	**1,479**	1,847
	P4,746	P4,372

The amortization of breeding stocks recognized in profit or loss amounted to P1,081, P909 and P863 in 2010, 2009 and 2008, respectively.

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:

	2010	2009
Gross:		
Balance at beginning of year	**P4,598**	P6,767
Increase (decrease) due to:		
Purchases	**13,101**	13,391
Production	**11,308**	11,147
Mortality	**(414)**	(492)
Sales	**(4,693)**	(7,535)
Harvest	**(17,884)**	(15,957)
Currency translation adjustments	**(1,006)**	(2,723)
Balance at end of year	**5,010**	4,598
Accumulated amortization:		
Balance at beginning of year	**226**	2,021
Additions	**1,081**	909
Disposals and others	**(1,043)**	(2,704)
Balance at end of year	**264**	226
Net book value	**P4,746**	P4,372

The Group harvested approximately 392.2 million and 348.1 million kilograms of grown broilers, in 2010 and 2009, respectively, and 0.35 million and 0.78 million heads of marketable hogs and cattle in 2010 and 2009, respectively.

19. Goodwill and Other Intangible Assets

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

	Note	**2010**	2009
Balance at beginning of year		**P6,408**	P5,201
Additions	*5*	**24,456**	1,296
Impairment	*33*	**(461)**	(33)
Currency translation adjustments		**(152)**	(56)
Balance at end of year		**P30,251**	P6,408

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

	Note	**Trademarks and Brand Names**	**Licenses**	**Formulas and Recipes**	**Total**
Cost:					
December 31, 2008		P2,251	P -	P58	P2,309
Currency translation adjustments		21	-	-	21
December 31, 2009		2,272	-	58	2,330
Additions and acquisition of subsidiaries	*5*	-	5,221	-	5,221
Disposals and reclassifications		(1,839)	1,917	-	78
Currency translation adjustments		(3)	-	-	(3)
December 31, 2010		**430**	**7,138**	**58**	**7,626**
Accumulated amortization and impairment losses:					
December 31, 2008		-	-	-	-
Additions	*33*	133	-	-	133
December 31, 2009		133	-	-	133
Additions	*33*	64	-	-	64
Currency translation adjustments		(7)	-	-	(7)
December 31, 2010		**190**	-	-	**190**
Net book value:					
December 31, 2009		P2,139	P -	P58	P2,197
December 31, 2010		**P240**	**P7,138**	**P58**	**P7,436**

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

	Note	Service Concession Rights	Licenses	Mining Rights	Land Use Rights	Others	Total
Cost:							
December 31, 2008		P -	P118	P -	P1,820	P618	P2,556
Additions		-	-	-	-	6	6
Disposals and reclassifications		-	21	-	118	65	204
Currency translation adjustments		-	-	-	(48)	-	(48)
December 31, 2009		-	139	-	1,890	689	2,718
Additions and acquisition of subsidiaries	*5*	91	-	1,800	-	69	1,960
Disposals and reclassifications		-	62	-	-	3	65
Currency translation adjustments		-	2	-	(73)	(3)	(74)
December 31, 2010		**91**	**203**	**1,800**	**1,817**	**758**	**4,669**
Accumulated amortization and impairment losses:							
December 31, 2008		-	43	-	477	533	1,053
Additions	*33*	-	9	-	37	38	84
Disposals and reclassifications		-	-	-	144	22	166
Currency translation adjustments		-	-	-	(17)	(1)	(18)
December 31, 2009		-	52	-	641	592	1,285
Additions and acquisition of subsidiaries	*33*	1	12	-	(202)	51	(138)
Disposals and reclassifications		-	(3)	-	-	11	8
Currency translation adjustments		-	1	-	(29)	(2)	(30)
December 31, 2010		**1**	**62**	-	**410**	**652**	**1,125**
Net book value:							
December 31, 2009		P -	P87	P -	P1,249	P97	P1,433
December 31, 2010		**P90**	**P141**	**P1,800**	**P1,407**	**P106**	**P3,544**

Intangible asset-service concession right substantially represents the present value of the annual franchise fee payable to the ROP over 25 years discounted using 9% internal borrowing rate, net of accumulated amortization (Notes 4, 20 and 24).

Mining rights and licenses with finite lives and licenses, goodwill, trademarks and brand names with indefinite lives acquired through business combinations have been allocated to individual cash-generating units, for impairment testing as follows:

	2010			2009	
	Goodwill	**Licenses , Trademarks and Brand Names**	**Mining Rights**	Goodwill	Licenses, Trademarks and Brand Names
Fuel and Oil	**P22,025**	**P -**	**P -**	P -	P -
Food	**2,936**	**227**	**-**	2,943	233
Packaging	**2,026**	**-**	**-**	2,139	-
Beverage	**772**	**1,930**	**-**	1,265	1,906
Power Generation and Distribution	**-**	**-**	**1,800**	-	-
Infrastructure	**2,431**	**-**	**-**	-	-
Telecommunications	**-**	**5,221**	**-**	-	-
Others	**61**	**-**	**-**	61	-
Total	**P30,251**	**P7,378**	**P1,800**	P6,408	P2,139

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% for 2010 and 2009. 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.

Impairment loss on goodwill amounting to P461, P33 and P322 was recognized and is included in "Other income (charges)" account in 2010, 2009 and 2008, respectively (Note 33).

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 rate, which reflects 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 is 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.

20. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2010**	2009
Noncurrent receivables and deposits - net	*40, 41, 42*	**P24,783**	P5,933
Deferred containers - net	*4*	**4,420**	4,446
Project development costs	*4, 5*	**2,186**	-
Retirement assets	*36*	**147**	160
Others		**2,265**	1,929
		P33,801	P12,468

Noncurrent receivables and deposits include advances to Petron Corporation Employee Retirement Plan (PCERP) and deposits to Meralco amounting to P22,435 and P87, respectively, as of December 31, 2010, and advances to SMEC and deposits to Meralco amounting to P2 and P68 as of December 31, 2009 (Note 34).

Project development costs consist of expenses related to the development of the MRT 7 Project (Note 35) which are capitalized. These include manpower costs, engineering service costs, financing fees, technology development and consultancy service costs, overhead costs and other related project costs.

"Others" include noncurrent prepaid rent and insurance, catalysts, deferred exploration and development costs and idle assets.

Idle assets included under "Others" amounted to P169 and P235 as of December 31, 2010 and 2009, respectively (Note 33).

21. Drafts and Loans Payable

Drafts and loans payable consist of:

	Note	**2010**	2009
Parent Company			
Peso-denominated		**P22,422**	P34,331
Foreign currency-denominated		**-**	3,188
Subsidiaries			
Peso-denominated		**48,214**	16,125
Foreign currency-denominated		**3,492**	3,145
	41, 42	**P74,128**	P56,789

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 3.05% to 4.50% and 3.10% to 6.79% in 2010 and 2009, respectively. Interest rates for foreign currency-denominated loans range from 1.8% to 16.5% and 1.32% to 12.08% in 2010 and 2009, respectively.

Drafts and loans payable of the Group are not subject to covenants and warranties.

22. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2010**	2009
Trade		**P34,591**	P8,791
Payables on the purchase of shares of stock	*5, 13*	**14,839**	7,280
Non-trade		**12,383**	10,783
Amounts owed to related parties	*34*	**1,843**	32
Subscriptions payable	*13*	**1,290**	-
Retirement liabilities	*36*	**503**	572
Obligation under a put option	*4, 35*	**386**	-
Others		**3,939**	3,933
	41, 42	**P69,774**	P31,391

Derivative liabilities included under "Others" amounted to P71 and P111 as of December 31, 2010 and 2009, respectively (Notes 41 and 42).

Non-trade payables include freight payable, contract growers/breeders' fee, guarantee deposits, utilities, rent and other expenses payable to external parties, as supported by invoices, which were not paid in the month in which they are incurred.

The current portion of IRO included in "Non-trade" amounted to P2 as of December 31, 2010 (Note 35).

Others include payroll-related accruals and accrued interest payable.

23. Long-term Debt

Long-term debt consist of:

	2010	2009
Parent Company		
Unsecured term notes:		
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus an agreed margin, with maturities up to 2015 (a)	**P42,810**	P26,397
Peso-denominated:		
Floating interest rate based on PDST-F plus an agreed margin, with maturities up to 2012, 2014 and 2015 (b)	**10,838**	2,982
	53,648	29,379
Subsidiaries		
Peso-denominated:		
Bonds:		
Fixed interest rate of 8.25%, 8.875% and 10.5% maturing in 2012, 2014 and 2019, respectively (c)	**38,425**	38,416
Unsecured term notes:		
Fixed interest rate of 7% maturing in 2017 (d)	**19,779**	-
Fixed interest rate of 8.88%, 8.14% and 9.33% maturing in 2011, 2014 and 2016, respectively (e)	**16,162**	-
Fixed interest rate of 6.50% and 7.25% maturing in 2012 and 2014, respectively (f)	**2,217**	2,214
Fixed interest rate of 7.63% and 8.30% maturing in 2015 (g)	**1,493**	-
Fixed interest rate of 6.73% maturing in 2012 (h)	**767**	-
Fixed interest rate of 5.4885% maturing in 2015 (i)	**793**	-
Floating interest rate based on PDST-F plus an agreed margin, with maturities up to 2011 and 2014 (j)	**2,466**	-
Floating interest rate based on PDST-F plus an agreed margin, with maturities up to 2015 (i)	**3,668**	-
Foreign currency-denominated:		
Unsecured term notes:		
Floating interest rate based on LIBOR plus an agreed margin, with maturities up to 2015 (k)	**15,229**	-
Floating interest rate based on LIBOR plus an agreed margin, with maturities up to 2014 (l)	**12,840**	-
Floating interest rate based on VNIBOR and THBFIX plus an agreed margin, with maturities up to 2014 (m)	**1,440**	2,953
	115,279	43,583
	168,927	72,962
Less current maturities	**12,549**	1,077
	P156,378	P71,885

a. The amount represents drawdown by the Parent Company in 2010 and 2009 from the US$1,000 loan and US$600 loan facility, respectively. The drawdown was used to refinance its existing financial indebtedness and for general working capital purposes.

   The balance of the US$600 loan was paid off by the Parent Company on July 26, 2010 out of the proceeds of the US$1,000 loan facility.

   Unamortized debt issue costs related to these loans amounted to P1,030 and P1,323 as of December 31, 2010 and 2009, respectively.

b. The amount represents drawdown by the Parent Company in 2010 and 2009 for general financing and corporate requirements. Unamortized debt issue costs related to these loans amounted to P12 and P18 as of December 31, 2010 and 2009, respectively.

c. 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 aggregate principal amount of P13,590 having a term of 3 years beginning on Issue Date and ending on April 3, 2012, with a fixed interest rate of 8.25% per annum; Series B Bonds with an aggregate principal amount of 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 were used to finance SMB's acquisition of the interest of the Parent Company in IBI and in BPI. Unamortized debt issue costs related to these bonds amounted to P276 and P384 as of December 31, 2010 and 2009, respectively.

   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.

d. The amount represents P20,000 peso-denominated notes issued by Petron in 2010. The principal and interest will be translated into and paid in US dollars based on the average representative market rate at the applicable rate calculation date at the time of each payment. Unamortized debt issue cost related to this loan amounted to P222 as of December 31, 2010.

e. The amount represents fixed rate corporate notes issued by Petron amounting to P6,300 in 2006 and P5,200 and P4,800 in 2009. The P6,300 fixed rate corporate note was used to finance the construction of its Petro Fluidized Catalytic Cracker Unit and Propylene Recovery Unit and for other general financing purposes. Unamortized debt issue cost related to this loan amounted to P89 as of December 31, 2010.

f. The amount represents syndicated loans obtained by SMYAC which were used for capital expenditures. Unamortized debt issue costs related to these loans amounted to P8 and P11 as of December 31, 2010 and 2009, respectively.

g. The amount represents drawdown by GSMI in 2010, from a local bank, used for working capital requirements. Unamortized debt issue costs related to these bonds amounted to P7 as of December 31, 2010.

h. The amount represents a club loan agreement of Petron with Metropolitan Bank and Trust Company and Citibank amounting to P1,000 each in 2007. The loan bears interest of 6.73% per annum payable in 13 quarterly installments starting January 2009 up to 2012. In December 2007, Citibank assigned P900 of its interest in the Club loan agreement to the following financial institutions:

Bank Name	Amount
MayBank Phils.	P500
Mega International Commercial Bank of China	300
Robinsons Bank	100
	P900

In May 2008, Citibank assigned its remaining P100 interest to Insular Life Assurance Co. Ltd. Unamortized debt issue costs related to these loans amounted to P2 as of December 31, 2010.

i. SMFI offered for sale and subscription to the public Philippine peso-denominated fixed rate and floating rate corporate notes with principal in the aggregate amount of P800 and P3,700, respectively. Both types of bonds have a term of 5 years and 1 day beginning on December 10, 2010 and ending in December 11, 2015. The fixed rate bonds has a fixed interest rate of 5.4885% per annum, while the floating rate bond has a floating interest rate based on 3-month PDST-F plus an agreed margin. Proceeds from the issuance of the bonds will be used to fund any expansion or any investment in new businesses by SMFI and for other general corporate financing purposes. Unamortized debt issue costs related to these bonds amounted to P39 as of December 31, 2010.

j. The amount includes a loan agreement entered into by Petron with Land Bank of the Philippines in 2006 amounting to P2,000, used for capital expenditures. Unamortized debt issue costs related to these notes amounted to P1 as of December 31, 2010. It also includes a loan agreement entered into by Petron with Development Bank of the Philippines in 2010 amounting to P1,800. The loan was obtained to finance Petron's general corporate requirements.

k. The amount represents drawdown by Petron in 2010 from the US$355 loan facility for general corporate purposes and refinancing of peso-denominated debts. Unamortized debt issue costs related to this loan facility amounted to P334 as of December 31, 2010.

l. The amount represents an unsecured loan facility agreement entered into by SMB with an aggregate amount of US$300, used to finance SMB's acquisition of the international beer and malt-based beverages business from the Parent Company, through SMB's purchase of SMH's shares in SMBIL, comprising 100% of the issued and outstanding capital stock of SMBIL. Unamortized debt issue costs related to this loan facility amounted to P312 as of December 31, 2010.

m. The amount includes loan obtained by SMFBIL's subsidiaries, which was used to finance their capital expenditures. It also includes the 44.9% share of the loan of TSML in 2010 and 2009 to finance its plant constructions and start up operations. Unamortized debt issue costs related to these loans amounted to P1 and P2 as of December 31, 2010 and 2009, 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, 2010 and 2009, the Group is in compliance with the covenants of the debt agreements.

The movements in debt issue costs are as follows:

	Note	**2010**	2009
Balance at beginning of year		**P1,738**	P424
Additions and reclassification		**2,404**	1,889
Amortization	*31*	**(1,808)**	(575)
Balance at end of year		**P2,334**	P1,738

Repayment Schedule
As of December 31, 2010, the annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2011	P12,722	P173	P12,549
2012	21,084	589	20,495
2013	5,059	351	4,708
2014	33,569	578	32,991
2015	71,505	535	70,970
2016	4,512	42	4,470
2017	20,000	36	19,964
2019	2,810	30	2,780
Total	**P171,261**	**P2,334**	**P168,927**

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 41.

24. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	Note	**2010**	2009
Payables on the purchase of shares of stock	*5, 13*	**P15,063**	P18,148
ARO	*4*	**815**	-
Retirement liabilities	*36*	**132**	192
Obligation to the Philippine Government - service concession agreement	*4, 19, 20*	**77**	-
IRO	*4, 20*	**45**	-
Redeemable preferred shares	*4*	**12**	-
Subscriptions payable		**-**	1,014
Cash bonds, cylinder deposits and others		**1,016**	231
		P17,160	P19,585

Redeemable preferred shares represent preferred shares of TADHC. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares shall be preferred as to dividends, which shall be given on the face of coupons, at the rate of 90% of the 1 year PDST-F rate. The dividends shall be cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount thereof is covered by available unrestricted retained earnings.

The preferred shares are mandatorily redeemable at the end of the ten-year period from and after the issuance of the preferred shares. The redemption price is equivalent to the principal amount, plus all unpaid coupons. At the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part.

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares shall be entitled to be paid in full or proportionately to the extent that the remaining assets of TADHC will permit, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period, before any assets of TADHC shall be paid or distributed to the holders of the common shares.

25. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2010	2009
Allowance for impairment losses on trade and other receivables and inventory	**P1,745**	P1,163
MCIT	**434**	1,145
NOLCO	**392**	753
Undistributed net earnings of foreign subsidiaries	**(10,137)**	(11,213)
Unrealized intercompany charges and others	**948**	4,998
	(P6,618)	(P3,154)

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

	Note	**2010**	2009
Deferred tax assets	*4*	**P7,134**	P8,883
Deferred tax liabilities		**(13,752)**	(12,037)
		(P6,618)	(P3,154)

The undistributed earnings of foreign subsidiaries and cumulative translation adjustments for which deferred tax liabilities have not been recognized totaled P10,291 and P11,425 as of December 31, 2010 and 2009, respectively.

As of December 31, 2010, 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
2008	December 31, 2011	P3	P122
2009	December 31, 2012	1,304	312
		P1,307	**P434**

The components of income tax expense are shown below:

	Note	**2010**	2009	2008
Current		**P11,517**	P10,254	P7,907
Deferred		**(79)**	(6,548)	(1,809)
Income tax expense from continuing operations		**11,438**	3,706	6,098
Income tax benefit from ordinary activities of discontinued operations	*8*	**-**	-	(7)
Income tax expense from gain on disposal of discontinued operations	*8*	**-**	-	2,921
		P11,438	P3,706	P9,012

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

	2010	2009	2008
Statutory income tax rate	**30.00%**	30.00%	35.00%
Increase (decrease) in income tax rate resulting from:			
Equity in net losses (earnings) of associates	**(5.76)**	(1.31)	1.91
Interest income subject to final tax	**(2.56)**	(2.79)	(11.17)
Loss (gain) on derivatives	**(0.56)**	(0.45)	18.06
Gain on sale of investments subject to final or capital gains tax	**-**	(23.52)	(12.05)
Others, mainly income subject to different tax rates and change in tax rate - net	**11.10**	3.83	(2.38)
Effective income tax rate	**32.22%**	5.76%	29.37%

26. 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 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.

On July 27, 2010, the Parent Company's BOD approved the offer to issue approximately 1,000,000,000 common shares (from unissued capital stock and treasury shares) at a price of not less than P75.00 per share. The proceeds will be used to finance investments and acquisitions of the Parent Company.

b. *Capital Stock*

Common Stock
Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company shall be considered as common shares without distinction, as approved by the SEC. Both shall be available for foreign investors, subject to the foreign ownership limit.

The movements in the number of issued and outstanding shares of common stock are as follows:

	2010
Balance at beginning of year	**3,229,944,942**
Issuances during the year	**38,649,312**
Issued shares at end of year	**3,268,594,254**
Less treasury shares	**938,648,724**
Issued and outstanding shares at end of year	**2,329,945,530**

	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 have 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 are non-voting except as provided for under the Corporation Code. 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.

On December 8, 2010, the Parent Company listed 873,173,353 Series "1" preferred shares worth P65,488, representing 27.6% of its outstanding stock.

As of December 31, 2010 and 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 the Parent Company, 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

As of December 31, 2010, the Parent Company holds 938,648,724 common treasury shares.

d. The Group's unappropriated retained earnings includes its accumulated equity in net earnings of subsidiaries and associates amounting to P16,429, P18,184 and P57,482 in 2010, 2009 and 2008, 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, 2010 and 2009 is restricted in the amount of P69,541, representing the cost of shares held in treasury.

e. The BOD of certain subsidiaries approved additional appropriations amounting to P200, P15 and P176 in 2010, 2009 and 2008, respectively, to finance future capital expenditure projects. Reversal of appropriations in 2010, 2009 and 2008 amounted to P27, P40 and P688, respectively.

27. Cost of Sales

Cost of sales consist of:

	Note	**2010**	2009	2008
Inventories		**P102,166**	P75,051	P76,205
Taxes and licenses		**23,343**	21,515	19,703
Fuel and oil		**17,504**	2,170	3,267
Depreciation and amortization	*29*	**7,287**	4,994	4,660
Contracted services		**5,929**	4,682	4,296
Freight, trucking and handling		**5,504**	4,392	4,230
Communications, light and water		**4,585**	3,662	4,232
Personnel	*30*	**3,827**	3,802	3,815
Repairs and maintenance		**1,962**	1,827	1,584
Rent	*4, 35*	**507**	455	550
Others		**1,292**	1,745	1,530
		P173,906	P124,295	P124,072

28. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2010	2009	2008
Selling	**P18,239**	P12,905	P13,518
Administrative	**19,187**	17,344	15,633
	P37,426	P30,249	P29,151

Selling expenses consist of:

	Note	**2010**	2009	2008
Freight, trucking and handling		**P5,922**	P2,021	P2,049
Advertising and promotions		**4,977**	4,980	5,697
Personnel	*30*	**4,180**	3,635	3,251
Rent	*4, 35*	**1,200**	1,060	995
Depreciation and amortization	*29*	**419**	221	248
Supplies		**326**	251	281
Taxes and licenses		**271**	249	213
Communications, light and water		**193**	218	169
Professional fees		**131**	45	43
Others		**620**	225	572
		P18,239	P12,905	P13,518

Administrative expenses consist of:

	Note	**2010**	2009	2008
Personnel	*30*	**P8,081**	P7,385	P6,771
Depreciation and amortization	*29*	**2,403**	2,110	1,859
Professional fees		**1,750**	2,383	1,283
Advertising and promotion		**1,201**	822	1,614
Taxes and licenses		**794**	673	617
Supplies		**755**	711	710
Communications, light and water		**713**	644	692
Repairs and maintenance		**680**	952	867
Freight, trucking and handling		**513**	270	316
Research and development		**236**	212	299
Rent	*4, 35*	**88**	605	251
Others	*40*	**1,973**	577	354
		P19,187	P17,344	P15,633

"Others" consist of entertainment and amusement, gas and oil, and other operating and administrative expenses.

29. Depreciation, Amortization and Impairment

Depreciation and amortization are distributed as follows:

	Note	**2010**	2009	2008
Cost of sales:				
Property, plant and equipment	*16*	**P6,192**	P3,852	P3,604
Deferred containers, biological assets and others	*18, 20*	**1,095**	1,142	1,056
	27	**7,287**	4,994	4,660
Selling and administrative expenses:				
Property, plant and equipment	*16*	**1,685**	1,402	1,329
Deferred containers and others	*20, 33*	**1,137**	929	778
	28	**2,822**	2,331	2,107
		P10,109	P7,325	P6,767

"Others" include amortization of computer software, land use rights, licenses and investment properties.

30. Personnel Expenses

Personnel expenses consist of:

	Note	**2010**	2009	2008
Salaries and wages		**P7,990**	P7,205	P6,440
Retirement costs	*36*	**285**	594	857
Other employee benefits		**7,813**	7,023	6,540
		P16,088	P14,822	P13,837

Personnel expenses are distributed as follows:

	Note	**2010**	2009	2008
Cost of sales	*27*	**P3,827**	P3,802	P3,815
Selling expenses	*28*	**4,180**	3,635	3,251
Administrative expenses	*28*	**8,081**	7,385	6,771
		P16,088	P14,822	P13,837

31. Interest Expense and Other Financing Charges

	2010	2009	2008
Interest expense	**P13,870**	P6,780	P5,370
Other financing charges	**2,708**	1,146	662
	P16,578	P7,926	P6,032

Amortization of debt issue costs in 2010, 2009 and 2008 included in other financing charges amounted to P1,808, P575 and P374, respectively (Note 23).

Interest expense on drafts and loans payable and long-term debt are as follows:

	2010	2009	2008
Drafts and loans payable	**P3,035**	P2,916	P2,960
Long-term debt	**10,835**	3,864	2,410
	P13,870	P6,780	P5,370

32. Interest Income

Interest income consist of:

	Note	**2010**	2009	2008
Interest from short-term investments, cash in banks and others		**P2,941**	P5,350	P4,320
Interest on amounts owed by a related party	*10*	**82**	639	2,310
		P3,023	P5,989	P6,630

33. Other Income (Charges)

Other income (charges) consist of:

	Note	**2010**	2009	2008
Foreign exchange gains (losses)		**P6,097**	(P3,364)	P8,684
Gain on acquisition of a subsidiary	*5, 39*	**4,490**	-	-
Gains (losses) on derivatives - net	*42*	**660**	962	(10,718)
Loss on impairment of goodwill, trademark and brand name, property, plant and equipment and idle assets (a, b, c, d)	*16, 17 ,19*	**(4,233)**	(4,756)	(322)
Others (b)		**(88)**	315	94
		P6,926	(P6,843)	(P2,262)

a. In 2010 and 2009, the Group recognized impairment loss on noncurrent assets of SMBHK and San Miguel (Guangdong) Brewery Company Limited (SMGB). Over the past three years, the Group's business performance of SMBHK and SMGB had been adversely affected by factors including economic downturns, fierce market competition, counterfeit products and poor weather conditions.

SMBHK

In 2010, the recoverable amount of SMBHK cash-generating unit (CGU) has been determined using the value in use calculation derived on the cash flow projections based on the business forecasts approved by the management covering a period of five years on which cash flows beyond the covered periods are extrapolated using a steady growth rate of 2%.

Key assumptions used for value in use calculation are as follows:

	2010
Sales volume growth rate	**1.7 - 12.6%**
Gross contribution rate	**40 - 43%**
Pre-tax discount rate	**9.85%**

SMGB
In 2010, the estimates of recoverable amount of SMGB CGU were based on the assets' fair values less costs to sell, determined by reference to the observable market prices for similar assets on which the Group engaged an independent firm of surveyors, LCH (Asia-Pacific) Surveyors Limited, who have among their staff Members of the Hong Kong Institute of Surveyors. In 2009 however, the estimated recoverable amount of the mainland China CGU was determined using 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 CGU. Cash flows beyond the six-year period were extrapolated using a steady growth rate of 4%.

Key assumptions used for value in use calculation are as follows:

	2009
Sales volume growth rate	5.5 - 7.3%
Gross contribution rate	39 - 40%
Pre-tax discount rate	13.17%

Management determined the growth rate and gross contribution rate based on past experiences, future expected market trends and an intermediate holding company's import plan of beer brewed by the Group.

As of December 31, 2010 and 2009, the Group assessed the recoverable amounts of the CGUs to which these assets belong, and as a result, the carrying amounts of the assets in the CGUs were written down by P4,333 and P3,705, respectively, presented as follows:

	Note	**2010**	2009
Other charges		**P4,182**	P3,705
Selling and administrative expenses	*29*	**151**	-
		P4,333	P3,705

b. In 2010 and 2009, the Group recognized provisions for impairment loss on land and idle assets (included under "Other noncurrent assets") amounting to P51 and P54, respectively, 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 20). In 2010, following the recent appraisal reports, the Group reversed the impairment loss on land amounting to P46 which was included under "Others".

c. In 2009, the Group reduced the carrying amount of certain assets of SMPPC by a total of P694 after the latter ceased its commercial operations on July 27, 2009.

d. On December 31, 2008, the Group reviewed the recoverable amount of its investment in shares of stock of Star Dari, Inc. (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 19).

34. Related Party Disclosures

Transactions with related parties are made at normal market prices. For the years ended December 31, 2010, 2009 and 2008, 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 P3,997 and P2,785 as of December 31, 2010 and 2009, respectively, included as part of "Trade and other receivables" account (Note 10).

b. The Parent Company has advances to Top Frontier amounting to P2,543 as of December 31, 2010, included as part of "Trade and other receivables" account (Note 10).

c. SMPI has advances from SMCRP amounting to P1,800 as of December 31, 2010, included as part of "Accounts payable and accrued expenses" account (Notes 13 and 22). SMPI used the proceeds of the advances mainly for the acquisition of additional BOC shares. As of December 31, 2010, SMPI also has outstanding advances to SMCRP amounting to P2 included as part of "Trade and other receivables" account (Note 10).

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

Year	Sales	Purchases of Utilities	Included under "Trade and other receivables" account (Note 10)	Included under "Accounts payable and accrued expenses" account (Note 22)
2010	P17,103	P490	P4,548	P43
2009	P -	P692	P72	P32

In 2010 and 2009, the Group has noncurrent receivables and deposits from Meralco amounting to P87 and P68, respectively (Note 20).

e. As of December 31, 2010, Vega has advances to LTHI which amounted to P145 included as part of "Trade and other receivables" account (Note 10).

f. As of December 31, 2010, the Group has outstanding receivables from BOC amounting to P4 included as part of "Trade and other receivables" account (Note 10).

g. As of December 31, 2010, Petron has noncurrent receivables of P22,435 from PCERP (Note 20). Such advance is subject to interest of 4% per annum.

h. 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 10 and 20).

i. The compensation of key management personnel of the Group, by benefit type, follows:

	2010	2009	2008
Short-term employee benefits	**P408**	P378	P200
Retirement costs (income)	**(147)**	37	19
Share-based payments	**31**	56	53
	P292	P471	P272

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	**2010**	2009	2008
Short-term employee benefits		**P30**	P46	P118
Retirement costs	*36*	**-**	1	9
Share-based payments	*40*	**24**	43	55
	28	**P54**	P90	P182

35. Significant Agreements and Lease Commitments

Significant Agreements:

Power

Market Participation Agreements (MPA)
SMEC, SPDC, SPPC and PEHI have entered into MPA with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by Energy Regulatory Commission.

The Group purchases power from WESM during periods when the power generated from power plants are not sufficient to meet customers' power requirements.

Power Supply Agreements
SMEC and SPPC have Power Supply Agreements with various counterparties to supply or sell electricity produced by the power plants. All agreements provide for renewals or extensions subject to mutually agreed terms and conditions by both parties.

The customers are billed based on the time-of-use per kilowatt hour (TOU/kWh). However, as stipulated in the contracts, each customer has to pay the minimum charge based on the contracted power using the basic energy charge and adjustments if customer has not fully taken or failed to consume the contracted power. As of December 31, 2010, all customers are above their minimum contracted power requirements.

Coal Supply Agreement
SMEC entered into a Supply Agreement for Steaming Coal with PT Bumi Resources Tbk's subsidiary PT Kaltim Prima Coal through Topcoal Trading Corporation for the coal requirements of the Sual Power Plant from October 1, 2009 to September 30, 2010. Under the agreement, the parties shall negotiate and agree on the contract price of the coal at least 30 days prior to the delivery. The agreement is renewable at such terms and conditions as agreed upon by the parties in writing. The agreement was renewed on September 30, 2010.

Fuel and Oil

Supply Agreement
Petron and Arabian American Oil Company ("Saudi Aramco") have a term contract to purchase and supply, respectively, 90% of Petron's monthly crude oil requirements at Saudi Aramco's standard far east selling prices. The contract is for a period of one year from October 28, 2008 to October 27, 2009 with automatic one-year extensions thereafter unless terminated at the option of either party, within 60 days written notice. Outstanding liabilities of Petron for such purchases are shown as part of "Accounts payable and accrued expenses - trade" account in the consolidated statements of financial position. The contract was extended until October 27, 2011.

Fuel Supply Contract with NPC
Petron entered into various fuel supply contracts with NPC. Under the agreements, Petron supplies the bunker fuel and diesel fuel oil requirements to selected NPC plants and NPC-supplied IPP plants.

Infrastructure

Concession Agreement

- TADHC

  In 2009, the ROP awarded TADHC the Project through a Notice of Award (NOA) issued on May 15, 2009. The Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under Republic Act (RA) No. 6957, as amended by RA 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations.

  On June 22, 2009, TADHC entered into a CA with the ROP, through the DOTC and Civil Aviation Authority of the Philippines. Based on the CA, TADHC has been granted with the concession of the Project which includes the extension or expansion of the Caticlan Airport. Subject to existing law, the CA also grants to TADHC the Franchise to operate and maintain the Caticlan Airport up to the end of the concession period, which is for a period of 25 years, and to collect the fees, rentals and other charges as may be agreed from time to time based on the Parametric Formula as defined in the CA. The CA may be renewed or extended

for another 25 years upon written agreement of the parties hereto through the execution of a renewal or extension contract.
The following are the salient features of the CA:

1. The operations and management of the Caticlan Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Caticlan Airport.

2. As concessionaire , TADHC shall have full responsibility in all aspect of the operation and maintenance of the Caticlan Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Caticalan Airport, TADHC shall post in favor of the ROP an Operations and Maintenace Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As of December 31, 2010, TADHC has not paid the OMPS yet since it is due only after the completion of the construction of the Project.

3. Immediately upon receiving the Notice to Commerce Implementation (NCI) and provided all conditions precedent in the CA are fulfilled and waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Caticlan Airport in to a larger and more technologically advanced aviation facility to allow international airport operations.

4. TADHC shall finance the Project cost, while maintaining a debt-to-equity ratio of 70:30. TADHC's estimated capital commitment to develop the Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with by TADHC as of December 31, 2010.

5. TADHC shall post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC to develop the Project. This performance security shall be partially released by the ROP from time to time to the extent of the percentage of completion of the Project. In 2010, TADHC has paid P1 premium for the Work Performance Security. The unamortized portion of which was presented as part of the "Prepaid expenses and other current assets - Others" in the consolidated statements of financial position (Note 12).

6. In consideration for allowing TADHC to operate and manage the Caticlan Airport, TADHC shall pay ROP P8 annually. The first payment shall be made immediately upon the turnover by the ROP of the operations and management of the Caticlan Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the airport was turned over to TADHC on October 16, 2010.

After the fulfillment of all contractual and legal requirements, the CA became effective on December 7, 2009. The Notice to Commence Implementation issued to TADHC by the DOTC was accepted by TADHC on December 18, 2009.

In accordance with the license granted by the ROP, as expressly indicated in the CA, TADHC presently operates the Caticlan Airport and has started the rehabilitation of the existing airport building and facilities which is part of the Project. However, the upgrade component of the Project has yet to be started as of December 31, 2010.

- ULC BVI

  In 2008, the ROP awarded ULC BVI the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT Line 7 Project (the "MRT 7 Project") through a NOA issued on January 31, 2008. The MRT Project is proposed to be an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage (BGTOM) scheme which is a modified Build-Transfer-Operate (BTO) arrangement under (RA) No. 6957, as amended by RA 7718, otherwise known as the BOT Law, and its Implementing Rules and Regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

  On June 18, 2008, ULC BVI entered into a CA (MRT 7 Agreement) with the ROP, through the DOTC, for a 25-year concession period, subject to extensions as may be provided for under the CA and by law. Based on the CA, ULC BVI has been granted the right to finance, construct, Operate and Maintain (O&M) the proposed MRT Line 7, which consists of 44-kilometer of road and rail transportation from the Bocaue exit on the North Luzon Expressway to LRT 1 and Metro Rail Transit 3 at North Avenue - Epifanio delos Santos Avenue.

  The following are the salient features of the CA:

  1. The MRT 7 Project cost shall be financed by ULC BVI through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the CA, ULC BVI's estimated capital commitment to develop the Project amounts to US$1,235.60. ULC BVI shall endeavor to have signed the financing agreements not later than 18 months from the signing of the CA.

  2. ULC BVI shall post a Performance Security for Construction and O&M in favor of the ROP as guarantee for faithful performance by ULC BVI to develop the Project. This performance security for O&M shall be reduced every year of the concession period to the amounts as specified in the CA.

  3. In the event that the MRT 7 Project is not completed by the end of the grace period, which is 100 calendar days following the project completion target as defined in the CA, ULC BVI shall pay the ROP liquidated damages of US0.1 for every calendar day of delay.

  4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC BVI a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the CA. The ROP's amortization payment to ULC BVI shall start when the MRT 7 Project is substantially completed.

  5. Net passenger revenue shall be shared by the ROP and ULC BVI on a 30/70 basis.

6. All rail-based revenues above 11.90% internal rate of return of ULC BVI for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC BVI and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.

7. The ROP grants the ULC BVI exclusive and irrevocable commercial development rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the CA until the end of the concession period, extendible for another 25 years, subject to the ROP's approval. In consideration of the development rights granted, ULC BVI or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the development rights.

The Group has determined that the provisions of IFRIC 12 apply to this CA and will be accounted for under the financial asset model. However, as of December 31, 2010, construction of the MRT 7 Project has not yet started.

Telecommunications

Franchise with National Telecommunications Commission (NTC)
In 1994, the Philippine Congress passed RA No. 7692 which granted a franchise to BellTel to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes.

On October 28, 1997, the NTC, under NTC Case No. 92-339, granted a Provisional Authority (PA) to BellTel, valid for eighteen (18) months, or until April 27, 1999, to install, operate and maintain the following telecommunication services, to wit:

- international gateway facility;
- inter-exchange carrier facility;
- VSAT system nationwide;
- Telephone systems in the selected cities and municipalities in the Luzon area;
- Wireless Local Loop telephone systems in the Cities of Muntinlupa, Las Piñas, Pasig, Mandaluyong, Makati, Pasay, Parañaque, Taguig and Marikina; and in the Municipalities of Pateros and San Juan; and
- telephone systems in all economic zones identified under RA No. 7916.

Since then, this PA had been extended several times, the latest extension of which is valid until December 22, 2010 as contained in NTC's order dated September 19, 2009.

In an Order dated October 19, 2007 (CCC Case No. 94-223), the NTC granted BellTel a PA, valid for 18 months or until April 19, 2009, to install, operate and maintain a Mobile Telecommunication Network as set forth in the said Order. This PA was later extended for a period of three (3) years or until April 17, 2012 as per NTC Order dated August 14, 2009.

Prior to the extension of the PA in CCC Case No. 94-229, the NTC has issued a show cause order in January 2009 against BellTel for non-usage of assigned frequencies within the 1710-1720/1805-1815 megahertz band, which are within the wireless local loop band and this was regarded as in violation of the PA and the provisions of RA No. 3846 and NTC Memorandum Circular No. 3-3-96. However, in a decision dated August 4, 2009, the NTC resolved that BellTel has not violated the NTC Order and thus is not liable as charged and the case filed against BellTel was dismissed and closed.

Properties

SMPI-GSIS Put Option
The Put Option between SMPI and GSIS can be exercised within a period of 10 years starting October 2008, which is the first anniversary of the original issuance of the shares to GSIS but effectively became exercisable only in 2010. The option exercise price is equivalent to P300 plus interest on such amount at the rate specified below.

Year	Annual Interest Rate	Amount
1	10%	P330
2	10%	363
3	10%	399
4	10%	439
5	10%	483
6	8%	522
7	8%	564
8	8%	609
9	8%	657
10	8%	710

Any dividends declared and paid to stockholders prior to the exercise of the Put Option by GSIS will be deducted from interest provided above upon exercise of the option. As of December 31, 2010, the carrying amount of the obligation related to the Put Option amounts to P386 and is presented under "Accounts payable and accrued expenses" account in the 2010 consolidated statement of financial position (Note 22). Accretion expense of the obligation under a put option amounts to P2 and is presented as part of "Interest expense and other financing charges" in the consolidated statements of income.

Lease Commitments:

a. Finance Leases

Leases as Lessee

i. IPP Administration Agreements (Note 5)

The IPP Administration Agreements are with the conformity of NPC, a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees the terms of the Agreement and further confirms that for so long as it remains the IPP Counterparty it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The SMEC, SPDC and SPPC have opened a performance bond of US$58, US$20 and US$60, respectively, with the bank which expires on November 3, 2011, January 25, 2012 and June 16, 2011, respectively.

Relative to the IPPA agreements, SMEC, SPDC and SPPC have to pay PSALM monthly fees for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively.

The IPPA agreements provide the Group with a right to receive a transfer of the power station in case of buyout or termination.

In accounting for the Group's IPP Administration Agreements with PSALM, the Group's management has made a judgment that the IPP Administration Agreement is an agreement that contains a finance lease. The Group's management has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plants. Accordingly, the Group recognized the capitalized asset and related liability of P209,303 and P208,394 (equivalent to the present value of the minimum lease payments using the Group's incremental borrowing rates for US dollar and Philippine peso payments) as "Power plants" and "Finance lease liabilities" in the consolidated statements of financial position.

The Group's incremental borrowing rates are as follows:

	US Dollar	Philippine Peso
SMEC	3.89%	8.16%
SPDC	3.30%	7.90%
SPPC	3.85%	8.05%

The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and recognized as "Interest expense" in the consolidated statements of income. Interest expense in 2010 amounted to P5,299.

The future minimum lease payments for each of the following periods are as follows:

	Dollar payments	**Peso equivalent of dollar payments**	**Peso payments**	**Total**
Not later than one year	**US$129**	**P5,671**	**P6,109**	**P11,780**
More than one year and not later than five years	**861**	**37,731**	**41,203**	**78,934**
Later than five years	**2,486**	**108,981**	**114,966**	**223,947**
	3,476	**152,383**	**162,278**	**314,661**
Less: Future finance charges on finance lease liabilities	**897**	**32,888**	**73,379**	**106,267**
Present values of finance lease liabilities	**US$2,579**	**P119,495**	**P88,899**	**P208,394**

The present values of minimum lease payments for each of the following periods are as follows:

	Dollar payments	Peso equivalent of dollar payments	Peso payments	Total
Not later than one year	**US$123**	**P5,406**	**P5,529**	**P10,935**
More than one year and not later than five years	**743**	**32,566**	**30,316**	**62,882**
Later than five years	**1,713**	**81,523**	**53,054**	**134,577**
	US$2,579	**P119,495**	**P88,899**	**P208,394**

ii. Automobiles

The Group's finance leases also cover automobiles needed for business operations. These 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, 2010 and 2009, the net carrying amount of leased transportation equipment was P13 and P30, respectively.

The Group's minimum lease payments of the finance lease liabilities relating to automobiles are as follows:

2010	**Minimum lease payable**	**Interest**	**Principal**
Within one year	**P14**	**P3**	**P11**
After one year but not more than five years	**3**	**1**	**2**
	P17	**P4**	**P13**

2009	Minimum lease payable	Interest	Principal
Within one year	P14	P1	P13
After one year but not more than five years	19	2	17
	P33	P3	P30

Leases as Lessor

The Group leases some of its machinery and equipment under finance lease agreements to a third party logistics provider. The Group provides the lessee the option to purchase the equipment at the end of the lease term.

The current finance lease receivables included under "Trade and other receivables" in the consolidated statements of financial position are as follows:

	December 31, 2009		
	Minimum lease receivable	Interest	Principal
Within one year	P5	P -	P5

The Group does not have future lease receivable under finance lease as of December 31, 2010.

b. Operating Leases

Leases as Lessor
The Group has entered into lease agreements on its investment property portfolio, consisting of surplus office spaces (Note 17). 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, 2010, 2009 and 2008, the future minimum lease receipts under non-cancellable operating leases are as follows:

	2010	2009	2008
Within one year	**P380**	P78	P94
After one year but not more than five years	**541**	62	114
After five years	**52**	-	-
	P973	P140	P208

Rent income recognized in profit or loss amounted to P267, P545 and P402 in 2010, 2009 and 2008, 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, 2010, 2009 and 2008, non-cancellable operating lease rentals are payable as follows:

	2010	2009	2008
Within one year	**P866**	P35	P290
After one year but not more than five years	**2,412**	109	748
More than five years	**7,196**	409	35
	P10,474	P553	P1,073

36. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit 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, 2010. Valuations are obtained on a periodic basis.

Retirement costs (benefits) charged by the Parent Company to operations amounted to (P371), P65 and P422 in 2010, 2009 and 2008, respectively, while those charged by the subsidiaries amounted to P656, P529 and P435 in 2010, 2009 and 2008, 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 profit or loss in 2010, 2009 and 2008 and the amounts recognized in the consolidated statements of financial position as of December 31, 2010 and 2009 are as follows:

	2010	2009	2008
Current service cost	**P652**	P486	P532
Interest cost	**1,082**	992	834
Expected return on plan assets	**(1,170)**	(868)	(772)
Net actuarial loss (gain)	**(282)**	(64)	49
Effect of curtailment	**3**	(24)	-
Amortization of transitional liability	-	66	173
Past service costs	-	6	41
Net retirement costs	**P285**	P594	P857
Actual return on plan assets	**P25,920**	P6,099	P477

The retirement costs are recognized in the following line items in the consolidated statements of income:

	Note	**2010**	2009	2008
Cost of sales	*27*	**P143**	P123	P144
Selling and administrative expenses	*28*	**142**	471	713
	30	**P285**	P594	P857

The reconciliation of the assets and liabilities recognized in the consolidated statements of financial position is as follows:

	Note	**2010**	2009
Present value of defined benefit obligation		**P18,386**	P12,362
Fair value of plan assets		**43,964**	15,178
		(25,578)	(2,816)
Unrecognized actuarial gain	*4*	**25,846**	3,271
Unrecognized past service costs		**(1)**	(1)
Net retirement liabilities		**P267**	P454

Net retirement assets and liabilities in 2010 are included as part of "Prepaid and other current assets" and "Others" under "Other noncurrent assets" accounts amounting to P221 and P147, respectively (Notes 12 and 20), and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P503 and P132, respectively as of December 31, 2010 (Notes 22 and 24).

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 (Notes 12 and 20), and under "Accounts payable and accrued expenses - others" and "Other noncurrent liabilities" accounts amounting to P572 and P192, respectively (Notes 22 and 24).

The movements in the present value of defined benefit obligation are as follows:

	2010	2009
Balance at beginning of year	**P12,362**	P11,080
Benefit obligation of a new subsidiary	**4,264**	-
Interest cost	**1,346**	992
Current service cost	**652**	486
Past service costs	**-**	4
Benefits paid	**(2,324)**	(1,817)
Actuarial losses	**1,919**	1,628
Effect of curtailment	**163**	(11)
Translation adjustments	**4**	-
Balance at end of year	**P18,386**	P12,362

The movements in the fair value of the plan assets are as follows:

	2010	2009
Balance at beginning of year	**P15,178**	P10,232
Plan assets of a new subsidiary	**4,443**	-
Expected return	**1,469**	868
Contributions by employer	**698**	660
Benefits paid	**(2,324)**	(1,813)
Effect of curtailment	**41**	-
Actuarial gains	**24,451**	5,231
Translation adjustments	**8**	-
Balance at end of year	**P43,964**	P15,178

Plan assets consist of the following:

	In Percentages	
	2010	2009
Stock trading portfolio	**2**	4
Fixed income portfolio	**52**	62
Others	**46**	34

As of December 31, 2010, the plan assets include 551,670 common shares of the Parent Company with fair market value per share of P163.80.

As of December 31, 2009, the plan assets include 10,000 Class "A" common shares and 20,000 Class "B" common shares of the Parent Company with fair market values per share of P68.50 for Class "A" and Class "B" common shares.

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. The fair market value per preferred share was P87.00 as of December 31, 2010.

SMCRP's 38.19% and 21% investment in shares of stock of BOC as of December 31, 2010 and 2009, respectively, is included 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	
	2010	2009
Discount rate	**5 - 8**	8 - 11
Salary increase rate	**8**	8
Expected return on plan assets	**10**	10

The historical information for the current and previous four annual periods is as follows:

	2010	2009	2008	2007	2006
Present value of the defined benefit obligation	**P18,386**	P12,362	P11,080	P11,332	P14,236
Fair value of plan assets	**43,964**	15,178	10,232	10,726	10,241
Deficit (excess) in the plan	**(25,578)**	(2,816)	848	606	3,995
Experience adjustments on plan liabilities	**(132)**	927	6	933	(188)

The Group expects to contribute P285 to its defined benefit plans in 2011.

37. Cash Dividends

Cash dividends declared by the Parent Company's BOD to common shareholders amounted to P6.75 per share and P0.70 per share as of December 31, 2010 and 2009, respectively.

Cash dividends declared by the Parent Company's BOD to preferred shareholders amounted to P6.00 per share as of December 31, 2010.

On February 10, 2011, the Parent Company's BOD declared cash dividends at P1.50 per share, payable on February 18, 2011 to all preferred shareholders as of February 4, 2011.

On March 14, 2011, the Parent Company's BOD declared cash dividends at P0.35 per share, payable on April 11, 2011 to all common shareholders as of March 28, 2011.

38. Basic and Diluted Earnings Per Share

Basic and Diluted EPS is computed as follows:

	Note	**2010**	2009	2008
Income from continuing operations attributable to equity holders of the Parent Company		**P20,091**	P57,799	P13,935
Dividends on preferred shares for the period (a)		**(5,823)**	(1,281)	-
Net income from continuing operations attributable to common shareholders (b)		**14,268**	56,518	13,935
Income from discontinued operations attributable to equity holders of the Parent Company (c)	*8*	-	-	5,413
Net income attributable to common shareholders of the Parent Company (d)		**P14,268**	P56,518	P19,348
Weighted average number of common shares outstanding (in millions) - basic (e)		**2,310**	2,942	3,157
Effect of dilution- common		**14**	17	12
Weighted average number of common shares outstanding (in millions) - diluted (f)		**2,324**	2,959	3,169
Common:				
Basic EPS from continuing operations (b/e)		**P6.18**	P19.21	P4.41
Basic EPS from discontinued operations (c/e)		-	-	1.72
		P6.18	P19.21	P6.13
Diluted EPS from continuing operations (b/f)		**P6.14**	P19.10	P4.40
Diluted EPS from discontinued operations (c/f)		-	-	1.71
		P6.14	P19.10	P6.11

39. 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):

	2010	2009	2008
Trade and other receivables	**P12,241**	P558	P728
Inventories	**2,178**	1,085	(4,100)
Prepaid expenses and other current assets	**(3,686)**	(874)	759
Accounts payable and accrued expenses	**7,581**	6,393	1,779
Income and other taxes payable and others	**(5,202)**	(8,345)	(457)
	P13,112	(P1,183)	(P1,291)

b. Acquisition of subsidiaries - SMC Global, SRC, Petron, TCCI, PHC, PSCL, BellTel, TADHC, ULCBM, AGNP, IGI and SMPI-GSIS JVC in 2010 and JHK Investments and HLC in 2009 (Note 5).

	Note	**2010**	2009
Cash and cash equivalents		**P42,729**	P193
Trade and other receivables - net		**32,953**	1,243
Inventories		**35,315**	664
Prepaid expenses and other current assets		**4,599**	23
Investment and advances - net		**16,092**	-
Property, plant and equipment - net		**175,650**	1,430
Investment properties - net		**121**	-
Assets held for sale		**823**	-
Other intangible assets - net		**9,279**	20
Deferred tax assets		**430**	72
Other noncurrent assets - net		**23,437**	-
Drafts and loans payable		**(34,987)**	(839)
Accounts payable and accrued expenses		**(28,114)**	(2,076)
Income and other taxes payable		**(1,267)**	-
Current maturities of long-term debt - net of debt issue costs		**(9,193)**	-
Deferred tax liabilities		**(2,539)**	(40)
Long-term debt - net of current maturities and debt issue costs		**(43,452)**	-
Other noncurrent liabilities		**(151,777)**	(88)
Non-controlling interests		**(25,518)**	(211)
Net assets		**44,581**	391
Cash and cash equivalents		**(42,729)**	(193)
Goodwill in subsidiaries	*5, 19*	**24,456**	1,296
Investment at equity		**(1,444)**	-
Revaluation increment		**(1,396)**	-
Gain on acquisition of a subsidiary	*5, 33*	**(4,490)**	-
Net cash flows		**P18,978**	P1,494

40. Share-Based Transactions

ESPP

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 2010. 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. A participating employee may acquire at least 100 shares of stock through payroll deductions.

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, 2010 and 2009 amounted to P170 and P141, respectively, presented as part of "Non-trade" under "Trade and other receivables" account (Note 10). The noncurrent portion of P1,002 and P363 as of December 31, 2010 and 2009, respectively, is reported as part of "Noncurrent receivables and deposits" under "Other noncurrent assets" account (Note 20).

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:

	2010	
	Number of Shares	**Weighted Average Exercise Price**
Class "A"		
Subscribed during the year	**24,323,050**	**P60.31**
Cancelled during the year	**(173,250)**	**(59.09)**
Class "B"		
Subscribed during the year	**1,272,800**	**P58.39**
Cancelled during the year	**(11,600)**	**(50.45)**

Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company shall be considered as common shares without distinction.

	2009		2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Class "A"				
Subscribed during the year	2,189,450	P42.46	3,745,100	P42.36
Cancelled during the year	(248,100)	(50.62)	(3,125,900)	(53.07)
Class "B"				
Subscribed during the year	2,688,750	44.92	2,602,450	41.53
Cancelled during the year	(383,700)	(60.18)	(2,602,450)	(62.10)

The average market prices of the shares granted were P70.96, P49.95 and P49.83 per share in 2010, 2009 and 2008, respectively, for Class "A" common shares and P68.69, P52.84 and P48.87 per share in 2010, 2009 and 2008, respectively, for Class "B" common shares.

The average remaining contractual life of the ESPP was 1.55, 1.41 and 0.60 years as of December 31, 2010, 2009 and 2008, respectively, for Class "A" common shares and 0.83, 1.66 and 0.46 years as of December 31, 2010, 2009 and 2008, 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 14,038,733 shares and 17,211,921 shares in 2010 and 2009, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 13,232,699 shares and 3,230,094 shares in 2010 and 2009, 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:

	2010	
	Number of Share Stock Options	**Weighted Average Exercise Price**
Class "A"		
Balance at beginning of year	**22,054,784**	**P57.39**
Exercised during the year	**(8,734,635)**	**(58.74)**
Expired during the year	**(180,290)**	**(56.94)**
Balance at end of year	**13,139,859**	**P56.50**
Class "B"		
Balance at beginning of year	**11,998,933**	**P70.21**
Exercised during the year	**(4,503,677)**	**(70.83)**
Expired during the year	**(266,520)**	**(74.39)**
Balance at end of year	**7,228,736**	**P69.66**

Effective August 26, 2010, all Class "A" common shares and Class "B" common shares of the Parent Company shall be considered as common shares without distinction.

	2009		2008	
	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
Granted during the year	4,922,958	58.05	5,219,517	40.50
Exercised during the year	(2,711,190)	(52.61)	(29,170)	(56.53)
Expired during the year	(360,924)	(62.58)	(1,042,841)	(62.58)
Balance at end of year	22,054,784	P57.39	20,203,940	P56.71
Class "B"				
Balance at beginning of year	11,911,370	P69.94	10,359,853	P76.79
Granted during the year	843,627	58.05	2,236,935	40.50
Exercised during the year	(518,904)	(41.30)	-	-
Expired during the year	(237,160)	(84.71)	(685,418)	(77.39)
Balance at end of year	11,998,933	P70.21	11,911,370	P69.94

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. Expected volatility is estimated by considering average share price volatility.

The inputs to the model used to measure the fair value of the shares granted in 2009 are as follows:

	2009 Grant	
	Class "A"	Class "B"
Dividend yield	2.41%	2.41%
Expected volatility	53%	43%
Historical volatility	53%	43%
Risk-free interest rate	5.15% to 7.76%	5.15% to 7.76%
Expected life option	1 to 8 years	1 to 8 years
Weighted average share price	58.05	58.05

The weighted average fair value of options granted in 2009 was P19.24 for Class "A" common shares and P16.19 for Class "B" common shares.

The range of exercise prices for options outstanding was P58.05 to P40.50 as of December 31, 2010 and 2009 for Class "A" common shares and P58.05 to P40.50 as of December 31, 2010 and 2009 for Class "B" common shares.

The average remaining contractual life of the LTIP was 1.05, 1.11 and 1.43 years as of December 31, 2010, 2009 and 2008, respectively, for Class "A" common shares and 0.83, 0.63 and 1.30 years as of December 31, 2010, 2009 and 2008, respectively, for Class "B" common shares.

Share-based payment charged to operations, included under "Administrative expenses - others" account, amounted to P315, P236 and P258 in 2010, 2009 and 2008, respectively.

41. 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, finance lease liabilities 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's 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. Investments acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired 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 profit or loss.

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 P910 and P301 in 2010 and 2009, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

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

December 31, 2010	**<1 year**	**1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total**
Fixed rate							
Philippine peso-denominated	P6,963	P15,004	P476	P29,249	P1,234	P27,322	P80,248
Interest rate	6.73% - 9.33%	6.5% - 9.33%	7.25% - 9.33%	7.25% - 9.33%	5.4885% - 9.33%	7% - 10.5%	
Floating rate							
Philippine peso-denominated	1,667	2,000	1,000	800	11,550	-	17,017
Interest rate	PDST-F +margin	PDST-F +margin	PDST-F +margin	PDST-F +margin	PDST-F +margin		
Foreign currency-denominated (expressed in Philippine peso)	4,092	4,080	3,583	3,520	58,721	-	73,996
Interest rate	LIBOR, THBFIX and VNIBOR +margin	LIBOR, THBFIX and VNIBOR +margin	LIBOR and THBFIX +margin	LIBOR and THBFIX +margin	LIBOR +margin		
	P12,722	**P21,084**	**P5,059**	**P33,569**	**P71,505**	**P27,322**	**P171,261**

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 +margin	PDST-F +margin	PDST-F +margin	PDST-F +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		
	P1,081	P1,481	P44,280	P519	P24,529	P2,810	P74,700

Foreign Currency Risk

The Group's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. 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, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options 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:

	2010		2009	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,456**	**P63,812**	US$2,817	P130,134
Trade and other receivables	**299**	**13,120**	96	4,413
Noncurrent receivables	**3**	**151**	101	4,656
	1,758	**77,083**	3,014	139,203
Liabilities				
Drafts and loans payable	**139**	**6,065**	137	6,332
Accounts payable and accrued expenses	**965**	**42,290**	98	4,528
Long-term debt (including current maturities)	**1,333**	**73,995**	664	30,674
Finance lease liabilities	**2,636**	**115,556**	-	-
Other noncurrent liabilities	**1**	**35**	-	-
	5,074	**237,941**	899	41,534
Net foreign currency-denominated monetary assets (liabilities)	**(US$3,316)**	**(P160,858)**	US$2,115	P97,669

The Group reported net foreign exchange gains (losses) amounting to P8,366, (P2,256) and (P7,298) in 2010, 2009 and 2008, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2008	47.52
December 31, 2009	46.20
December 31, 2010	43.84

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, 2010 and 2009:

2010	**P1 decrease in the US dollar exchange rate**		**P1 increase in the US dollar exchange rate**	
	Effect on Income before Income Tax	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P29,066)**	**(P20,462)**	**P29,066**	**P20,462**
Trade and other receivables	**(7,634)**	**(5,438)**	**7,634**	**5,438**
Noncurrent receivables	**(29)**	**(23)**	**29**	**23**
	(36,729)	**(25,923)**	**36,729**	**25,923**
Drafts and loans payable	**2,592**	**74**	**(2,592)**	**(74)**
Accounts payable and accrued expenses	**12,905**	**289**	**(12,905)**	**(289)**
Long-term debt (including current maturities)	**16,873**	**940**	**(16,873)**	**(940)**
Finance lease liabilities	**2,636**	-	**(2,636)**	-
Other noncurrent liabilities	**1**	**1**	**(1)**	**(1)**
	35,007	**1,304**	**(35,007)**	**(1,304)**
	(P1,722)	**(P24,619)**	**P1,722**	**P24,619**

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

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity 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, crude oil, aluminum, soybean meal and wheat.

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, 2010 and 2009.

2010

	Carrying Amount	Contractual Cash Flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	**P125,188**	**P125,188**	**P125,188**	**P -**	**P -**	**P -**
Trade and other receivables - net	**75,904**	**75,904**	**75,904**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**249**	**249**	**249**	**-**	**-**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**193**	**193**	**193**	**-**	**-**	**-**
AFS financial assets	**3,597**	**3,597**	**-**	**3,597**	**-**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**24,783**	**24,783**	**-**	**24,783**	**-**	**-**
Financial Liabilities						
Drafts and loans payable	**74,128**	**75,057**	**75,057**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	**69,198**	**69,198**	**69,198**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**71**	**71**	**71**	**-**	**-**	**-**
Long-term debt (including current maturities)	**168,927**	**209,335**	**22,250**	**28,947**	**126,378**	**31,760**
Finance lease liabilities (including current portion)	**208,407**	**314,678**	**11,794**	**18,479**	**60,458**	**223,947**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, ARO and IRO)	**16,168**	**16,168**	**-**	**16,168**	**-**	**-**

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	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)	30,708	30,708	30,708	-	-	-
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
Finance lease liabilities	30	33	14	19	-	-
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	19,393	19,393	-	7,803	11,590	-

Credit Risk

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

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.

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.

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, 2010 and 2009, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2010**	2009
Cash and cash equivalents	*9*	**P125,188**	P209,411
Trade and other receivables - net	*10*	**75,904**	49,082
Derivative assets	*12*	**249**	202
Financial assets at FVPL	*12*	**193**	-
AFS financial assets	*14*	**3,597**	351
Noncurrent receivables and deposits - net	*20*	**24,783**	5,933
		P229,914	P264,979

The credit risk for cash and cash equivalents, derivative assets, financial assets at FVPL and AFS financial assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of 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.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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 businesses 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.

42. 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, 2010 and 2009:

	2010		2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P125,188**	**P125,188**	P209,411	P209,411
Trade and other receivables - net	**75,904**	**75,904**	49,082	49,082
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**249**	**249**	202	202
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**193**	**193**	-	-
AFS financial assets	**3,597**	**3,597**	351	351
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**24,783**	**24,783**	5,933	5,933
Financial Liabilities				
Drafts and loans payable	**74,128**	**74,128**	56,789	56,789
Accounts payable and accrued expenses (excluding current retirement liabilities in 2010 and 2009 and IRO in 2010)	**69,198**	**69,198**	30,708	30,708
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**71**	**71**	111	111
Long-term debt (including current maturities)	**168,927**	**182,030**	72,962	77,773
Finance lease liabilities (including current portion)	**208,407**	**208,407**	30	30
Other noncurrent liabilities (excluding noncurrent retirement liabilities in 2010 and 2009 and ARO and IRO in 2010)	**16,168**	**15,764**	19,393	17,854

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.

Financial Assets at FVPL and 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, Finance Lease Liabilities 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, 2010 and 2009, discount rates used range from 1.3% to 5.7% and 4.3% to 8.0%, respectively. The carrying amounts 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 currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Hedges

Cash Flow Hedges

Commodity Options

In 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 were exercised at various calculation dates in 2009 with specified quantities on each calculation date. These option contracts were used to hedge the commodity price risk of the Group's commitments. There was no ineffective portion on these hedges. The amount charged to profit or loss in 2009 amounted to P159.

As of December 31, 2010 and 2009, the Group has no outstanding options designated as hedge on the purchase of commodity.

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 profit or loss. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

Currency Forwards
As of December 31, 2010, the Group has outstanding non-deliverable foreign currency forward contracts to hedge existing and anticipated US$ denominated receivables. These forwards have an aggregate notional amount of US$110 with various maturities in 2011. As of December 31, 2010, the net negative fair value of these currency forwards amounted to P8.

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

Commodity Swaps
The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2010 and 2011. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps as of December 31, 2010 and 2009 is 450 and 1,875 metric tons, respectively. As of December 31, 2010 and 2009, the positive fair value of these swaps amounted to P16 and P60, respectively.

Commodity Options
The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of December 31, 2010 and 2009 of 49,532 and 59,874 metric tons, respectively. These options can be exercised at various calculation dates in 2010 and 2011 with specified quantities on each calculation date. As of December 31, 2010 and 2009, the net positive (negative) fair value of these options amounted to P54 and (P6), 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, 2010 and 2009, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$244 and US$112, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2010 and 2009, the net positive fair value of these embedded currency forwards amounted to P127 and P73, respectively.

Embedded Currency Options
As of December 31, 2010 and 2009, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$26 and US$36, respectively. These non-financial contracts consist mainly of sales agreements. These embedded options are not clearly and closely related to their host contracts. As of December 31, 2010 and 2009, the net negative fair value of these embedded currency options amounted to P11 and P36, respectively.

For the years ended December 31, 2010, 2009 and 2008, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P660, P962 and (P10,718), respectively.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Balance at beginning of year	**P91**	(P2,162)
Net changes in fair value of derivatives:		
Designated as accounting hedges	**-**	77
Non-accounting hedges	**660**	914
	751	(1,171)
Less fair value of settled instruments	**573**	(1,262)
Balance at end of year	**P178**	P91

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2010 and 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; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

2010

	Level 1	**Level 2**	**Total**
Financial Assets			
Derivative assets	**P3**	**P246**	**P249**
Financial assets at FVPL	**193**	**-**	**193**
AFS financial assets	**2,477**	**1,120**	**3,597**
Financial Liabilities			
Derivative liabilities	**-**	**71**	**71**

2009

	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P65	P137	P202
AFS financial assets	239	112	351
Financial Liabilities			
Derivative liabilities	11	100	111

As of December 31, 2010 and 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.

The disclosure on fair value hierarchy is only presented for December 31, 2010 and 2009 as comparative information is not required in 2009, which was the first year of application of the amended PFRS 7.

43. Registration with the Board of Investments (BOI)

- SMPFC

  SMFI

  SMFI was registered with the BOI on a non-pioneer status as a New Producer of Animal Feeds for its Mariveles, Bataan plant and as a New Producer of Chicken (Dressed) for its Orion, Bataan farm in August 2006 and July 2007, respectively.

  Under the terms of SMFI's BOI registration and subject to certain requirements as provided in the Omnibus Code of 1987, SMFI is entitled to incentives which included, among others, ITH for a period of four (4) years from January 2007 for Animal Feeds and from October 2007 for Dressed Chicken (can be extended to maximum of 8 years provided certain conditions are met).

  SMFI's (formerly Monterey) Sumilao Hog Project (Sumilao Project) was registered with the BOI under Registration No. 2008-192, in accordance with the provisions of the Omnibus Investment Code of 1987 on a pioneer status as New Producer of Hogs on July 30, 2008. As a BOI-registrant, the Sumilao Project is entitled to incentives which included, among others, income tax holiday (ITH) for a period of six (6) years, extendable under certain conditions to eight (8) years, from February 2009 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

  PF-Hormel

  The existing registration of PF-Hormel with the BOI was made on May 18, 2006 in accordance with the provisions of the Omnibus Investments Code of 1987 as a new producer of processed meat products on a non-pioneer status. Under the terms of this new registration, PF-Hormel is entitled to certain tax incentives, including ITH for four years from July 2007, or from the actual start of commercial operations, whichever comes first, but in no case earlier than the date of registration.

  PF-Hormel's new registered activity with the BOI commenced commercial operations in July 2007 and began to avail tax incentives since then.

- Petron

Isomerization and Gas Oil Hydrotreater Units

On January 7, 2004, the BOI approved Petron's application under RA 8479, otherwise known as the Downstream Oil Industry Deregulation Act (RA 8479), for new investments at its Bataan Refinery for an Isomerization Unit and a Gas Oil Hydrotreater ("Project"). The BOI is extending the following major incentives:

a. ITH for five years without extension or bonus year from January 2005 for the Project and March 2005 for LVN Isomerization or actual start of commercial operations, whichever is earlier.

b. Duty of three percent and VAT on imported capital equipment and accompanying spare parts.

c. Tax credit on domestic capital equipment on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

d. Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse.

e. Exemption from real property tax on production equipment or machinery.

f. Exemption from contractor's tax.

Mixed Xylene, Benzene, Toluene (BTX) and Propylene Recovery Units

On October 20, 2005, Petron registered with the BOI under the Omnibus Investments Code of 1987 (Executive Order 226) as: (1) a non-pioneer, new export producer status of Mixed Xylene; (2) a pioneer, new export product status of Benzene and Toluene; and (3) a pioneer, new domestic producer status of Propylene. Under the terms of its registration, Petron is subject to certain requirements principally that of exporting at least 70% of the production of the mentioned petrochemical products every year except for the produced propylene.

As a registered enterprise, Petron is entitled to the following benefits on its production of petroleum products used as petrochemical feedstock:

a. ITH: (1) for four years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Mixed Xylene subject to base figure of 120,460 metric tons per year representing Petron's highest attained production volume for the last three (3) years; (2) for six years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Benzene and Toluene; and (3) for six years from December 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Propylene.

b. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming parts thereof for ten years from start of commercial operations.

c. Simplification of custom procedures.

d. Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations provided firm exports at least 70% of production output.

e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten year period from date of registration.

f. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.

g. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% production.

h. Petron may qualify to import capital equipment, spare parts, and accessories at zero duty from date of registration up to June 5, 2006 pursuant to Executive Order (EO) No. 313 and its Implementing Rules and Regulations.

Fluidized Bed Catalytic Cracker (PetroFCC) Unit

On December 20, 2005, the BOI approved Petron's application under RA 8479 for new investment at its Bataan Refinery for the PetroFCC. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

a. ITH for five years without extensions or bonus year from December 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration subject to a rate of exemption computed based on the % share of product that are subject to retooling.

b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.

c. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment. This shall be equivalent to the difference between the tariff rate and the three percent (3%) duty imposed on the imported counterpart.

d. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.

e. Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse.

f. Exemption from real property tax on production equipment or machinery.

g. Exemption from contractor's tax.

Grease Manufacturing Plant

In December 2005, the BOI approved Petron's application under RA 8479 as an Existing Industry Participant with New Investment in Modernization of the firm's Grease Manufacturing Plant in Pandacan, Manila. The BOI is extending the following major incentives:

a. ITH for a period of five years without extension or bonus year from March 2006 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration subject to base figure of 845 metric tons of grease product representing Petron's highest attained sales volume prior to rehabilitation.

b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.

c. Tax credit on domestic capital equipment on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

d. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.

e. Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse.

f. Exemption from real property tax on production equipment or machinery.

g. Exemption from contractor's tax.

70 MW Coal-Fired Power Plant (Limay, Bataan)

On November 3, 2010, Petron registered with the BOI as new operator of a 70 MW Coal-Fired Power Plant on a pioneer status with non-pioneer incentives under the Omnibus Investments Code of 1987 (Executive Order No. 226). Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

a. ITH for four years from July 2012 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration limited to the revenue generated from the electricity sold to the grid.

b. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.

c. Zero percent (0%) duty from date of registration up to June 16, 2011 for imported capital equipment, spare parts and accessories.

Yearly certificates of entitlement have been timely obtained by Petron to support its ITH credits.

44. Events After the Reporting Date

a. *Increase in BOC ownership*

On January 13, 2011, SMPI acquired additional 7.16% of the outstanding capital stock of BOC, by way of a Deed of Sale of Shares with Assignment of Subscription Rights from Valiant Ventures and Development Holdings, Inc., consisting of: (i) 2,800,000 outstanding and issued common shares of stock and; (ii) the subscription rights to 5,237,265 common shares of stock for a total consideration of P876.

The said acquisition has been approved by SMPI's BOD in its meeting held on December 8, 2010.

b. *Purchase of Manila North Harbour Port Inc.*

On January 3, 2011, Petron entered into a Share Sale and Purchase Agreement with Harbour Centre Port Terminal Inc. for the purchase of 35% of Manila North Harbour Port Inc.'s outstanding and issued capital stock.

c. *SMC Global issuance of bonds*

On January 28, 2011, SMC Global carried out a US$300, 7%, 5 year bond issue under Regulations of the U.S. Securities Act of 1933, as amended. SMC Global has filed an application for listing of the bond issue in the Singapore Exchange Securities Trading Limited and does not intend to register any securities subject of the proposed bond issue under the U.S. Securities Act and the Philippine Securities Regulation Code.

d. *SMPFC*

On January 20, 2011, the SEC favorably considered SMPFC's Registration Statement covering the registration of 15,000,000 preferred shares with a par value of P10.00 per share.

On January 26, 2011, the PSE approved, subject to certain conditions, the application of SMPFC to list up to 15,000,000 preferred shares with a par value of P10.00 per share to cover SMPFC's follow-on preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate determined by management on the dividend rate setting date.

On February 10, 2011, the SEC issued the order for the registration of SMPFC's 15,000,000 preferred shares with a par value of P10.00 per share and released the Certificate of Permit to Offer Securities for Sale.

On February 11, 2011, SMPFC's BOD approved the terms of the preferred shares offer.

SMPFC, through the underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares with 5-year maturity at an offer price of P1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by SMPFC's BOD. Optional redemption of the preferred shares prior to 5th year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events). Unless the preferred shares are redeemed by SMPFC on its 5th year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On March 3, 2011, SMPFC's 15,000,000 preferred shares with par value of P10.00 per share were listed with the PSE.

e. *Top Frontier*

On February 2, 2011, the BOD of Top Frontier declared cash dividends amounting to P139.50 per share or a total of P363 to preferred shareholders of record as of February 2, 2011. The cash dividend was paid on February 10, 2011.

45. 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.

- Deficiency Excise Tax

  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) (1st Division) 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 (1st Division), 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.

The above assessment cases (CTA case numbers 7052 and 7053) and claim for refund (CTA case number 7405), which involve common questions of fact and law, had been consolidated and are now deemed submitted for decision by the CTA.

On November 27, 2007, the Parent Company filed with the CTA (3rd Division), 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.

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 March 14, 2011, 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 trial.

On January 7, 2011, the CTA under CTA case number 7708 rendered its decision in this case, granting the Parent Company's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of the Parent Company in the amount of P926, representing erroneously, excessively and/or illegally collected and over paid excise taxes on "San Mig Light" during the period from December 1, 2005 up to July 31, 2007.

- Tax Credit Certificates Cases

  In 1998, the BIR issued a deficiency excise tax assessment against Petron. The assessment relates to Petron's use of P659 worth of Tax Credit Certificates ("TCCs") to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron is contesting the BIR's assessment before the CTA. In July 1999, the CTA ruled that, as a fuel supplier of Board of Investments-registered companies, Petron is a qualified transferee of the TCCs. Following an unfavorable ruling from the CTA En Banc, Petron filed an appeal to the Supreme Court. A Resolution was issued by the Supreme Court (1st Division) on September 13, 2010 denying with finality The Commissioner of Internal Revenue's motion for reconsideration of the Decision dated July 28, 2010.

In November 1999, the BIR issued a P284 assessment against Petron for deficiency excise taxes for the years 1995 to 1997. The assessment results from the cancellation by the Philippine Department of Finance ("DOF") of tax debit memos, the related TCCs and their assignment to Petron. Petron contested the assessment before the CTA. In August 2006, the CTA denied Petron's petition, ordering it to pay the BIR P580 representing the P284 unpaid deficiency excise from 1995 to 1997, and 20% interest per annum computed from December 4, 1999. In July 2010, the Philippine Supreme Court ("SC") nullified the assessment against Petron and declared Petron as a valid transferee of the TCCs. The BIR filed a motion for reconsideration, which remains pending.

In May 2002, the BIR issued a P254 assessment against Petron for deficiency excise taxes for the years 1995 to 1998. The assessment results from the cancellation by the DOF of tax debit memos, the related TCCs and their assignment to Petron. Petron contested the assessment before the CTA. In May 2007, the CTA second division denied Petron's petition, ordering Petron to pay the BIR P601 representing Petron's P254 unpaid deficiency excise taxes for the taxable years 1995 to 1998, and 25% late payment surcharge and 20% delinquency interest per annum computed from June 27, 2002. Petron appealed the decision to the CTA *en banc*, which ruled in favor of Petron, reversing the unfavorable decision of the CTA second division. The BIR is contesting the CTA *en banc* decision before the SC where the case is still pending as of March 14, 2011.

There are duplications in the TCCs subject of the three assessments described above. Excluding these duplications, the aggregate deficiency excise taxes, excluding interest and penalties, resulting from the cancellation of the subject TCCs amount to P911.

- Pandacan Terminal Operations

  In November 2001, the City of Manila enacted City Ordinance No. 8027 ("Ordinance 8027") reclassifying the areas occupied by the oil terminals of Petron, Shell and Chevron from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. However, in June 2002, Petron, together with Shell and Chevron, entered into a Memorandum of Understanding ("MOU") with the City of Manila and DOE, agreeing to scale down operations, recognizing that this was a sensible and practical solution to reduce the economic impact of Ordinance 8027. In December 2002, in reaction to the MOU, Social Justice Society ("SJS") filed a petition with the SC against the Mayor of Manila asking that the latter be ordered to enforce Ordinance 8027. In April 2003, Petron filed a petition with the Regional Trial Court ("RTC") to annul Ordinance 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance 8027.

  The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance ("Ordinance 8119"), which applied to the entire City of Manila. Ordinance 8119 allowed Petron (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance 8119, which was thought to effectively repeal Ordinance 8027, in April 2007, the RTC dismissed the petition filed by Petron questioning Ordinance 8027.

However, on March 7, 2007, in the case filed by SJS, the SC rendered a decision (the "March 7 Decision") directing the Mayor of Manila to immediately enforce Ordinance 8027. On March 12, 2007, Petron, together with Shell and Chevron, filed motions with the SC seeking intervention and reconsideration of the March 7 Decision, on the ground that the SC failed to consider supervening events, notably (i) the passage of Ordinance 8119 which supersedes Ordinance 8027, as well as (ii) the RTC orders preventing the implementation of Ordinance 8027. Petron, Shell, and Chevron also noted the possible ill-effects on the entire country arising from the sudden closure of the oil terminals in Pandacan.

On February 13, 2008, the SC resolved to allow Petron, Shell and Chevron to intervene, but denied their motion for reconsideration. In its February 13 resolution (the "February 13 Resolution"), the Supreme Court also declared Ordinance 8027 valid, dissolved all existing injunctions against the implementation of the Ordinance 8027, and directed Petron, Shell and Chevron to submit their relocation plans to the RTC. Petron, Shell and Chevron have sought reconsideration of the February 13 Resolution. In compliance with the February 13 Resolution, Petron, Shell and Chevron have submitted their relocation plans to the RTC.

In May 2009, Manila City Mayor Alfredo Lim approved Ordinance No. 8187 ("Ordinance 8187"), which repealed Ordinance 8027 and Ordinance 8119, and permitted the continued operations of the oil terminals in Pandacan.

In June 2009, petitions were filed with the SC, seeking the nullification of Ordinance 8187 and enjoining its implementation. These petitions are still pending as of March 14, 2011.

- Oil Spill Incident in Guimaras

  On August 11, 2006, M/T Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, capsized 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice ("DOJ") and the Special Board of Marine Inquiry ("SBMI"), both agencies found the owners of M/T Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the Philippine Department of Transportation and Communication and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, who are charterers.

- Bataan Realty Property Tax Cases

  Petron has three pending real property tax cases with the Province of Bataan, arising from three real property tax assessments. The first is for an assessment made by the Municipal Assessor of Limay, Bataan in 2006 for the amount of P86.4 covering Petron's isomerization and gas oil hydrotreater facilities which enjoy, among others, a five-year real property tax exemption under the Oil Deregulation Law per the Board of Investments Certificates of Registration. The second is for an assessment made also in 2006 by the Municipal Assessor of Limay for P17 relating to the leased foreshore area on which the pier of Petron's Refinery is located. In 2007, the Bataan Provincial Treasurer issued a Final Notice of Delinquent Real Property Tax requiring Petron to settle the amount of

P2,168 allegedly in delinquent real property taxes as of September 30, 2007, based on a third assessment made by the Provincial Assessor covering a period of 13 years from 1994 to 2007. The third assessment cited Petron's non-declaration or under-declaration of machineries and equipment in the Refinery for real property tax purposes and its failure to pay the corresponding taxes for the said period.

Petron timely contested the assessments by filing appeals with the Local Board of Assessment Appeals ("LBAA"), and posted the necessary surety bonds to stop collection of the assessed amount.

However, with regard to the third assessment, notwithstanding the appeal to the LBAA and the posting of the surety bond, the Provincial Treasurer, acting on the basis of the Final Notice of Delinquent Real Property Tax relating to the third assessment, proceeded with the publication of the public auction of the assets of Petron, which was set for October 17, 2007. Due to the Provincial Treasurer's refusal to cancel the auction sale, Petron filed a complaint for injunction on October 8, 2007 before the RTC to stop the auction sale. A writ of injunction stopping the public auction until the final resolution of the case was issued by the RTC on November 5, 2007.

A motion to dismiss filed by the Provincial Treasurer on the ground of forum-shopping was denied by the RTC. However, a similar motion based on the same ground of forum shopping was filed by the Provincial Treasurer before the LBAA and the motion was granted by the LBAA in December 2007. On appeal by Petron, the Central Board of Assessment Appeals ("CBAA"), in August 2008, remanded the case to the LBAA for factual determination, effectively granting Petron's appeal and reversing the LBAA's dismissal of the case.

The RTC issued a Decision dated June 25, 2010 upholding Petron's position and declared null and void the demand on Petron for the payment of realty taxes in the amount of P1,731 made by the Provincial Assessor of Bataan and the levy of the properties of Petron. The Court issued a Writ of Prohibition permanently prohibiting, preventing and restraining the Provincial Treasurer of Bataan from conducting a public auction of the properties of Petron or selling the same by auction, negotiated sale, or any act of disposition pending the finality of the disposition by the LBAA or CBAA, as the case maybe, on the pending appeal made by Petron from the revised assessment of the Provincial Assessor of Bataan.

b. *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 for a total of P64,284. To acquire an additional 327,000,000 Class "B" common shares of the Parent Company under the SPA with Q-Tech Alliance Holdings Inc. (Q-Tech), Top Frontier conducted a tender offer before such acquisition pursuant to the 35% threshold under the mandatory provisions of the Securities Regulation Code.

Under the tender offer, Top Frontier accepted a total of 49,629,119 Class "A" common shares and 31,773,965 Class "B" common shares tendered by the Parent Company's shareholders at the offer price of P75.00 per share, for a total consideration of P6,105. On April 13, 2010, Top Frontier acquired 327,000,000 Class "B" common 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 Class "B" common shares were crossed in the PSE on April 13, 2010. As of December 31, 2010, Top Frontier had total shareholdings of 1,265,518,998 common shares of the Parent Company.

The SPA with Q-Tech also provides a grant of call option to Top Frontier for the purchase of 301,666,675 Class "B" common shares of the Parent Company at P70.00 per share. The call option may be exercised by Top Frontier until March 31, 2011 or such later date as may be mutually agreed upon by the parties in writing. On March 8, 2011, Top Frontier has notified Q-Tech of its intention to exercise the call option within the period specified in the SPA.

Top Frontier entered into an Option Agreement with 44 Corporations in 2009 wherein Top Frontier has exclusive right to acquire 476,722,639 Class "A" and 16,652,544 Class "B" common shares of the Parent Company at P75.00 per share for which Top Frontier paid an amount of US$200 as advances. The call option may be exercised by Top Frontier until November 12, 2012. Any further extension of the term of the option period shall require the written consent and approval of both parties.

c. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2010 amounted to P237.

Amount authorized but not yet disbursed for capital projects as of December 31, 2010 is approximately P4,856.

d. *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 P43.84 in 2010 and P46.20 in 2009 for consolidated statements of financial position accounts; and average rates of P45.12, P47.64 and P44.47 in 2010, 2009 and 2008, respectively, for income and expense accounts.

COVER SHEET

P	W	-	2	7	7						

S.E.C. Registration Number

SAN MIGUEL CORPORATION AND SUBSIDIARIES

(Company's Full Name)

No. 40 San Miguel Avenue
Mandaluyong City

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

Bella O. Navarra	632-3000
Contact Person	Company Telephone Number

1	2	3	1	Compliance for CFD			
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

STAMPS

Remarks = pls. use black ink for scanning purposes.

ANNEX "B-1"

SAN MIGUEL CORPORATION AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2010

A -	MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)	
B -	AMOUNT RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN ASSOCIATES)	NOT APPLICABLE
C -	NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENT IN STOCKS AND OTHER INVESTMENTS	
D -	INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES NOT APPLICABLE	
E -	PROPERTY, PLANT AND EQUIPMENT	
F -	ACCUMULATED DEPRECIATION	
G -	INTANGIBLE ASSETS AND OTHER ASSETS	
H -	LONG -TERM DEBT	
I -	INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE
J -	GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
K -	CAPITAL STOCK	

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

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E-Mail manila@kpmg.com.ph

Branches · Subic · Cebu · Bacolod · Iloilo

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 14, 2011. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules 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 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated 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. 08-001987-7-2010
Issued June 30, 2010; Valid until June 29, 2013
PTR No. 2639631MB
Issued January 3, 2011 at Makati City

March 14, 2011
Makati City, Metro Manila

Manabat Sanagustin & Co., CPAs, a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

SAN MIGUEL CORPORATION AND SUBSIDIARIES

SCHEDULE A - MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)

DECEMBER 31, 2010

(Amounts in Millions)

Description of Each Issue	Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at December 31, 2010	Income Received and Accrued
Short-term placements	-	P 107,844	P 107,844	P 2,661
	-	**P 107,844**	**P 107,844**	**P 2,661**

** See Notes 9 and 32 of the Notes Conslidated Financial Statements.*

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2010
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance		Addition - No. of Shares or Principal Amount of Bonds and Notes	Additions/ Disposals/ Valuation/ CTA/ Reclassification	Equity in Net Earnings During the Year	Dividends Received	Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount					No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
INVESTMENTS IN ASSOCIATES - AT EQUITY									
ACQUISITION COST									
Manila Electric Company	300,963,189	P 30,845	69,059,538	P 12,824			370,022,727	P 43,669	33.19%
San Miguel Energy Corporation	40,000	4		(4)			-	-	
Top Frontier Holdings, Inc.			Common - 2,401,960	93,233			2,401,960	93,233	49%
			Preferred - 2,598,040				2,598,040		
Liberty Telecommunications Holdings, Inc.	579,111,669	3,805	Common - 64,589,000	222			643,700,669	4,027	41.48%
			Preferred - 587,951,737				587,951,737		
Eastern Telecommunications Philippines, Inc.			100,000	1,600			100,000	1,600	40.00%
Private Infra Dev Corporation	1,575,000	1,575					1,575,000	1,575	35%
Bank of Commerce	16,396,689		20,383,210	6,722			36,779,899	6,722	32.77%
Northpine Land, Inc.	2,320,000	232		-			2,320,000	232	20.00%
Petrochemical Asia (HK) Limited			182,000,000	746			182,000,000	746	33.00%
Limay Energen Corp.			2,125,000	212			2,125,000	212	40.00%
		P 36,461		**P 115,555**				**P 152,016**	
ADVANCES									
Bank of Commerce		P -		P 221				P 221	
SMPI - GSIS Joint Venture		51		(51)				-	
Primeria Commercio Holdings, Inc.		794		-				794	
Integrated Geosolutions, Inc.		311		(311)				-	
		P 1,156		**P (141)**				**P 1,015**	
ACCUMULATED EQUITY IN EARNINGS									
Manila Electric Company		P 1,184		P (212)	P 2,851	P (2,183)		P 1,640	33.19%
San Miguel Energy Corporation		290		(2,998)	2,708	-		-	
Top Frontier Holdings, Inc.		-		-	(753)	-		(753)	49.00%
Petron Corporation		-		(1,444)	1,599	(155)		-	
Strategic Power Devt. Corp.		-		(653)	653			-	
Liberty Telecommunications Holdings, Inc.		(91)		-	(411)	-		(502)	41.48%
Private Infra Dev Corporation		-		-	6	-		6	35%
Bank of Commerce		-		(623)	154	-		(469)	32.77%
Northpine Land, Inc.		5		-	10	-		15	20.00%
Petrochemical Asia (HK) Limited		-		(154)	-	-		(154)	33.00%
Limay Energen Corp.		-		-	-	-		-	40.00%
TOTAL		**P 1,388**		**P (6,084)**	**P 6,817**	**P (2,338)**		**P (217)**	
TOTAL INVESTMENTS IN ASSOCIATES		**P 39,005**		**P 109,330**	**P 6,817**	**P (2,338)**		**P 152,814**	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2010
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	Addition - 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
AVAILABLE-FOR-SALE FINANCIAL ASSETS									
OTHER INVESTMENTS - AT COST									
San Miguel Corporation									
Alabang Country Club	7	P 7	-	P 3	P -	P -	7	P 10	b
Ansor International	3,334	-	-	-	-	-	3,334	-	-do-
Apo Golf & Country Club	3	-	-	-	-	-	3	-	-do-
Baguio Country Club	1	1	-	-	-	-	1	1	-do-
Bancom Group Inc	999,546	-	-	-	-	-	999,546	-	-do-
Batulao Village Club	-	-	-	-	-	-	-	-	-do-
Calatagan Golf Club	1	-	-	-	-	-	1	-	-do-
Camp John Hay	2	1	-	-	-	-	2	1	-do-
Canlubang Golf Club	3	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	-	-do-
Export & Industry Bank	940,560,000	87	-	-	-	-	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	-	-	-	-	-	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	1	-	-	-	-	250,000	1	-do-
Manila Electric Company	100,331	1	-	-	-	-	100,331	1	-do-
Manila Golf & Country Club	3	63	-	17	-	-	3	80	-do-
Manila Polo Club	2	11	-	-	-	-	2	11	-do-
Manila Southwoods Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Medical Doctors Inc.	83,379	13	-	-	-	-	83,379	13	-do-
Merchant Investment	41,660	-	-	-	-	-	41,660	-	-do-
Metropolitan Club	2	-	-	-	-	-	2	-	-do-
Metropolitan Theater	198	-	-	-	-	-	198	-	-do-
Mimosa Golf & Country Club	3	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 - NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2010
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	Addition - 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
Negros Occidental Golf club	6	P -	P -	P -	P -	P -	6	P -	-do-
Norcem Philippines	80,000	-	-	-	-	-	80,000	-	-do-
Orchard Golf & Country Club	5	1	-	-	-	-	5	1	-do-
Pacific Club Corporate	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	1	-	-	-	-	1	1	-do-
Sta Lucia Realty Golf Club	2	1	-	-	-	-	2	1	-do-
Subic Bay Yacht Club	1	-	-	-	-	-	1	-	-do-
Tagaytay Highland Golf and Country Club	2	2	-	-	-	-	2	2	-do-
Tagaytay Midlands Country Club	1	1	-	-	-	-	1	1	-do-
The Country Club - Canlubang	2	-	-	-	-	-	2	-	-do-
Universal Leisure Club	1	-	-	-	-	-	1	-	-do-
Valle Verde Golf Club	53	6	-	1	-	-	53	7	-do-
Valley Golf Club Inc.	2	1	-	-	-	-	2	1	-do-
Victorias Country Club	1	-	-	-	-	-	1	-	-do-
San Miguel Holdings Corp.									
Indophil Resources NL	-	-	48,016,960	2,188	-	-	48,016,960	2,188	10.1%
Petron Corporation									
Aboitiz Power Bonds			20,000,000	23	-	-	20,000,000	23	-do-
Bank of Bermuda (Money Market Placement)				-				-	-do-
Globe Bonds			25,110,000	28	-	-	25,110,000	28	-do-
Government Security - PIBD 0514 A673 (FXTN 5-67)			50,000,000	53	-	-	50,000,000	53	-do-
Government Security - PIBD 0713 C348 (FXTN 7-43)			50,000,000	55			50,000,000	55	-do-
Government Security - PIBD 0511 C622			53,000,000	54			53,000,000	54	-do-
Government Security - PIID 0311 G065			120,000,000	124			120,000,000	124	-do-
ROP Bonds			13,506,000	712	-	-	13,506,000	712	-do-
San Miguel International Limited									
Others	-	67	-	(51)	-	-	-	16	-do-
San Miguel Brewery Inc.									
Royal Orchid International Golf Club	-	-	1	2	-	-	1	2	-do-
Guangzhou Luhu Golf Club	-	-	1	1	-	-	1	1	-do-
HSBC Holdings	-	-	20,400	9	-	-	20,400	9	-do-
Pacific Club Kowloon	-	-	2	6	-	-	2	6	-do-
Hongkong Arts Centre Ltd.	-	-	1	-	-	-	1	-	-do-
The American Club Hong Kong	-	-	1	8	-	-	1	8	-do-
Hong Kong Football Club	-	-	1	6	-	-	1	6	-do-
Canadian International School of Hong Kong	-	-	1	1	-	-	1	1	-do-
Discovery Bay Golf Club	-	-	1	7	-	-	1	7	-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 - NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2010
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	Addition - 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
San Miguel Properties, Inc.									
Apo Golf & Country Club	1	P 1	-	P -	P -	P -	1	P 1	-do-
Mimosa Golf & Country Club	4	2	-	(1)	-	-	4	1	-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-
San Miguel Paper Packaging Corporation									
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 Insurance Brokerage Corporation									
Phil. Long Distance Tel. Co.	50	-	-	-	-	-	50	-	-do-
Export & Industry Bank	766,000	-	-	-	-	-	766,000	-	-do-
San Miguel Yamamura Asia Corporation									
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	-	-	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	-	-	1	4	-do-
Tagaytay Highland Golf and Country Club	1	1	-	-	-	-	1	1	-do-
Club Filipino	1	-	-	-	-	-	1	-	-do-
Piltel	11,100	-	-	-	-	-	11,100	-	-do-

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(c) no percentage of ownership as this represents investment in bonds.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2010
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	Addition - 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
Royal Tagaytay Country Club	1	P -	-	P -	P -	P -	1	P -	-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 - NET		**351**		**3,246**	**-**	**-**		**3,597**	
GRAND TOTAL		**P 39,356**		**P 112,576**	**P 6,817**	**P (2,338)**		**P 156,411**	

(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.

* See Notes 4, 13, 14, 41 and 42 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - PROPERTY, PLANT AND EQUIPMENT
DECEMBER 31, 2010
(Amounts in Millions)

Classification	Beginning Balance December 31, 2009	Additions	Acquisition of Subsidiaries/Disposals/ Reclassifications	Currency Translation Differences	Ending Balance December 31, 2010
Land and land improvements	P 10,627	P 437	P 4,136	P 77	P 15,277
Buildings and improvements	24,406	561	7,642	(385)	32,224
Power plants	-	568	214,331	-	214,899
Refinery and plant equipment	-	-	37,286	-	37,286
Service stations and other equipment	-	364	4,955	-	5,319
Machinery and equipment	78,891	3,073	5,340	(539)	86,765
Transportation equipment	3,305	3,170	2,148	(8)	8,615
Tools and small equipment	2,354	285	(334)	22	2,327
Office equipment, furniture and fixtures	2,542	129	1,532	(9)	4,194
Molds	657	267	(219)	(3)	702
Leasehold improvements	921	73	243	-	1,237
Construction in progress	5,674	(409)	838	(6)	6,097
	P 129,377	P 8,518	P 277,898	P (851)	P 414,942

* See Notes 4 and 16 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - IMPAIRMENT ON PPE
DECEMBER 31, 2010
(Amounts in Millions)

Classification	Beginning Balance December 31, 2009	Additions	Acquisition of Subsidiaries/Disposals/ Reclassifications	Currency Translation Differences	Ending Balance December 31, 2010
Land and land improvements	P 208	P -	P 204	P -	P 412
Buildings and improvements	2,313	1,574	(5)	(53)	3,829
Machinery and equipment	5,410	2,248	(138)	(117)	7,403
Transportation equipment	6	6	-	-	12
Tools and small equipment	13	-	7	-	20
Office equipment, furniture and fixtures	20	20	2	(1)	41
Molds	3	-	(2)	(1)	-
	P 7,973	**P** 3,848	**P** 68	**P** (172)	**P** 11,717

* See Notes 4 and 16 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE F - ACCUMULATED DEPRECIATION AND AMORTIZATION
DECEMBER 31, 2010
(Amounts in Millions)

Classification	Beginning Balance December 31, 2009	Additions	Acquisition of Subsidiaries/Disposals/ Reclassifications	Currency Translation Differences	Ending Balance December 31, 2010
Land and land improvements	P 1,154	P 109	P 1,197	P 2	P 2,462
Buildings and improvements	6,731	745	3,358	(102)	10,732
Power plants	-	2,464	3,147	-	5,611
Refinery and plant equipment	-	86	16,459	-	16,545
Service stations and other equipment	-	42	3,700	-	3,742
Machinery and equipment	40,884	3,630	3,015	(199)	47,330
Transportation equipment	1,987	240	170	(8)	2,389
Tools and small equipment	1,668	168	(203)	58	1,691
Office equipment, furniture and fixtures	2,178	161	1,252	(6)	3,585
Molds	511	157	(125)	(33)	510
Leasehold improvements	372	75	107	1	555
	P 55,485	**P** 7,877	**P** 32,077	**P** (287)	**P** 95,152

* See Notes 4 and 16 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2010
(Amounts in Millions)

Part A - Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Disposal / Reclass to other Accounts	Charged to Costs and Expenses	Currency Translation Adjustments	Ending Balance
Goodwill						
Goodwill	P 6,408	P 24,456	P -	(P461)	(P152)	P 30,251
Other Intangible Assets						
Cost:						
Trademarks and brand names	2,272	-	(1,839)	-	(3)	430
Licenses	139	5,221	1,979	-	2	7,341
Service consesssion rights	-	91	-	-	-	91
Mining Rights	-	1,800	-	-	-	1,800
Formulas and recipes	58	-	-	-	-	58
Land use rights	1,890	-	-	-	(73)	1,817
Others	689	69	3	-	(3)	758
	5,048	7,181	143	P -	(77)	12,295
Accumulated Amortization and Impairment Losses:						
Trademarks and brand names	133	-	-	64	(7)	190
Licenses	52	-	(3)	12	1	62
Service consesssion rights	-	-	-	1	-	1
Land use rights	641	-	-	(202)	(29)	410
Others	592	-	11	51	(2)	652
	1,418	-	8	(74)	(37)	1,315
Net Book Value:	P 3,630	P 7,181	P 135	P 74	(P40)	P 10,980

* See Notes 4, 5, 19 and 39 of Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2010
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions / Acquisition of Subsidiaries	Charged to Cost and Expenses	Other Changes/ Reclassifications/ (Disposal)	Currency Translation Adjustments	Ending Balance
Noncurrent receivables and deposits	P 5,933	P 18,852	P -	P -	P (2)	P 24,783
Deferred containers expense - net of accumulated amortization	4,446	1,467	(709)	(775)	(9)	4,420
Others	2,089	2,555	(5)	(40)	(1)	4,598
	P 12,468	P 22,874	P (714)	P (815)	P (12)	P 33,801

* See Notes 4, 5, 20, 36, 41 and 42 of Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2010
(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	P 43,840	P -	P -	P -	P 43,840	P (1,030)	P 42,810	P 42,810	LIBOR plus agreed margin	Bullet	Quarterly	July-15
		43,840	-	-	-	43,840	(1,030)	42,810	42,810				
Peso denominated:													
Floating	Landbank of the Philippines	2,000	400	(1)	399	1,600	(7)	1,593	1,992	PDST-F for 3 months plus margin	Amortized	Quarterly	November-14
Floating	Rizal Commercial Banking Corporation - Trust & Investment Division	1,000	-	-	-	1,000	(4)	996	996	PDST-F for 3 months plus margin	Bullet	Quarterly	February-12
Floating	Banco De Oro Unibank, Inc.	7,850	-	-	-	7,850	-	7,850	7,850	PDST-F for 3 months plus margin	Bullet	Quarterly	December-15
		10,850	400	(1)	399	10,450	(11)	10,439	10,838				
Subsidiaries													
Unsecured term notes:													
Peso denominated:													
SM Brewery													
Fixed	Philippine Depository & Trust Corp.	13,590	-	-	-	13,590	(65)	13,525	13,525	8.25%	Bullet	Semi-annual	April-12
	Philippine Depository & Trust Corp.	22,302	-	-	-	22,302	(183)	22,119	22,119	8.875%	Bullet	Semi-annual	April-14
	Philippine Depository & Trust Corp.	2,810	-	-	-	2,810	(29)	2,781	2,781	10.50%	Bullet	Semi-annual	April-19
		38,702	-	-	-	38,702	(277)	38,425	38,425				
Petron													
Fixed	MBTC/Maybank/Insular Life/Mega Int'l Commercial Bank/Robinsons Savings Bank	769	615	(2)	613	154		154	767	6.73%	Amortized	Quarterly	January-12
Fixed	BPI Asset Management and Trust Group	6,300	6,300	(9)	6,291	-		-	6,291	8.88%	Bullet	Semi-annual	August-11
Fixed	BPI Asset Management and Trust Group	5,200	-	(10)	(10)	5,200	(29)	5,171	5,161	8.14%	Bullet	Semi-annual	June-14
Fixed	BPI Asset Management and Trust Group	4,752	48	(6)	42	4,704	(36)	4,668	4,710	9.33%	Amortized	Semi-annual	June-16
Fixed	Deutsche Bank AG, Hongkong Branch	20,000	-	(25)	(25)	20,000	(196)	19,804	19,779	7.00%	Bullet	Semi-annual	November-17
		37,021	6,963	(52)	6,911	30,058	(261)	29,797	36,708				
SMY Asia													
Fixed	HSBC	955	-		-	955	(2)	953	953	6.50%	Bullet	Semi-annual	March-12
Fixed	HSBC	1,270	-	-	-	1,270	(6)	1,264	1,264	7.25%	Bullet	Semi-annual	March-14
		2,225	-	-	-	2,225	(8)	2,217	2,217				
GSMI													
Fixed	Security Bank Corporation	300			-	300	(1)	299	299	8.300%	Amortized	Semi-annual	May-15
Fixed	Security Bank Corporation	1,200			-	1,200	(6)	1,194	1,194	7.63000%	Amortized	Semi-annual	May-15
		1,500	-	-	-	1,500	(7)	1,493	1,493				
SMPFC													
Fixed	China Banking Corporation	230	-	-	-	230	(3)	227	227	5.4885%	Bullet	Quarterly	December-15
	China Banking Corporation - Trust Group as Trustee	53	-	-	-	53	-	53	53	5.4885%	Bullet	Quarterly	December-15
	China Bank Savings, Inc. Trust as Trustee	17				17	-	17	17	5.4885%		Quarterly	December-15
	Land Bank of the Philippines	500	-	-	-	500	(4)	496	496	5.4885%	Bullet	Quarterly	December-15
		800	-	-	-	800	(7)	793	793				
		80,248	6,963	(52)	6,911	73,285	(560)	72,725	79,636				
SMPFC													
Floating	Banco de Oro Unibank, Inc.	1,500				1,500	(13)	1,487	1,487	3-month PDST-F plus margin	Bullet	Quarterly	December-15
	China Banking Corporation	1,200				1,200	(11)	1,189	1,189	3-month PDST-F plus margin	Bullet	Quarterly	December-15
	Land Bank of the Philippines	500				500	(4)	496	496	3-month PDST-F plus margin	Bullet	Quarterly	December-15
	Maybank Philippines, Inc.	500				500	(4)	496	496	3-month PDST-F plus margin	Bullet	Quarterly	December-15
		3,700	-	-	-	3,700	(32)	3,668	3,668				
Petron													
Floating	Land Bank of the Philippines	667	667	(1)	666	-		-	666	3-month PDST-F plus margin	Amortized	Quarterly	November-11
Floating	Development Bank of the Philippines	1,800	600	-	600	1,200	-	1,200	1,800	net 1M SDA plus margin	Amortized	Quarterly	December-14
		2,467	1,267	(1)	1,266	1,200	-	1,200	2,466				
		6,167	1,267	(1)	1,266	4,900	(32)	4,868	6,134				

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2010
(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
Foreign currency - denominated													
Domestic Subsidiairy													
Petron													
Floating	Norddeutsche Landesbank Girozentrale	P 15,563	P 3,458	P (118)	P 3,340	P 12,105	P (216)	P 11,889	P 15,229	3 or 6 mos. LIBOR plus margin	Amortized	Quarterly	June-15
SM Brewery													
Floating	Mizuho Corporate Bank, Ltd.	13,152	-	-	-	13,152	(312)	12,840	12,840	LIBOR plus agreed margin	Bullet	Quarterly	February-14
GSMI													
Floating	ABN AMRO	217	62	-	62	155	(1)	154	216	THBFIX plus agreed margin	Amortized	Quarterly	February-14
Floating	United Overseas Bank	217	62	-	62	155		155	217	THBFIX plus agreed margin	Amortized	Quarterly	February-14
		434	124	-	124	310	(1)	309	433				
International Subsidiaires													
Floating	HSBC	365	185	-	185	180	-	180	365	THBFIX plus agreed margin	Amortized	Semi-annual	September-12
Floating	BTM	364	185	-	185	179	-	179	364	THBFIX plus agreed margin	Amortized	Semi-annual	September-12
Floating	HSBC	139	69	-	69	70	-	70	139	VNIBOR plus agreed margin	Amortized	Quarterly	December-12
Floating	BTM	139	70	-	70	69	-	69	139	VNIBOR plus agreed margin	Amortized	Quarterly	December-12
		1,007	509	-	509	498	-	498	1,007				
		36,323	5,358	(119)	5,239	30,965	(561)	30,404	35,643				
Total Long-term Debt		**P 171,261**	**P 12,721**	**P (172)**	**P 12,549**	**P 158,540**	**P (2,162)**	**P 156,378**	**P 168,927**				

* See Note 23, 41 and 42 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE K - CAPITAL STOCK
DECEMBER 31, 2010

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	3,268,594,254	938,648,724	2,329,945,530	94,249,095	551,670	20,129,945
COMMON STOCK "B"	1,356,000,000	-	-	-	40,392,469	-	-
PREFERRED SHARES	1,110,000,000	970,506,353	-	970,506,353	-	85,751,165	300,109
	4,500,000,000	4,239,100,607	938,648,724	3,300,451,883	134,641,564	86,302,835	20,430,054

* See Notes 26 and 40 of the Audited Consolidated Financial Statements.

SAN MIGUEL CORPORATION (PARENT ONLY)
ACCOUNTS RECEIVABLE - TRADE
AS OF DECEMBER 31, 2010

	TOTAL	OVER 60 DAYS
ACCOUNTS RECEIVABLE - TRADE	**P** 266,787,422.31	P 266,787,422.31
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(266,787,422.31)	
NET	**P -**	

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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, 2010, and have issued our report thereon dated March 14, 2011.

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
CPA License No. 0030399
SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2010
Issued June 30, 2010; Valid until June 29, 2013
PTR No. 2639631MB
Issued January 3, 2011 at Makati City

March 14, 2011
Makati City, Metro Manila

Manabat Sanagustin & Co., CPAs, a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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, January 1, 2010*		P 64,234
Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	P 21,672	
Non-actual/unrealized income- net of tax		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents)	(2,714)	
Unrealized marked-to-market gain	0	
	(2,714)	
Deferred tax asset	(45)	
Net income actually earned during the period		18,913
		83,147
Treasury shares		0
Dividend declaration during the period		(21,284)
TOTAL RETAINED EARNINGS, DECEMBER 31, 2010 AVAILABLE FOR DIVIDEND		P 61,863

ANNEX "C"

San Miguel Brewery Inc. and Subsidiaries
List of Products and/or Services
as of December 31, 2010

LIST OF PRODUCTS

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. Oktoberfest Brew
10. Cali
11. San Miguel Alcoholic Malt Beverage
12. San Miguel Dark Beer
13. San Miguel Premium Lager
14. Valor
15. Blue Ice
16. Dragon
17. Super Cool
18. Blue Star
19. W1N Bia (Bia Hoi)
20. Dzo
21. Anker
22. Kuda Putih
23. Sodaku
24. Soda Ice

BREWED UNDER LICENSING AGREEMENT

1. Carlsberg
2. Guang's Pineapple

IMPORTED / DISTRIBUTED

1. Kirin Ichiban
2. Samuel Adams
3. Stella Artois
4. Hoegaarden
5. Beck's
6. Lowenbrau
7. Boddington's
8. James Boag's

San Miguel Pure Foods Company, Inc. and Subsidiaries
List of Products and/or Services
as of December 31, 2010

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)
- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Magnolia Jumbo Chicken (Fresh & Frozen)
- Magnolia Free Range Chicken (Fresh & 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 (freshly prepared on site)

Marinated
- Magnolia Chicken Station Cook Easy products (freshly prepared on site)

Giblets
- Magnolia Chicken Giblets (Frozen Liver and Gizzard)

Export
- Frozen Chicken Yakitori

FRESH MEATS

Monterey Meatshop
- Fresh Meats Primals (Pork, Beef, Lamb)
- Fresh Meats Individual Portion Cubes (Pork, Beef, Lamb)
- Ready-to-Cook Marinated Meats or Timplados (Pork, Beef, Lamb)

Hungry Juan
- Roast Pork & Chicken
- Crispy Chikinini
- Pork BBQ
- Fried Chicken
- Chicken Isaw
- Chicken Proven
- Porkchop
- Chorizo de Cebu
- Sisig
- Liempo
- Beef Tapa Toppings

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
  - Jumbo Hog Feeds
  - Maton Hog Feeds
  - Jumbo Hog Economix

- 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

- Duck Feeds
  - B-Meg Duck Layer Pellet
  - Pureblend Premium DLP
  - Pureblend DLP

- Gamefowl Feeds
  - B-Meg Derby Ace
  - B-Meg Alertone

- 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 Prize Catch Slow Sinking 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
  - Iron-Vet

- ❑ 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
- ❑ 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 Miki Flour
- ❑ Prince Noodle Flour
- ❑ Prince Wrapper Flour
- ❑ Nutri-Flour High Gluten Flour

Premixes
- ❑ Mix' n Bake
  - Brownie Mix
  - Cookie Mix
  - Crinkle Mix
  - Muffin Mix
  - Pan de Sal Mix
- ❑ Mix' n Fry
  - 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, Cheesedog)
- Purefoods Beefies Hotdog (Classic, Jumbo, Lots A Cheese)
- Purefoods Chick'N Tasty Chicken Hotdog (Classic, Jumbo, Cheese)
- Purefoods Premium Franks (German, Beef, Cheese)
- Purefoods Star Hotdog (Classic, Jumbo, Cheezeedog, Footlong)
- Vida Hotdog (Classic, Jumbo)

Sliced Hams
- Purefoods Sweet Ham
- Purefoods Cooked Ham
- Vida Ham

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

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

Battered, Breaded & Fried
- Purefoods Chicken Fun Nuggets
- Purefoods Pork Choplets

Monterey Line
- Monterey Vigan Longanisa
- Montere Sisig (Filipino Favorites)

Ready-to-Cook Magnolia Line
- ❑ Magnolia Golden Crispy (Classic)

GROCERY PRODUCTS
Corned Meats
- ❑ Purefoods Corned Beef
- ❑ Purefoods Chunkee Corned Beef
- ❑ Purefoods Carne Norte
- ❑ Ulam King Corned Beef

Luncheon Meats
- ❑ Purefoods Luncheon Meat
- ❑ Purefoods Chinese Luncheon Meat
- ❑ Purefoods Beef Loaf
- ❑ Purefoods Chicken Luncheon Meat

Sausages
- ❑ Purefoods Vienna Sausage
- ❑ Purefoods Chicken Vienna Sausage

Canned Viands
- ❑ Purefoods Sizzling Delights Sisig
- ❑ Ulam King – Meaty Asado
- ❑ Ulam King – Meaty Caldereta
- ❑ Ulam King – Meaty Lechon Paksiw
- ❑ Ulam King – Meaty Menudo
- ❑ Ulam King – Meaty Mechado

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

Magnolia, Inc.

BUTTER, MARGARINE & CHEESE
Butter
- ❑ Magnolia Gold (Salted, Unsalted) and Magnolia Gold Lite
- ❑ Magnolia Butter-licious!
- ❑ 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, Mantekeso)
- ❑ Delicious Margarine
- ❑ Magnolia Lite

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 SNACKS AND DESSERTS

- JellYace Fruiteez
- JellYace Bites
- JellYace Snackers
- JellYace Suki Pack
- Magnolia Best Fruits Jam (Strawberry, Pineapple, Apple Cinnamon, Pink Guava, Mango)

MILK

- Magnolia Chocolait
- Magnolia Chocolait Choco Magic (Mocha, Melon, Strawberry)
- Magnolia Purefresh Natural Cow's Milk
- Magnolia Purefresh Low Fat Cow's Milk
- Magnolia Full Cream Milk

SPECIALTY OILS

- Magnolia Nutri - Oil Coconut Oil
- Magnolia Nutri - Oil Palm Oil
- Magnolia Pure – Oil

SALAD AIDS

- Magnolia Real Mayonnaise

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, Cafe Latte)

Frozen Novelties

- Magnolia Spinner (Chocolate, Vanilla)
- Magnolia Party Cups (Vanilla, Chocolate, Ube and Mango)
- Magnolia Sweetie Bites (Cookie Craze, Cheesy Bits)
- Magnolia Fun Bar (Choco Loco, Cool Bubblegum, Cotton Candy)
- Magnolia Popsies (Orange Chill, Choco Cool)
- Magnolia Pinipig Crunch (Vanilla Crisp and Sweet Corn)

Other Frozen Delights

- Magnolia Pop-a-cup (Chocolate, Raspberrry)
- Magnolia Rainbow Bar

Opportunistic Products

- Magnolia Limited Editions (Seasonal)

San Miguel Gold Label (For Export)

- SMGL Mellorine - USA
- SMGL Frozen Dessert - Canada
- SMGL Ice Confectionery – Australia, Canada, Italy, United Kingdom

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 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

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 Saving (Beef)
- Purefoods Choice (Beef)

Sausages

- Farmhouse (Beef Cocktail, Beef Frankfurter, Beef Weiner, Beef, Chicken, Fried Beef, Jumbo, Hot & Spicy)
- FunKidz Chubbies (Cheese)
- Gusto (Pork Breakfast, Pork Cabanosi, Pork Cocktail, Pork Hotdog)
- Purefoods Choice (Beef, Chicken, Jumbo, Hot & Spicy, Black Pepper Beef Sausage, Beef Weiner)
- Vida (Franks, Beef Weiner, Beef, Chicken, Fried)
- Vida Saving (Beef)

Cold Cuts

- Farmhouse (Beef Pepperoni, Chicken Roll, Garlic Salami, Smoked Beef)
- Gusto (Cooked Ham, Back Bacon, Gammon Ham, Smoked Ham, Smoked Pork Loin, Streaky Bacon)
- Purefoods Choice (Chicken Chunk)

Luncheon Burger

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

Value Added

- Farmhouse Corned Beef
- FunKidz Nuggies

Services

- Customization

San Miguel Pure Foods VN Co., Ltd

Feeds Business

- Hog Feeds
- Poultry Feeds
- Aquatic Feeds

Live Pigs

Fresh Meats

- Pork
- Beef

Value Added Meats

- Bacon
- Ham
- Sausages
- Traditional Meats
- Pate
- Mixed Cuts

Ginebra San Miguel, Inc. and Subsidiaries
List of Products
as of December 31, 2010

Alcoholic Beverages

1. Ginebra San Miguel
2. G.S.M. Blue
3. Ginebra San Miguel Premium Gin
4. Gran Matador Brandy Solera
5. Gran Matador Brandy Solera Gran Reserva
6. Añejo Rum
7. Antonov Vodka
8. Antonov Flavored Vodka
9. St. George Premium Whisky
10. Don Enrique Mixkila Distilled Spirit
11. Vino Kulafu
12. Don Enrique Silver Brandy
13. Don Enrique Gold Brandy
14. Ginebra San Miguel Flavors
15. Gran Matador Primo (new product, launched in April 2010)

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 (imported from National Foods Australia Pty Ltd.)
8. Lifedrink

San Miguel Properties, Inc. and Subsidiaries
List of Projects
as of December 31, 2010

Project Name	Location
Maravilla	Gen. Trias, Cavite
Bel-Aldea	Gen. Trias, Cavite
Asian Leaf	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

The Company 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
Office spaces (various floors)	Makati City	EL Tower, EDSA
Office spaces (various floors)	Makati City	EDSA
Warehouse	Cavite	General Trias
Warehouse	South Cotabato	Polomok

Petron Corporation and Subsidiaries
List of Products
as of December 31, 2010

Fuels

AUTOMOTIVE FUELS
Petron Blaze
Petron XCS
Petron XCS E-10
Petron Xtra Unleaded
Petron Xtra Premium E-10
Regular Unleaded
Petron Diesel Max
Petron Xtend Autogas

INDUSTRIAL FUELS
Petron Fuel Oil
IF-1
LSFO-1
Intermidiate Fuels
Special Fuel Oil
Petron Industrial Diesel Fuel

AVIATION FUELS
Aviation Gasoline
Jet A-I

HOUSEHOLD FUELS
Gasul
Gaas

Automotive Lubricating Oils

DIESEL ENGINE OILS
Rev-X All Terrain
Rev-X Trekker
Rev-X Hauler
Rev-X HD
Petron HDX
Petron XD3
Petron XD 2040
Petron 2040
Petron Railroad Extra

GASOLINE ENGINE OILS
Ultron Race
Ultron Rallye
Ultron Touring
Ultron Extra
Petron MO

MOTORCYCLE OILS
Petron Sprint 4T Enduro
Petron Sprint 4T Rider

Petron Sprint 4T Extra
2T Premium
2T Enviro
2T Autolube
2T Powerburn

AUTOMOTIVE GEAR OILS
Petron GX
Petron GEP
Petron GST
Automotive Transmission Fluids
Petron ATF Premium
Petron TF 38
Petron TDH 50

Industrial Lubricating Oils

TURBINE, HYDRAULIC AND CIRCULATING OILS
Hydrotur AWX
Hydrotur AW
Hydrotur AW (GT)
Hydrotur EP 46
Hydrotur N100
Hydrotur R
Hydrotur SW 68
Hydrotur SX 220
Hydrotur T
Hydrotur TEP

INDUSTRIAL GEAR OILS
Hypex EP (Oil-Based)
Hypex EP (Asphalt-Based)
Milrol 5K
Gearfluid
Gearkote

CUTTING OILS
Turnol
Petrokut 10
Petrokut 27

REFRIGERATION OILS
Zerflo 68
Suniso

OTHER INDUSTRIAL LUBRICATING OILS
Petrocyl S
Petrocyl

Asphalts

PENETRATION ASPHALT
Petropen
Airlube
Spinol 15
Spinol 10E

Petrosine 68
Voltran 60

Marine Lubricating Oils

MARINE CYLINDER OILS
Petromar DCL 7050
Petromar DCL 4000 Series

MARINE TRUNK PISTON ENGINE OILS
Petromar XC 5540
Petromar XC 5040
Petromar XC 4040
Petromar XC 3000 Series
Petromar XC 2000 Series
Petromar XC 1500 Series
Petromar XC 1000 Series

OTHER MARINE LUBRICANTS
Petromar 65
Petromar HD Marine Series

Greases
REGULAR PERFORMANCE GREASES
Petrogrease MP
Petrogrease XX

PREMIUM PERFORMANCE GREASES
Molygrease EP2
Molygrease Premium
Petrogrease EP
Petrogrease Premium

HIGH TEMPERATURE GREASES
Molygrease EP 1P and EP 2P
Petrogrease EP 290 and EP 375
Petrogrease HT

COMPLEX GREASES
Petrogrease Lithium Complex
Petrogrease Lithium Complex with Moly

FOOD GRADE GREASES
Petrogrease Food Grade

CUTBACK ASPHALT
Petropen CB

EMULSIFIED ASPHALT
Petromul CSS-1

BROWN ASPHALTS
Asphaltseal
Asphalt Joint Sealer

Special Products
PROCESS OILS
Process Oils
Printsol 600
Rubbex 130
Stemol
Jute Batching Oil
Aldro Oil 460

HEAT TRANSFER OIL
Petrotherm 32

CLEANING AGENT
Greasolve
Carbon Flush

FLUSHING OIL
STM

SEALING LUBRICANT
Dust Stop Oil

PROTECTIVE COATINGS
Petrokote 500
Petrokote 392
Marinekote
Marinekote SS
Autokote
Cablelube
Cablekote

OTHERS
Petron Farm Trac Oil
Petron Marine HD Oil
Bull's Eye

Aftermake Specialties
PETROMATE SPECIALTIES
PetroMate Oil Saver
PetroMate Oil Improver
PetroMate Gas Saver
PetroMate Diesel Power Booster
PetroMate Engine Flush
PetroMate Super Coolant
PetroMate Clean N' Shine
PetroMate Penetrating Oil
PetroMate Greaseaway
PetroMate Brake and Clutch Fluid

Aviation Lubricants
Braycote 622
Hydraunycoil FH 51
Royco 481
Aviation Oil EE
Invarol FJ 13
Exxon Turbo Oil 2389
Exxon Turbo Oil 2380
Univis J-13
Turbonycoil 35 M
Turbonycoil 600

San Miguel Yamamura Packaging Group
List of Products and Services
as of December 31, 2010

Glass
Containers
Bottles\Molds

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

Plastics
Crates
Bread and Food Trays
Pallets
- One-way pallet
- Heavy-duty pallet

TUFFMat Plastic Flooring (trademarked)
E-Mat Poultry floorings
(trademark application pending)
Buckets and Pails
Caps and handles

Paper
Corrugated Carbon Boxes
HardBOX Reinforced Cartons (trademarked)
EZ Tear and RipTOP cartons (trademarked)
Costock (patented) cardboard wine partions

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 Recycling
PET Recycling Services
Packaging Development Consultation
Packaging research
UV silk screen printing
Custom tooling

ANNEX "D"

BEVERAGE BUSINESS

Molasses/Alcohol/ Cassava/Banana Tapioca Meal	Heindrich Trading Corp.
	Schuurmans & Van Ginnekenphils., Inc.
	Progressive Chemicals Trade, Inc.
	Balayan Distillery Inc.
	Kooll Company, Inc.
	Berbacs Chemicals, Inc.
	ED & F Man Asia Pte., Ltd.
	Sunnix, Inc.
	Second Consolidated Sugar Corp.
	Well Share Export Import, Inc.
	Central Azucarera De La Carlota, Inc.
	Udtong Agrarian Reform Beneficiaries Multi-Purpose Cooperative
Flavors	Givaudan Nederland BV
	Nutra Asia Enterprise
	Givudan Singapore Pte Ltd.
	Mane Investissiments
Brandy Concentrate	Jose Estevez, S.A.
Sugar	All Asian Countertrade
Malt and Hops	Joe White Maltings Pty. Ltd.
	Malteurop
	Malteries Soufflet
	Barrett BurstonMalting Co. Pty. Ltd.
	Kirin Australia Pty. Ltd.
	Taiwan Hon Chuan Enterprise Co. Ltd.
	Boortmalt N.V.
	John Haas, Inc.
	Cofco Malt (Dalian) Co. Ltd.
	Guangzhou Malting Co., Ltd
	Malteurop (Baoding) Malting Co. Ltd
	Wugang Malt Co.Ltd.
	Bohemia Hop , a.s.
	Gansu Tianma Hops Co., Ltd.
	HVG Hopfenverwertungsgenossenschaf
	HVG-Germany
	Simon H. Steiner, Hopfen, GmbH
	Zhuhai Steiner Trade Co., Ltd

Corn Sugar	C.P. Food Store Co. Ltd. Costimex S. A. CtyCp My Tuong DNTN TOAN DAO Foshan Gaoming Co. Ltd HefeiLongjieCo.Ltd Hefei Longjie Grain & Oil Com. Ltd. Sinar Unigrain Indonesia SuizhouYinxing Trade Co., Ltd TeguhwibawaBhaktipersada, PT TonghuaBuayai (1994) Co.,Ltd. Cty Duong KhanhHoa Cty TM ThanhThanh Cong Fengpu Industrial Co.Ltd. FoshanQiaobai.Co.Ltd Tai Koo Sugar Ltd. Cagayan Corn Products Northern Star Rice Chaodee Starch (2004) Co. Ltd Udtong Agrarian Reform Beneficiaries Multipurpose Coop. RJJ Enterprises Limketkai Manufacturing Corporation Heindrich Trading A. Hernal Enterprises
Packaging Materials	Cong Ty TNHH Co KhiBao Bi Lam Hung Cong Ty TNHH LD Bao Bi United Ditsorn Containers Co.,Ltd. Fo Shan Shi NanHaiHuaXiang Packing Co.,Ltd. Guang Dong ManchangKeyi Materials Co.,Ltd. High Win Industrial Ltd. Karya Indah Multiguna, PT SCA (Baoding) Packaging Co.,Ltd TristarMakmurKartonindo, PT Constantia CM Label Sdn. Bhd. CtyCp Minh Phuc Dwi Indah, PT Guangdong Man Cheong Packaging Printing Co.,Ltd. H&N (Suzhou) Packaging materials limited Haendler&Natermann GmbH HaiLiBaoColour Printing Co.,Ltd. JiaxingHaoneng Packing Co.,Ltd. Altinex, PT Citra MandiriMetalindo, PT CPMC (Tianjin) Co., Ltd.

	Crown Seal Public Company Limited
	GuangzhongNewspring Packaging Co.,Ltd.
	Shenyang Ziquan Packaging Co.,Ltd.
	Shijiazhuang Shengyi Packaging Co.,Ltd.
	CangzhouCangshun Glass Co.,Ltd.
	Fangyuan Glass Co.,Ltd. Qinhuandao/Huailai)
	Farma East Jaya, PT
	Guandong Huaxing Glass Co. Ltd.
	Guangdong OI Glass Co.,Ltd.
	Qingdao Laoshan Glass Co.,Ltd.
	Shandong Lianxing Glass Co.,Ltd.
	Tianjin OI Glass Container Co., Ltd.
	Yantai NBC Glass Packaging Co., Ltd.
	Ball Asia Pacific Shenzhen Metal
	Bangkok Can Manufacturing Co., Ltd.
	BAP Beijing Metal Container Limited
	Conpac, PT
	Crown Bevcan and Closures (Thailand) Co., Ltd.
	Crown Beverage Cans Beijing Limited
	Foshan Crown Can Co., Ltd.
	Fountain Can Corporation
	Huizhou Crown Can Company Limited
	Pacific Can (ZhangZhou) Company Ltd.
	Thai Beverage Can Ltd.
	Vinacan
	Health Keepers Leasing Co. Inc.
	Printwell, Inc.
FOOD BUSINESS	
Soybean and Soybean Meals	AG Processing, Inc.
	Louis Dreyfus Commodities Asia Pte Ltd.
	Noble Resources S.A.
Breeder Stocks	Cobb Vantress Inc.
	Aviagen Group
Spring / Soft Wheat	The Canadian Wheat Board
	Columbia Grains International, Inc.
Indian Buffalo Meat	Allanasons Limited
Cheese Curd and Anhydrous Milk Fat	Fontera (SEA) Pte. Limited
Oil	Tap Oil Manufacturing Corp.

Coffee Mixes	Super Coffee Corporation Pte. Ltd.

PACKAGING BUSINESS

Adhesives	Trans World Trading Co. Inc. Material Solutions Inc. Henkel Philippines, Inc.
Aluminum - Coil	Alcoa Australia Rolled Products Pty. Ltd. Macro International Corporation Sumitomo Corporation
Aluminum - Foil	Gruppo Teknologia Inc. Lotte Aluminum Company Ltd.
Aluminum - Sheet	Macro International Corporation Samhwa Trading & Packaging Co. Ltd. Laminazione Sottile S.P.
Cap/Crown Liner	Chemdis Manufacturing Corp. Fortune Plastics Processing & Chemical Corporation Sancap Liner Technology, Inc. D & L Polymer & Colours, First In Colors Inc.
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 Malasaga Trading
Carbon Dioxide	Coca-Cola Bottlers Philippines, Inc.
Coatings - Hot Melt	W. R. Grace (Philippines), Inc.
Coatings - Overprint	CDI Sakata Inx Corp. Chemdis Manufacturing Corp. Iinkote Philippines, Inc. The Valspar (Singapore) Corporation Pte. Ltd. W. R. Grace (Philippines), Inc.
Coatings - Powder	Henkel Philippines, Inc.

Corrugated Carton	Sunpack Container & Packaging Corp.
Cullet	Coca-Cola Bottlers Philippines,Inc. Sanven Marketing Corporation Agate Enterprises SC Commercial ECC Enterprises RRJ Junk Shop/Amelita Chiu
Feldspar	Feldspar Processing Corporation
Films	PT Argha Karya Prima Industry, Tbk. Tri-Pack Philippines Corporation Superior Metal Flexible Packaging Products Corp.
Glue for Carton	Henkel Philippines, Inc.
Inks & Coatings	Elixir Industrial Suppliers And Services CDI Sakata Inx Corp. Tokyo Ink (Philippines) Co., Inc. Inkote Philippines, Inc W. R. Grace (Philippines), Inc. PPG Industries Pte. Ltd. The Valspar (Singapore) Corporation Pte. Ltd. Union Inks and Graphics, Inc MCR Industries, Inc.
Limestone	Megarock Milling Corporation
Paint - ACL	CDI Sakata Inx Corp.
P.E. Liner	Toprite Plastics Industries, Inc
Pet Films	Polyplex Corporation Ltd. Polyman Manufacturing Corp. AJ Plast Public Co. Ltd Superior Metal Printing Phils, Inc
Pigments	Masterbatch Philippines, Inc. Clariant Philippines, Inc. Chemdis Manufacturing Corp. International Allianz Techniks, Inc Esta Fine Color Corporation

PVC Shrink Film	Nippon Film Industrial Co. Ltd Kyung Won Chemical Co. Ltd Macro International Corporation
Resin - Coating / Laminate	JG Summit Petrochemical Corporation
Resin - PP	Basell Asia Pacific Limited JG Summit Petrochemical Corporation
Resin - HDPE	Basell Asia Pacific Limited Petroplast Corporation JG Summit Petrochemical Corporation LG International (Singapore) Pte Ltd
Resin - LDPE	Chemvision Inc. SK Plastic Reliance Company (Tubes) Dow Chemical Pacific (Singapore) Pte. Ltd. Trans World Trading Co. Inc.
Resin - LLDPE	Chemvision Inc. Petroplast Corporation JG Summit Petrochemical Corporation
Resin - PET	Far Eastern Textile Ltd. Far Eastern Polychem Industrial Indorama Polymers Public Company Limited Shimkong Synthetic Fibers Corporation
Sand	Connell Bros. Co. Pilipinas, Inc. Wodward Japan, Inc Cephas Piscium Corporation
Separator Sheets	Uni-Fiber Multi Sales Enterprises Kartonfabrik
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 Pacific (Imp & Exp) Pte, Ltd.

Welding Supplies	Durametal (s) Pte. Ltd. Cro-Magnon

FUEL AND OIL BUSINESS

Crude	Saudi Arabian Oil Company Shell International Eastern BP Singapore Pte. Ltd Petronas Trading Corporation Petroliam Nasional Berhad Vitol Asia Pte. Ltd Sakhalin Energy Investment Co. Ltd. PTT Public Company, Limited
Base Oil	Shell International Eastern
Lubricants	BP Singapore Pte. Ltd Petrobras Singapore Private Ltd.
Alkylate (Blending Component)	Conocophillips International Inc. Glencore Singapore Pte. Ltd
Finished Product	Shell International Eastern BP Singapore Pte. Ltd Petronas Trading Corporation Petrobras Singapore Private Ltd. Vitol Asia Pte. Ltd Petrochina International Pte. Ltd Glencore Singapore Pte. Ltd Hanwha Corporation/Trade Mitsui & Co. Ltd PTT Public Company, Limited

POWER GENERATION AND DISTRIBUTION

Coal	PT Kaltim Prima Coal Noble Energy Glencore International Noble Resources
Purchase of Electricity from Market	Philippine Electricity Market Corporation

ANNEX "E"

San Miguel Pure Foods Company, Inc. and its Subsidiaries
Status of CBAs
as of December 31, 2010

Level	Union	Expiration of CBA (Economic)	Headcount
Rank and File	*PF-HORMEL*		
	PHCAMEU- Independent	November 30, 2011	15
	SMFI		
	MPEU - PTGWO	June 30, 2013	51
	MPPPMEU - PTGWO	June 30, 2011	42
	SMFIEU - PTGWO	June 30, 2013	114
	SMMI		
	PFMEU	July 31, 2011	39
	MAGNOLIA		
	PDPCEU IBM 85 - Cavite	July 31, 2011	60
	PDPCWU IBM 47 - Cavite	February 28, 2011	104
	PTSMPFI		
	Federasi Serikat Pekerja Seluruh Indonesia sector Rokok, Tembakau, Makanan & Minuman (FSPSI RTMM)	December 31, 2010	144
	SMPFVN		
	Trade Union Foundation of SMPFVN	December 31, 2010	636
	Non-Unionized/Exempt		1,980
	Total Rank & File		3,185
Supervisors			222
Managers			218
Executives			51
TOTAL			**3,676**

Ginebra San Miguel, Inc.
Status of Collective Bargaining Agreements or Memorandum of Agreements
as of December 31, 2010

BUSINESS UNIT / PLANT	UNION AFFILIATION	EXPIRATION OF ECONOMIC PROVISION	REMARKS
GSMI - Cebu Plant (Dailies)	Free Workers Association	December 31, 2012	Twenty-three (23) covered employees individually signed a MOA with Management effective January 29, 2010. The MOA pertains to a three (3)-year agreement for economic package from January 1, 2010 until December 31, 2012. Negotiation of the MOA was conducted through the union.
GSMI - Cabuyao (Dailies)	Independent	January 31, 2013	Thirty-two (32) covered employees individually signed a MOA with Management for economic package,

			effective from February 1, 2010 until January 31, 2013. Negotiation of the MOA was conducted through the Labor Management Council.
GSMI- Sta. Barbara (Monthlies)	Independent	March 31, 2011	A CBA was signed by the Union with eighteen (18) members effective from April 1, 2008 until March 31, 2011.
GSMI- Sta. Barbara (Dailies)	CIO-ALU	January 31, 2011	Forty-six (46) covered employees individually signed a MOA with Management for economic package, effective from February 1, 2008 until January 31, 2011. Negotiation is conducted through the Labor Management Council.
DBI-Bacolod (Monthlies)	CIO – ALU	April 30, 2011	CBA was signed by the Union with fifty-nine (59) members effective from May 1, 2008 up to April 30, 2011.

Petron Corporation
Status of CBAs

Parties	Effectivity Period
1. Petron and BRUP – includes all rank and file employees of the Refinery	Jan 1 2011 - Dec 31 2013
2. Petron and PEA-NATU- for Head Office	Jan 1 2009 - Dec 31 2011
3. Petron and PELU- for Pandacan and depot personnel	Jan 1 2011 - Dec 31 2013

SAN MIGUEL YAMAMURA PACKAGING CORPORATION

LIST OF CBAs / BARGAINING UNITS AS OF MARCH 31, 2011

	INSTALLATION	EXPIRATION		UNION	NO. OF MEMBERS	STATUS
		ECONOMIC	REPRESENTATION			
	SMC YAMAMURA FUSO MOLDS CORPORATION					
1	Monthlies Union	Dec. 31, 2012	Dec. 31, 2013	SMC Yamamura Fuso Molds Monthlies Union - PTGWO	42	CBA Concluded
	SAN MIGUEL YAMAMURA CORPORATION					
2	SMYPC Main Office- Monthlies	June 30, 2013	June 30, 2012	SMYPC-PTGWO-Main Office**-Local 887**	53	CBA Concluded
3	Manila Plastics Plant-Monthlies	June 30, 2013	Oct. 02, 2012	SMYPC-PTGWO-**Local 888**	59	CBA Concluded
4	*Manila Glass Plant-Dailies*	June 30, 2013	Feb. 26, 2013	Concerned Workers of SMPSI-Manila Glass Plant	129	CBA Concluded
5	Manila Glass Plant-Monthlies	June 30, 2013	June 30, 2012	SMYPC-PTGWO-**Local 889**	102	CBA Concluded
6	*Metal Closure & Lithography Plant-Dailies*	June 30, 2013	June 30, 2012	SMPSI-MCLP-Progressive Union-IBM	93	CBA Concluded
7	Metal Closure & Lithography Plant-Monthlies	June 30, 2013	June 17, 2012	SMYPC-PTGWO-**Local 890**	83	CBA Concluded
	MINDANAO CORRUGATED FIBREBOARD INC.					
8	Monthlies Union	Dec. 31, 2010	Dec. 31, 2012	Mincorr Independent Workers Union (MIWU)	42	NCMB
	SAN MIGUEL PACKAGING SPECIALISTS, INC.- CANLUBANG PET & CAPS PLANT					
9	Monthlies Union	Dec. 31, 2010	Dec. 31, 2012	SAMAHAN ng MALAYANG MANGGAGAWA sa BPSI-Can	36	On 3rd nego mtg.
	SMYPC - METAL CONTAINER PLANT					
10	Monthlies Union	Dec. 31, 2010	Dec. 31, 2009	Kristiyanong Organisasyon ng Manggagawa sa San Miguel Yamamura Ball Corporation (Kristong Manggagawa-SMYBC) - Inc.	82	On 4th nego mtg.
	SMC YAMAMURA ASIA CORPORATION					
11	Monthlies Union	Dec. 31, 2010	Dec. 31, 2013	Buo Organisadong Samahan ng Empleyado sa SMYAC-Independent (BOSES-SMYAC)	218	On 9th nego mtg
	RIGHTPAK INTERNATIONAL CORPORATION					
12	Monthlies Union	May 31, 2011	May 31, 2012	Rightpak Employees Union-PTGWO	128	Upcoming nego
	SMYPC-MANDAUE PACKAGING PLANTS (Glass, MCLP,Power)					
13	Dailies Union	Dec. 31, 2011	Dec. 31, 2010	Kahugpong Sa Ligdong Mamumuo-SMPSI Mandaue (KLM-SMPSI Mandaue)	166	Upcoming nego
				TOTAL	**1,233**	

LEGEND:

- Renewal of CBA already completed.

- With on-going CBA Nego.

COUNTRY	INSTALLATION	NAME OF UNION/ORG REPRESENTING EMPLOYEES	No. of CLAs	Cycle	Period of CLA		Date of Expiration	REMARKS
					Start	Expiration	Trade Union	
Vietnam	San Miguel Brewery Vietnam Limited	SMBVL Trade Union is under the supervision of Trade Union of the Khan Hoa Industrial & Economic Zone, Khan Hoa Province, Vietnam	1	2 yrs	January 01, 2011	December 31, 2012		
Thailand	San Miguel Marketing Thailand Limited & San Miguel Beer Thailand Limited	n/a	n/a	n/a	n/a	n/a	n/a	No Trade Union but there is an Employee Welfare Committee composed of Employer Representatives and Employee Representative. The Employee Representatives are selected by Employees.
Indonesia	PT Delta Djakarta Tbk.	Ikatan Keluarge Karyawan-Employee Family Bond (IKKA Delta)	1	2 yrs	January 01, 2003	December 31, 2010		The Company Rules & Regulations (equivalent name of CLA in Indonesia) of PT Delta Djakarta Tbk is a result of the negotiation between the employees represented by the committee IKKA Delta and the Management. The Company Rules & Regulations is registered yearly with the Department of Labor & Transmigration, Bekasi, Indonesia.
China/ HK	San Miguel Brewery Hongkong Ltd.	n/a	n/a				-	-
	Guangzhou San Miguel Brewery Co. Ltd.	Trade Union Committee of Guangzhou San Miguel Brewery Co. Ltd.	1	2 yrs	Jan 4, 2010	January 03, 2012	The Trade Union Committee Heads are replaced every 3 or 5 years, next election in 2012 or 2014.	- All employees are part of the Labor Union
	San Miguel Guangdong Brewery Co.	SMGB Trade Union Committee	1	3 yrs	June 26, 2010	June 25, 2013	The Trade Union Committee Heads are replaced every 3 or 5 years, next election in 2012 or 2014.	- All employees are part of the Labor Union
	San Miguel Baoding Brewery Co. Ltd.	SMBB Trade Union Committee	1	3 yrs	July 1, 2010	June 30, 2013	The Trade Union Committee Heads are replaced every 3 or 5 years, next election in Aug. 2011 or Aug 2013.	- All employees are part of the Labor Union

UNIT	CATEGORY	NO. OF EMPLOYEES (As of Dec 31, 2010)
DIVISION OFFICE	Executives (Officers & Middle Managers)	29
	Consultants & Project-employees	5
	All Other Employees	23
	SUB-TOTAL	**57**
IN TERNATIONAL SUBS	Executives (Officers & Middle Managers)	45
	Consultants & Project-employees	1
	All Other Employees	1650
	SUB-TOTAL	**1696**
	GRAND TOTAL	**1753**

San Miguel Brewery Inc.

Collective Bargaining Agreements as of December 31, 2010

	INSTALLATION / DESCRIPTION	EXPIRATION		UNION	Member	No. of CBAs	Remarks
		ECONOMIC	REPRESENTATION				
1	GMA Dailies Union - SMB	June 30, 2010	June 30, 2009	Concerned Workers of SMC - Polo Brewery (CWSPB)	229	1	CBA was renegotiated and concluded last November 11, 2010. Expiration of Economic is June 30, 2013 and the Representation is June 30,2014.
2	GMA Monthlies Union -SMB	June 30, 2010	June 30, 2009	SMC Employees Union (SMCEU) - PTGWO	83	1	CBA was renegotiated and concluded last November 11, 2010. Expiration of Economic is June 30, 2013 and the Representation is June 30, 2014.
3	SFB - Monthlies Union	Dec. 31, 2010	Dec. 31, 2009	San Fernando Complex Monthly-Paid Emp. Union IBM No. 48	95	1	CBA was renegotiated and concluded last March 8, 2011. Expiration of Economic is December 31, 2013 and the Representation is December 31, 2014.
4	GMA Sales Force Union	Jan. 31, 2011	Jan. 31, 2010	New San Miguel Corporation Sales Force Union	78	1	Representation aspect was expired but no Certification Election(CE) was conducted. Existing union is still the bargainging agent. CBA to be renegotiated starting April, 2011.
5	SFB - Dailies Union	Feb. 15, 2011	Feb. 15, 2010	Ilaw at Buklod ng Manggagawa (IBM) Local No. 42-San Fernando Beer Bottling Plant Chapter	263	1	CBA was renegotiated and concluded last March 11, 2011. Expiration of Economic is February 15, 2014 and the Representation is February 15, 2015.
6	Mandaue Dailies Union	Dec. 31, 2011	Dec. 31, 2010	Ilaw at Buklod ng Manggagawa (IBM)-Mandaue Chapter	130	1	CBA to be renegotiated
7	Davao Dailies Union	Nov. 30, 2009	Nov. 30, 2012	San Miguel Davao Brewery Employees Independent Union	77	1	CBA was renegotiated and concluded last March 25, 2010 Expiration of Economic is Movember 30, 2012 and the Representation is November 30, 2012.
8	Bacolod Dailies Union	July 31, 2010	Apr. 27, 2014	San Miguel Bacolod Brewery Employees Union-Independent	63	1	CBA was renegotiated and concluded last September 24, 2010. Expiration of Economic is July 31, 2013 and the Representation is April 27, 2014.
9	Bacolod Monthlies Union	Oct. 31, 2010	Oct. 31, 2013	Phil. Agricultural, Commercial and Industrial Workers Union	43	1	CBA was renegotiated and concluded last December 2, 2010. Expiration of Economic is October 31, 2013 and the Representation is October 31,, 2013.

ANNEX "F"

A SUMMARY OF INFORMATION ON THE PARENT COMPANY AND ITS SIGNIFICANT SUBSIDIARIES PRINCIPAL PLANTS AND CONDITIONS

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*

Description of Property

	Beverage			
1	SAN MIGUEL BREWERY INC.			
	A. DOMESTIC			
	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 Office/Segragation Sites			
	GMA – West	Pureza S.O.; Pureza, Sampaloc District, Manila	Owned	Good
	GMA – West	M. Carreon St., Sta Ana, Manila	Owned	Good
	GMA – South	Parañaque S.O, ; Bernabe Subd., San Dionisio, Sucat, Parañaque 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 Quezon City	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, Quezon City	Rented	Good
	GMA – Bulacan	San Isidro S.O.; Gapan-Olongapo Rd.,Pob. S. Isidro,Nueva Ecija	Owned	Good
	GMA – Bulacan	Guiguinto S.O.Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good
	Polo Brewery Segregation Site	397 M.H. del Pilar St., Maysilo, Malabon	Rented	Good
	Polo Brewery Segregation Site	8002 Industrial Road, Gov. Pascual Ave., Potrero, Malabon City	Rented	Good
	Bataan Malt Terminal	Mariveles, Bataan	Land - Rented; Building - Owned	Good
	CNLA – North Central Luzon	Dagupan S.O.; Caranglaan Dist., Dagupan City	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	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 Subdivision Angeles City	Owned	Good
	CNLA – Ilocos	San Nicolas Region Office Bgy. Catuguing, San Nicolas Ilocos Norte	Owned	Good
	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. Lankaan 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.; Gogon St., Bgy. Cruzada, Legaspi City, Bicol	Rented	Good
	SLA – South Bicol	Masbate S.O.; Matungao,Tugbo,	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
		Masbate		
	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 – Samar	San Bartolome St., Catbalogan, Samar	Rented	Good
	Visayas – Panay	Numancia S.O.; Camansi Norte, Numancia ; Aklan	Owned	Good
	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 – Caraga	Butuan S.O., Fort Poyohan, Molave St., Butuan City, Agusan del Norte	Rented	Good
	Mindanao – Cotabato Province	Gen. Santos S.O.; National Highway, Bgy. Lagao, South Cotabato	Owned – Leased to Dealer	Good
	Davao Brewery Parking Space	National Highway, Bgy. Darong, Sta. Cruz, Davao	Rented	Good
	Mindanao – Cotabato Province	Sergio Osmena, Bgy., Poblacion, Koronadal City	Owned – Leased to Dealer	Good
	Mindanao – Davao Province	Davao S.O.; Ulas, Davao City	Land-Rented Building-Owned	Good
	Mindanao – Davao Province	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

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
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
Sta. Rosa Bottling Plant	Sta. Rosa, Laguna	Rented	Good
Investment Properties			
Land	HAD Flora St. Brgy. Estefania, Bacolod City	Owned	Good
Land	No. 31 Rosario St., Brgy. Granada, Bacolod City	Owned	Good
Land	Brgy. Penabatan, Pulilan, Bulacan	Owned	Good
Land	L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna	Owned	Good
B. INTERNATIONAL			
Breweries			
San Miguel Brewery Hong Kong Limited (SMBHK)	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Owned	Good
San Miguel (Guangdong) Brewery Co.,Ltd (SMGB)	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good
San Miguel (Baoding) Brewery Co. Ltd. (SMBB)	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good
San Miguel Beer (Thailand) Ltd.	89 Moo2, Tivanon Rd., Bann Mai, Muang , Pathumtani 12000	Owned	Good
San Miguel Brewery Vietnam Ltd. (SMBVL)	Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa	Owned	Good
PT Delta Djakarta Tbk	Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi	Owned	Good
Sales/Admin Office/Warehouse			
SMBHK	9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Owned	Good
SMGB			
Dongguang Office	Dongguang City, Guangdong Province	Leased	Good
Daliang Office	Daliang Town, Shunde District	Leased	Good
Gaoming Office	Gaoming district, Guangdong Province	Leased	Good
Guangzhou San Miguel Brewery Co. Ltd.			
Shantou Sales Office	Room 803 and Room 804, underground parking, Huamei Garden, Shantou City	Owned	Good
SMBB			

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Shijiazhuang Sales Office	Room 3-502,11 Building,25 Donggang Road, Century Park east District, Shijiazhuang City, Hebei Province, China	Rented	Good
	Handan Sales Office	Room 2-101,8 Buiding,xinghuaxiaoqu, Xingtai City, Hebei Province, China	Rented	Good
	San Miguel China Investment Company Limited	Room 1805 , Zhongyu Building, Jia 6 Gongti Bei Lu , Chaoyang DistrictBeijing 1000027, China	Leased	Good
	SMMTL	89 Moo2, Tivanon Rd., Bann Mai, Muang , Pathumtani 12000	Rented	Good
	SMBVL			
	Ho Chi Minh Sales Office	422-424 Ung Van Khiem , Ward 25, Binh Thanh Dist, HCM City	Rented	Good
	Da Nang Sales Office	26 Nguyen Van Linh , Da Nang City	Rented	Good
	Nha Trang Sales Office	48 B Yersin , Nha Trang City	Rented	Good
	Jangkar Delta Indonesia			
	Branch Office For Region 1	Ruko Setia Budi Square No.2 Komplek Perumahan Setia Budi Indah Medan-20131	Rented	Good
	Branch Office For Region 2	Plaza Pasific Blok A1 No.22 Bolevard Raya Barat Kelapa Gading Streets Jakarta Utara 14240	Rented	Good
	Branch Office For Region 3	Perumahan Villa Bukit Mas Mediterian Blok K5 Bukit Pakis Timur III streets Dukuh Pakis-Surabaya 60255	Rented	Good
	Branch Office For Region 4	Perumahan Komplek Balikpapan Permai Blok K2 No. 11 Balik Papan	Rented	Good
	Branch Office For Region 5	Srigala No.37 streets Makasar	Rented	Good
	SMBHK	San Miguel Industrial Building, Nos. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hong Kong	Owned	Good
	SMBB	Baoding Zhuze Food warehouse, Zhuze, Baoding city, Hebei Province,China	Rented	Good
	SMBVL - Ho Chi Minh warehouse	111A 13 National Road , Ward 26, Binh Thanh Dist	Rented	Fair
	Land/Investment Properties/Apartment/Power Plant			
	SMBHK	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Leased	Good
	San Miguel (Guangdong) Brewery Co., Ltd.	Longjiang Industrial Estate	Leased	Good
	San Miguel (Baoding) Brewery Company	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Leased	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Limited			
	San Miguel Beer (Thailand) Ltd.	89 Moo2, Tivanon Rd., Bann Mai, Muang , Pathumtani 12000	Owned	Good
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa	Rented	Good
	San Miguel Baoding Utility Co.	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Leased	Good
	PT Delta Djakarta Tbk	Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi	Owned	Good
	GSMB	Room 302, Haitao Building, Marine Fisheries Pier, North Binhai Avenue, Haikou City	Owned	Good
	GSMB	1th -4th Floor, Xianda Building, Shuichan Pier, North Binhai Avenue, Haikou City	Owned	Good
	San Miguel Beer (Thailand) Ltd.	369/1 the corner of Pracharat Sai 2 Road and Chao Phraya River, Bangsue Sub-district, Bangsue District, Bangkok	Owned	Good
	San Miguel (China) Investment Co. Ltd.	1-7A Parkview tower Chaoyang DistrictBeijing 100027 , China	Owned	Good
		1-11A Parkview tower Chaoyang DistrictBeijing 100027 , China	Owned	Good
		1-12A Parkview tower Chaoyang DistrictBeijing 100027 , China	Owned	Good
		1-9C Parkview tower Chaoyang DistrictBeijing 100027 , China	Owned	Good
		1-7C Parkview tower Chaoyang DistrictBeijing 100027 , China	Owned	Good
	San Miguel Baoding Utility	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
2	GINEBRA SAN MIGUEL, INC.			
	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
	San Miguel Properties Centre (SMPC) Bldg.	3rd, 5th & 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Rented	Good
	Valenzuela Sales Office	#8 T.Santiago St., Canumay West, Plastic City, Valenzuela	Rented	Good
	Pureza Sales Office	Brgy. 425, 489 Pureza, Sta. Mesa Manila	Rented	Good
	GMA/NCDG Sales Office	El Inventor Compound, 1251 Amang Rodriguez Ave., Brgy. Dela Paz, Pasig City	Rented	Good
	San Fernando Sales Office	Brgy. San Isidro, McArthur Highway, San Fernando, Pampanga	Rented	Good
	DOS Pampanga Warehouse	San Fernando, Pampanga	Rented	Good
	Davao Sales Office	Brgy. Talomo, Ulas, Davao City	Rented	Good
	Margarrett	Sitio Iloguin, Sandoval St, Cainta, Rizal	Rented	Good
	Inno Bev	Warehouse II, Kabesang Purong, Brgy. Punturin, Valenzuela City	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
	GMV Cold Storage	Premiere International Park, Batino, Calamba City, 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
	SMCSL Warehouse K, J, I, A	Ouano, Mandaue City	SMCSL - Owned	Good
	VENSU Ventures (DOS GENSAN)	Yap Clinic, Roxas Avenue, General Santos City.	Rented	Good
	Yao Resources Company (DOS ILO-ILO)	JV Jocson Street, Dulona, Arevalo, Iloilo City	Rented	Good
	Leyte SR Development Corporation (Tacloban Satellite Warehouse)	Cong. Mate Extension St., Tacloban City	Rented	Good
	Pagadian Sales Office	BF Araw Avenue, Tiguma, Pagadian City	Rented	Good
	Cagayan de Oro Sales Office	Unit 118, LYL Apartment, Kimwa Compound, Barangay Baloy, Cagayan de Oro City	Rented	Good
	San Jacinto Warehouse	Bo. Macayug, San Jacinto, Pangasinan	Rented	Good
	SMCSL Damortis	Brgy. Namonitan, Sto. Tomas, La Union	Rented	Good
	Villasis Warehouse	San Nicolas, Villasis, Pangasinan	Rented	Good
	Metro Bottling Corporation	Gen. Hizon Ave., Sta. Lucia, San Fernando, Pampanga	Rented	Good
	SMDCI Warehouse	Bo. Maimpis, San Fernando, Pampanga	SMDCI - Owned	Good
	Porac Warehouse	Sta. Cruz, Porac, Pampanga	Rented	Good
	East Pacific Star Bottlers, Inc.	San Fermin, Cauayan, Isabela	Rented	Good
	Cabatuan Warehouse	Diamantina, Cabatuan, Isabela	Rented	Good
	Pua's Warehouse	San Fermin, Cauayan, Isabela	Rented	Good
	SMC-SL Warehouse	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	SMCSL - Owned	Good
	Alliance Warehouse	Bgy. Pulo, Cabuyao, Laguna	Rented	Good
	Coronet Warehouse	Sta. Maria Industrial Estate, Bagumbayan, Taguig, Metro Manila	Rented	Good
	STMI Warehouse	Bgy. Lawa, Calamba City, Laguna	Rented	Good
	Cotta Warehouse	Bgy. Cotta, Lucena City	Rented	Good
	Tabangao Depot	Bgy. Tabangao, Batangas City	Rented	Good
	Cotta Depot	Bgy. Cotta, Lucena City	Rented	Good
	Domoit Warehouse	Bgy. Domoit, Lucena City	Rented	Good
	Hearty Beverage Options	Sito Pulang Lupa, Makiling, Calamba Laguna	Rented	Good
	Tulo Warehouse	Bgy. Tulo, Calamba City, Laguna	Rented	Good
	Polo Tolling Warehouse	SMBB Polo Brewery, Brgy. BBB Valenzuela City	Rented	Good
	East Pacific Star Tolling – Ligao	Km 503 Hacienda Mitra, Paulog, Ligao City, Albay	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Tabaco Warehouse 1	Brgy. Bombon, Tabaco City Albay	Rented	Good
	Tabaco Warehouse 2	Brgy. Pawa, Tabaco City, Albay	Rented	Good
	Tabaco Warehouse 3	No. 241 Purok 7 Bgy. Quinale, Tabaco City, Albay	Rented	Good
	Pili Warehouse 1	Princeton Compound, Zone 1, San Jose, Pili, Camarines Sur	Rented	Good
	Pili Warehouse 2	Brgy. Cadlan Pili, Camarines Sur, Naga City	Rented	Good
	Sorsogon Warehouse	Cabid-an, Sorsogon City, Sorsogon	Rented	Good
	Guinobatan Warehouse	Lower Binagsakan, Guinobatan, Albay	Rented	Good
	Candelaria Warehouse	Brgy. Malabanban, Candelaria Quezon	Rented	Good
	Balayan Distillery Inc.	Brgy. Talisay, Calaca, Batangas	Rented	Good
	Berbacs Chemicals, Inc.	San Antonio, San Pedro, Laguna	Rented	Good
	SMC-SL Batangas Bay Terminal Inc.	Bauan, Batangas	SMCSL - Owned	Good
	Southbay Bulk Terminal, Inc.	Calaca, Batangas	Rented	Good
	Bredco Warehouse	Bredco Port, Bacolod City	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Packaging			
1	SAN MIGUEL YAMAMURA PACKAGING CORPORATION			
	Main Office	SMPC Bldg., St. Francis Ave., Ortigas	Owned	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, Tipolo, 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	Silang Canlubang Industrial Park, Canlubang Laguna	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, Tipolo, Mandaue City, Cebu	SMC Owned	Good
	SMYPC MCLP Mandaue	SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu	SMC Owned	Good
	SMYPC Mandaue Plastics Plant	SMC Mandaue Complex, Hi-way, Tipolo, 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
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

	Company Name / Subsidiary	Address	Rented / Owned	Condition
6	Zhaoqing San Miguel Yamamura Glass Company Ltd.	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC 526020	Land Use Rights	Good
7	Foshan San Miguel YamamuraPackaging Company Ltd.	3 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good
8	PT San Miguel Yamamura Utama Indoplas	Jalan Jababeka V 42-43, Kawasan Industri Jababeka, Cikarang, Bekasi 17832, 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.	1 Le Van Khuong Street, Hiep Thanh Ward, District 12, 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.	Lot 5078 and 5079, Jalan Jenjarum 28/39, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good
13	San Miguel Yamamura Woven Products Sdn. Bhd.	Lot 9 and 10, Jalan Usuha 4, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Land Lease Rights	Good
14	Packaging Research Centre Sdn. Bhd.	Lot 5078 and 5079, Jalan Jenjarum 28/39, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good
15	San Miguel Yamamura Packaging International Ltd.	9/F Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, N.T. Hongkong	Rented	Good
16	San Miguel Yamamura Knox Pty. Ltd. Cospak Pty. Ltd	1 Culverston Road Minto NSW 2566, Australia	Leased	Good
17	Cospak Plastics Pty. Ltd.	21 Huntsmore Road Minto NSW 2566, Australia	Leased	Good
18	Cospak NZ Ltd. Premiere Plastics Limited	27 Ross Reid Place East Tamaki Auckland New Zealand 2013	Leased	Good
19	Cospak South Africa (Pty.) Ltd.	Wimbledon Road Blackheath 7581 Cape Town South Africa	Leased	Good
20	Foshan Nanhai Cospak Packaging Company Limited	Room 4120-4121 China Shine Plaza No. 3- 15 Lin He Xi Road, Tianhe District, Guangzhou, Guangdong PRC 510610	Leased	Good

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Foods			
1 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., Brgy. Zamora, Iloilo City	Owned	Good
Manufacturing Plants/Facilities/Farms/Hatcheries/Cold Storage			Owned
Processed Meats Marikina Plant	JP Rizal St., Bo. San Roque, Marikina City	Owned	Good
Processed Meats Cavite Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good
Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good
Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good
Pampanga Poultry Dressing Plant	SMC Complex, Bo. Quebiawan, San Fernando, Pampanga	Owned	Good
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
Isabela Feedmill	Brgy. Soyung, Echague, Isabela	Owned	Good
Bataan Feedmill	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Owned	Good
Feeds Spent Grain Drying Plant	SMC Complex, Highway, Mandaue City, Cebu	Owned	Good
General Santos Feedmill	SMPFC Cmpound, Rivera St., Brgy. Calumpang, Gen. Santos City	Owned	Good
Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Owned	Good
Bukidnon Feedmill	Milmar Compound, Impalutao, Impasug-ong, Bukidnon	Owned	Good
Magnolia Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good
Cabuyao Poultry Plant	Banay-banay, Cabuyao, Laguna	Owned	Idle
Monterey Meat Plant	Governor's Drive, Langkaan, Dasmariñas, Cavite	Owned	Good
Processed Meats Indonesia Plant	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Indonesia	Owned	Good
Bin Duong Feedmill and Farm	Cau Sat Hamlet, Lai Hung Village, Ben Cat, Binh Duong, Vietnam	Owned	Good
Processed Meats Vietnam Plant	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good
Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta. Maria, Bulacan	Owned	Good
	Orion Experimental Training Farm	Brgy. General Lim, Orion, Bataan	Owned	Good
	Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good
	Calauan Experimental Farms	SMC Compound, Brgy. Mabacan, Calauan, Laguna	Owned	Good
	Angat Hog Farm	Brgy. Pulong Yantok, Angat, Bulacan	Owned	Idle
	Alfonso Hog Farm	Matabac, Sinaliw & Kaytitinga, Alfonso, Cavite	Owned	Idle
	Quilo Hog Farm	Lot No. 2489, Quilo, Ibaan, Batangas	Owned	Idle
	Sta. Maria Hog Farm	Brgy. Guyong, Sta. Maria, Bulacan	Owned	Idle
	Isabela Cattle Farm	Bo. San Luis, Cauayan, Isabela	Owned	Good
	Calamias Hog Farm	Tulay na Patpat, Ibaan, Batangas	Owned	Idle
	Lipa Hog Farm	Barrio San Jose Patay, Lipa, Batangas	Owned	Idle
	San Miguel Farm	Pulong Bayabas, San Miguel, Bulacan	Owned	Good
	Sumilao Farm	San Vicente, Sumilao, Bukidnon	Owned	Good
	San Pablo Poultry Farm	San Rafael, San Pablo, Laguna	Owned	Idle
	Processed Meats Fairview Cold Storage	34 Consul St., Fairview Park Subdivision, Fairview, Quezon City	Owned	Good
	Otis Warehouse	Mendiola Ext., Otis, Pandacan, Manila	Owned	Good
	Bataan Feedmill (lot only)	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Rented	Good
	Great Food Solutions Commissary	Lapu-Lapu Ave. cor. North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Orion Experimental Training Farm (lot only)	Brgy. General Lim, Orion, Bataan	Rented	Good
	Polomolok Cattle Farm (lot only)	Matinao, Polomolok, South Cotabato	Rented	Good
	Foreshore (FLOUR)/Warehouse/Sales & Administration Offices			
	Mabini	Brgy. Bulacan, Mabini, Batangas	Rented	Good
	Tabangao	Brgy. Tabangao, Batangas City	Rented	Good
	Food Group Consolidated Warehouse	403 F. Legaspi Street, Maybunga, Pasig	Rented	Good
	Bulacan Warehouse-Flour	Sta. Rita, Guiguinto, Bulacan	Rented	Good
	San Pascual Warehouse-Flour	San Pascual, Batangas	Rented	Good
	Prifoods Corporation-Flour	Brgy. Paciano, Calamba, Laguna	Rented	Good
	Pampanga-Poultry	RRK Building, Jose Abad Santos Ave., Dolores, City of San Fernando, Pampanga	Rented	Good
	Accell Warehouse-Poultry	Lagundi, Mexico, Pampanga	Rented	Good
	Pangasinan-Poultry	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Isabela-Poultry	Purol 5, Brgy. Rizal, Santiago City, Isabela	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Zambales-Poultry	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	VAO Office-Poultry	San Roque, Sto. Tomas, Batangas	Rented	Good
	Laguna-Poultry	3rd Flr Dencris Bus. Center, Brgy. Halang, Calamba City, Laguna	Rented	Good
	MIPC Office-Poultry	114 East Science Drive, Laguna Techno Park, Biñan, Laguna	Rented	Good
	Quezon-Poultry	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Albay-Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good
	Bohol-Poultry	Albur Dressing Plant, Eastern Poblacion, Alburquerque, Bohol	Rented	Good
	Pavia Warehouse-Poultry	19 B San Jose St., Cogon Dist., Tagbilaran City	Rented	Good
	Bacolod-Poultry	Door 3 & 4, VCY Center, Hilado Extension, Kamagong St., Bacolod City	Rented	Good
	Dumaguete-Poultry	North Road Hi-way, Dumaguete City, Negros Occidental	Rented	Good
	LTE Transport Warehouse-Poultry	Dumaguete City, Negros Occidental	Rented	Good
	San Roberto Warehouse-Poultry	Hacienda Maquina, Silay City, Negros Occidental	Rented	Good
	Tacloban-Poultry	Robledo Compound, Real St., Brgy. Campitik, Palo, Leyte	Rented	Good
	Cebu-Poultry	6th Flr Clotilde Bldg., Casuntingan, Mandaue City	Rented	Good
	Ormoc-Poultry	Door 4, 2nd Flr Tan Bldg., Lilia Ave., Cogon, Ormoc	Rented	Good
	Davao-Poultry	2nd Flr. ARC Bldg., cor Dakudao Ave. and Lakandula St., Agdao, Davao City	Rented	Good
	Zamboanga-Poultry	Door #2, Nuño Bldg, MCLL Highway, Guiwan, Zamboanga City	Rented	Good
	Cagayan de Oro-Poultry	3rd Flr, HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good
	Bukidnon-Poultry	Gellor Bldg., Propia St., Malaybalay City	Rented	Good
	Ozamis-Poultry	Mialen, Clarin, Misamis Occidental	Rented	Good
	Butuan-Poultry	Km 9, Tag-ibo, Butuan City	Rented	Good
	Cebu Office-Feeds	Ground Flr., GSMI Bldg., Subangdaku, Mandaue City	Rented	Good
	Bacolod Sales Office-Feeds	JA Building, San Patricio, Banago, Bacolod City	Rented	Good
	Cagayan de Oro Sales Office-Feeds	3rd Flr HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good
	Bukidnon-Feeds	Jose Un Bldg., Malaybalay City	Rented	Good
	Butuan Sales Office-Feeds	Brgy. 23, Langihan Road, Butuan City	Rented	Good
	Tacoma-Feeds	Tacoma & 2nd St., Port Area, Manila	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Fairview Warehouse-Feeds	Commonwealth Ave., Fairview, Quezon City	Rented	Good
	PNOC-Feeds	Mainaga, Mabini, Batangas	Rented	Good
	G1 Airmoving Logistics-Feeds	3270 Merville, MIA District, Brgy. 201, Pasay City	Rented	Good
	NFA Isabela-Feeds	Northern Philippine Grains Complex,Echague, Isabela	Rented	Good
	Marilao Warehouse-Feeds	Loma de Gato, Marilao, Bulacan	Rented	Good
	Intercity Warehouse-Feeds	Bocaue, Bulacan	Rented	Good
	Plaridel BMEG Warehouse-Feeds	Plaridel, Bulacan	Rented	Good
	Fieldman Warehouse-Feeds	Brgy. Poblacion, Bacnotan, La Union	Rented	Good
	Alejo Sim-Feeds	Nancayasan, Urdaneta City and Villasis, Pangasinan	Rented	Good
	William Sim-Feeds	Nancayasan, Urdaneta, Pangasinan	Rented	Good
	Juan Mataragnon-Feeds	San Juan, Bautista, Tarlac City	Rented	Good
	Morning Star Warehouse-Feeds	Brgy. Rizal, Moncada, Tarlac	Rented	Good
	YKK Warehouse-Feeds	Mabini, Moncada, Tarlac	Rented	Good
	Warensburg Warehouse-Feeds	Mariveles, Bataan	Rented	Good
	Paddad Warehouse-Feeds	Brgy. Victoria, Alicia, Isabela	Rented	Good
	Masaya Warehouse-Feeds	Brgy. Masaya, Rosario, Batangas	Rented	Good
	Malitlit Warehouse-Feeds	Brgy. Malitlit, Sta. Rosa, Laguna	Rented	Good
	PKS Shipping-Feeds	Sitio Tawagan, Tayud Consolacion, Cebu	Rented	Good
	Rocksun Warehouse-Feeds	Marasbaras, Tacloban 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
	Juanito Uy Real Estate-Feeds	No. 30 Quezon St., Iloilo City	Rented	Good
	KIMWA Warehouse - Feeds	KIMWA Cmpd., 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 Warehouse - Feeds	Malaybalay, Bukidnon	Rented	Good
	Western Feedmill Corp. - Feeds	Coaco Road, Sasa, Davao City	Rented	Good
	MIMIJOE - Feeds	Ladislawa Village, Buhangin, Davao City	Rented	Good
	LSL Multi-Serve Company - Feeds	Km 8 Pareñas Compound, Diversion Road, Buhangin, Davao City	Rented	Good
	Greenhills Milling Corporation - Feeds	MCLL Highway, Culianan, Zamboanga City	Rented	Good
	GFI Warehouse - Feeds	Polomolok, South Cotabato	Rented	Good
	Pampanga Livestock Selling Station - Monterey	Sta. Barbara, Bacolor, Pampanga	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Batangas Livestock Selling Station - Monterey	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., Paknaan, Mandaue City. Cebu	Rented	Good
	Iloilo Office-Monterey	F. Palmares St., Passi City, Iloilo	Rented	Good
	Bukidnon Live Operations Office-Monterey	Gellor Bldg., Propia St., Malaybalay City	Rented	Good
	Cebu Office-Great Food Solutions	PSO Bldg., SMC Complex, Highway, Tipolo, Mandaue City	Rented	Good
	Cagayan de Oro Office-Great Food Solutions	3rd Flr HBL Bldg., Gusa Natl Highway, Cagayan de Oro City	Rented	Good
	Davao Office-Great Food Solutions	Km. 9 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 cor. Araneta Sts., Singcang, Bacolod City	Rented	Good
	Iloilo Office-San Miguel Integrated Sales	YK Marine Bldg., Iloilo Fishing Port Complex, Brgy. Tanza, Bay-bay, Iloilo City	Rented	Good
	Mandaue Office-San Miguel Integrated Sales	2nd Flr Planters Bldg., West Office, SMC Shipping & Lighterage Comp., Ouano Wharf, Mandaue City, Cebu	Rented	Good
	Tacloban Office-San Miguel Integrated Sales	Barangay No. 91, Abucay, Tacloban City	Rented	Good
	Cagayan de Oro Office-San Miguel Integrated Sales	Alwana Compound, Cugman, Cagayan de Oro City	Rented	Good
	Davao Office-San Miguel Integrated Sales	Door #6 Plug Holding Cmpd., R. Castillo St., Agdao, Davao	Rented	Good
	Bandung Office-san Miguel Pure Foods Indonesia	3rd Flr Jl. Soekarno Hatta No. 606 Bandung	Rented	Good
	Surabaya Office-San Miguel Pure Foods Indonesia	Perumahan Citra Harmoni Block C1 No. 25 Trosobo Sidoarjo Jawa Timur	Rented	Good
	Yogyakarta Office-San Miguel Pure Foods Indonesia	Jl. Palagan Tentara Pelajar Gg. Gambir No. 100B, Sleaman-Yogyakarta	Rented	Good
	Ho Chi Minh Admin Office-San Miguel Pure Foods Vietnam	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City	Rented	Good
	Long An Sales Office - San Miguel Pure Foods Vietnam	High Way 1A, 1 Hamlet, My Yen, Ben Luc, Long An	Rented	Good
	Ho Chi Minh Sales Office - San Miguel Pure Foods Vietnam	Tan Thanh Tay, Cu Chi District, Ho Chi Minh City	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Tay Ninh Sales Office-San Miguel Pure Foods Vietnam	Long Binh, Long Thanh Nam, Hoa Thanh, Tay Ninh	Rented	Good
	Chau Thanh Sales Office- San Miguel Pure Foods Vietnam	Phuoc Hoa, Phuoc Thanh, Chau Thanh, Tien Giang	Rented	Good
	Go Cong Tay Sales Office- San Miguel Pure Foods Vietnam	Tan Thanh, Thanh Nhut, Go Cong Tay, Tien Giang	Rented	Good
	Trang Bom Sales Office - San Miguel Pure Foods Vietnam	39/2 An Hoa, Tay Hoa, Trang Bom, Dong Nai	Rented	Good
	Xuan Loc District Sales Office-San Miguel Pure Foods Vietnam	Bao Hoa Village, Xuan Loc District, Dong Nai	Rented	Good
	Tan Phu Sales Office-San Miguel Pure Foods Vietnam	160 Tho Lam 2, Phu Xuan, Tan Phu, Dong Nai	Rented	Good
	Vinh Long Sales Office - San Miguel Pure Foods Vietnam	194/2 Pham Hung St., Ward 9, Vinh Long	Rented	Good
	Soc Trang Sales Office - San Miguel Pure Foods Vietnam	Dong Hai, Dai Hai, Ke Sach, Soc Trang	Rented	Good
	Tra Vinh Sales Office - San Miguel Pure Foods Vietnam	Xom Trang, Nguyet Hoa, Chau Thanh, Tra Vinh	Rented	Good
	Bac Ninh Sales Office-San Miguel Pure Foods Vietnam	Dinh Bang Village, Tu Son District, Bac Ninh	Rented	Good
	Bao Loc Sales Office-San Miguel Pure Foods Vietnam	1023, Tran Phu Road, Loc Tien, Bao Loc,Lam Dong	Rented	Good
	Duc Trong Sales Office-San Miguel Pure Foods Vietnam	5 Thon An Hiep I, Lien Hiep, Duc Trong, Lam Dong	Rented	Good
	Dak Lak Sales Office	Tan Hoa Ward, Buon Ma Thuoc City, Dak Lak	Rented	Good
	Binh Dinh Sales Office	150 Tran Phu Street, Tuy Phuoc Town, Tuy Phuoc District, Binh Dinh	Rented	Good
	Ha Noi Sales Office	116 Thanh Liet, Thanh Tri, Ha Noi	Rented	Good
	Cold Storage / Reefer Vans/Depots/Convenience Stores/ Food Stalls			
	Vifel Ice Plant and Cold Storage Inc. – Poultry	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Staples Food Corp. – Poultry	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Estrella Ice Plant and Cold Storage – Poultry	Valenzuela, 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 Dressing Plant - Poultry	Brgy. Mabilao, San Fabian, Pangasinan	Rented	Good
	ARS Dressing Plant - Poultry	Purok 5, Brgy. Rizal, Santiago City, Isabela	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	IP4 - Poultry	Brgy. Garit, Echague, Isabela	Rented	Good
	New Vreed Dressing Plant -Poultry	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	Integrated Meat and Poultry Processing, Inc. - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good
	Kayabe Ice Plant and Cold Storage – Poultry	Lagundi, Mexico, Pampanga	Rented	Good
	Poltyrade Sales and Services, Inc. - Poultry	Lagundi, Mexico, Pampanga	Rented	Good
	SG Farms -Poultry	San Simon, Pampanga	Rented	Good
	IP3 - Poultry	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Gallintina Industrial Corp. - Poultry	GIC Compound, Brgy. Tagbong, Pili, Camarines Sur	Rented	Good
	Palmas Agribusiness Inc. - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good
	Johanna's Chicken Processing Center – Poultry	Brgy. Bocohan, Lucena City	Rented	Good
	Silangan Poultry Farms - Poultry	San Jose, Lipa City	Rented	Good
	Cariño & Sons Agri-Dev't Inc.-Poultry	Brgy. Aya, San Jose, Batangas	Rented	Good
	MKC Poultry Dressing Plant - Poultry	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good
	Technofreeze, Inc. – Poultry	114 East Science Drive, Laguna Techno Park, Biñan, Laguna	Rented	Good
	Malogo Agri-ventures & Management Service Corporation – Poultry	Hacienda Binunga, Brgy. Guinhalaran, Silay City, Negros Occidental	Rented	Good
	First Farmers Food Corp. -Poultry	Brgy. Dos Hermanos, Talisay City, Negros Occidental	Rented	Good
	Corden Agro Industries- Poultry	Brgy. Tungay, Sta, Barbara, Iloilo	Rented	Good
	FBIC Reefer Corporation - Poultry	Dumaguete City, Negros Oriental	Rented	Good
	Quest Blast Freezing and Cold Storage Corp. - Poultry	Brgy. Canduman, Mandaue City, Cebu	Rented	Good
	Big Blue Logistics	Brgy. Paknaan, Mandaue City, Cebu	Rented	Good
	3G Logistics and Storage, Inc.	Hernan Cortes St., Tipolo, Mandaue City, Cebu	Rented	Good
	Tsumetai Corp.	Cabancalan, Mandaue City. Cebu	Rented	Good
	Cebu Sherilin Agro-Industrial Corp.	Brgy. Pangdan, Naga City, Cebu	Rented	Good
	Mindanao Coolers Corporation	Dacudao Cmpd., Corrales Ext., Cagayan de Oro City	Rented	Good
	Elim Dressing Plant	Mialen, Clarin, Misamis Occidental	Rented	Good
	Green Pine Dressing Plant	Km 9, Tag-ibo, Butuan City	Rented	Good
	St. Jude Dressing Plant	Mohon, Tagoloan, Misamis Oriental	Rented	Good
	MK Business Ventures	Boalan, Zamboanga City	Rented	Good
	ECA Cold Storage	Tambler, General Santos City	Rented	Good
	Davao Fresh Foods Corporation - Poultry	Km. 20 Los Amigos, Tugbok, Davao City	Rented	Good
	Sirawan Ice Plant-Poultry	Sirawan, Toril, Davao City	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Polar Bear Corporation-Poultry	Phividec, Tagoloan, Misamis Oriental & Davao Fishing Port Complex, Toril, Davao City	Rented	Good
	Vifel Ice Plant & Cold Storage, Inc. - Purefoods-Hormel	C-3 Road cor. North Bay Blvd., Navotas, Metro Manila	Rented	Good
	V & F Ice Plant & Cold Storage - Purefoods-Hormel	San Roque, Sto. Tomas, Batangas	Rented	Good
	Koldstor Centre Philippines, Inc.- Purefoods-Hormel	Anabu Hills Industrial Estate, Anabu I-C, Imus, Cavite	Rented	Good
	METS Logistics, Inc.-Purefoods-Hormel	Barrio Bancal, Carmona, Cavite	Rented	Good
	Estrella Ice Plant and Cold Storage-Purefoods-Hormel	Lawang Bato, East Canumay, Valenzuela, Bulacan	Rented	Good
	Jentec D. C. Corp.-Purefoods-Hormel	Luis St., San Miguel, Pasig	Rented	Good
	Barako Distribution Corporation-Purefoods-Hormel	2F Photokina Bldg., 117 West Ave., Bungad, Quezon City	Rented	Good
	UTS Logistics & Distribution Co., Inc. - Purefoods-Hormel	Suite 101 Alpap II Bldg., Trade St. cor. Investments Dr., Madrigal B, Muntinlupa City	Rented	Good
	Royal Cargo Combined Logistics, Inc. - Purefoods-Hormel	RCC Building, Sta. Aqueda Ave., Pascor Drive, Parañaque City	Rented	Good
	Big Blue Logistics Corporation - Purefoods-Hormel	Zuellig Ave., North Reclamation Area, Subangdaku, Mandaue City	Rented	Good
	Koldstor Centre Philippines, Inc. - Magnolia	Anabu Hills Industrial Estate, Anabu I-C, Imus, Cavite	Rented	Good
	Royal Cargo Combined Logistics Inc. - Magnolia	Emilio Aguinaldo Hi-way, Salitran1, Dasmariñas, Cavite	Rented	Good
	Royal Cargo Combined Logistics Inc. - Monterey	Emilio Aguinaldo Hi-way, Salitran1, Dasmariñas, Cavite	Rented	Good
	Koldstor Centre Philippines, Inc. - Monterey	Anabu Hills Industrial Estate, Anabu I-C, Imus, Cavite	Rented	Good
	Icon Reefer Corp. - Monterey	Unit 526 5F Valero Plaza Building, Salcedo Village, Makati City	Rented	Good
	METS Logistics, Inc. - Monterey	Barrio Bancal, Carmona, Cavite	Rented	Good
	Urdaneta Slaughterhouse- Monterey	Bo. Anonas, Urdaneta, Pangasinan	Rented	Good
	Supreme Aqua Resources Corporation - Monterey	17 Justice Romualdez St., Tacloban City	Rented	Good
	Sunpride Foods, Inc. - Monterey	SFI Bldg., S.E. Jayme St., Pakna-an, Mandaue City, Cebu	Rented	Good
	Big Blue Logistic Corporation - Monterey	S. E. Jayme St., Paknaan, Mandaue City, Cebu	Rented	Good
	3G Logistics and Storage, Inc. - Monterey	Hernan Cortes St., Tipolo, Mandaue City	Rented	Good
	PT Haga Jaya Kemasindo Sarana - San Mihuel Pure Foods Indonesia	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong	Rented	Good
	Tiga Raksa Satria- San Miguel Pure Foods Indonesia	3rd Flr. Jl. Soekarno Hatta No. 606 Bandung	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	PT. Sewu Segar Nusantara - San Miguel Pure Foods Indonesia	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/08 Taman Sepayang Surabaya	Rented	Good
	Joko P - San Miguel Pure Foods Indonesia	Jl. Ring Road Utara Pandega Patma DP 16D Yogyakarta	Rented	Good
	Bacolod - Great Food Solutions	Zone 2 Calong Calong, Airport Subd., Bacolod City	Rented	Good
	Iloilo - Great Food Solutions	Fishing Port, Tanza, Iloilo City	Rented	Good
	Cagayan de Oro - Great Food Solutions	Door 4 Alwana Business Park, Cugman, Cagayan de Oro City	Rented	Good
	Davao - Great Food Solutions	Km. 6 Amon Building, Lanang, Davao City	Rented	Good
	Novaliches- San Miguel Integrated Sales	Plastic City Compound, Brgy. Canumay, Valenzuela City	Renetd	Good
	Dagupan- San Miguel Integrated Sales	AB Hernandez East, Dagupan City	Rented	Good
	Pampanga-San Miguel Integrated Sales	Gloria I, Sindalan, San Fernando, Pampanga	Rented	Good
	Naga - San Miguel Integrated Sales	Olivan Compound, Concepcion Pequeña, Naga City	Rented	Good
	Cebu - San Miguel Integrated Sales	SMC-SL Compound, Ouano Wharf, Brgy. Looc, and G. Ouano St. Brgy. Opao, Mandaue City	SMCSL - Owned	Good
	Tacloban - San Miguel Integrated Sales	Brgy. 99 Diit, Maharlika Highway, Tacloban City	Rented	Good
	Bacolod - San Miguel Integrated Sales	William Lines Warehouse, Magsaysay cor. Araneta Sts., Singcang, Bacolod City	Rented	Good
	Iloilo- San Miguel Integrated Sales	YK Marine Bldg., Iloilo Fishing Port Complex, Brgy. Tanza, Bay-bay, Iloilo City	Rented	Good
	Cagayan de Oro	Door 4 Misco Compound, Alwana Business Park, Cugman, Cagayan de Oro City and Zone 1 Igpit, Opol, Misamis Oriental	Rented	Good
	Davao	Door 6 Plug Holding Compound Inc., R. Castillo St., Agdao and Purok 9, Km. 20, Brgy. Tibungco, Davao City	Rented	Good
	San Miguel Corporation Head Office Complex - Food Shop Outlets	No. 40, San Miguel Avenue, Mandaluyong City	Rented	Good
	Redemptorist - Food Shop Outlets	83 Redemptorist Rd., Baclaran, Parañaque City	Rented	Good
	NAIA 3- Food Shop Outlets	International Departure Wing, Ninoy Aquino International Airport Terminal 3, Pasay City	Rented	Good
	DMIA - Food Shop Outlets	Diosdado Macapagal International Airport Passenger Terminal Building, Clark Freeport Zone, Pampanga	Rented	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
1	SAN MIGUEL CORPORATION			
	Iligan Coconut Oil Mill	Sta.Filomena, Iligan City	Owned	Good
	Land	A. Del Rosario Ave, Brgy. Tipolo, Mandaue City	Owned	Good
	Land	Bacolod Shrimp Processing Plant	Owned	Good
	Land	Baguio City Bmd Warehouse	Owned	Good
	Land	Binalonan (Sumabmit) Pangasinan	Owned	Good
	Land	Canlubang Laguna	Owned	Good
	Land	Canlubang Laguna MCLP Plant	Owned	Good
	Land	Canlubang, Laguna	Owned	Good
	Land	Carmen S.O. Carmen East, Rosales, Pangasinan	Owned	Good
	Land	Farola Complex Manila Manila Glass Plant	Owned	Good
	Land	Gen. Santos Feed Center	Owned	Good
	Land	Gen. T. De Leon, Valenzuela City	Owned	Good
	Land	Ibazeta Farm	Owned	Good
	Land	J.Panganiban Cam/Norte	Owned	Good
	Land	Karaan Farm	Owned	Good
	Land	Km. 71, Aguinaldo Highway, Amuyong, Alfonso, Cavite	Owned	Good
	Land	Looc Ouano, Mandaue City	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	Muelle Dela Industria St., Binondo Manila	Owned	Good
	Land	Opol, Misamis	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 Matias, San Fernando Pampanga	Owned	Good
	Land	Sto. Tomas, Batangas	Owned	Good
	Land	Tarlac S.O.; San Rafael, Tarlac, Tarlac	Owned	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Land	Teresa Rizal	Owned	Good
	Land	Tomas Claudio St., Beata, Pandacan Manila	Owned	Good
	Land	Ulas Property Davao	Owned	Good
	Land and Building	Km. 71, Aguinaldo Highway, Amuyong, Alfonso, Cavite	Owned	Good
	Office Building	8Th-10Th Flr SMPC, St. Francis St., Ortigas Center Mandaluyong	Owned	Good
	Office Building	Meralco Ave., Pasig City	Rented	Good
	Office Building	San Miguel Ave., Mandaluyong City	Rented	Good
	Warehouse	Darong, Sta. Cruz, Davao Del Sur	Owned	Good
	Warehouse	Northbay Blvd., Navotas, Metro Manila	Owned	Good
	Warehouse	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Warehouse	SMC Mandaue Complex, Hi-Way, Mandaue City	Owned	Good
	Fuel and Oil			
1	PETRON CORPORATION			
	Terminals and Depots			
	Depot	J.P.de Carreon St. Punta Aparri, Cagayan	Rented except Building & Facilities	Good
	Depot	PFDA CMPD., Navotas, M.M.	Rented except Building & Facilities	Good
	Depot	Parola, Brgy. Maunlad, Puerto Princesa City, Palawan	Rented Except Building & Facilities	Good
	Depot	Brgy. Camangi, Pasacao Camarines Sur	Rented except Building & Facilities	Good
	Depot	Poro Pt.,San Fernado, La Union	Rented except Building & Facilities	Good
	Depot	Gen. Trias, Rosario, Cavite	Rented except Building & Facilities	Good
	Depot	Tandayag, Amlan, Negros Oriental	Rented except Building and Facilities	Good
	Depot	Bo. San Patricio, Bacolod City, Negros Occidental	Rented except Building & Facilities	Good
	Depot	Lapuz, Iloilo City	Rented except Building & Facilities	Good
	Depot	LIDE, Isabel, Leyte	Rented except Building & Facilities	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Depot	MEPZ, Lapu- lapu City	Rented except Building & Facilities	Good
	Depot	Bo. Linao, Ormoc City, Leyte	Rented except Building & Facilities	Good
	Depot	Arnaldo Blvd., Culasi, Roxas, City	Rented except Building & Facilities	Good
	Depot	Anibong, Tacloban City	Rented except Building & Facilities	Good
	Depot	Graham Ave., Tagbiliran, Bohol	Rented except Building & Facilities	Good
	Depot	Km. 9, Bo. Pampanga, Davao City	Rented except Buildings & Facilities	Good
	Depot	Purok Cabu, Bawing, General Santos City	Rented except Buildings & Facilities	Good
	Depot	Bo. Tuminobo, Iligan City, Lanao del Norte	Rented except Building & Facilities	Good
	Depot	Jimenez, Misamis Occidental	Rented except Building and Facilities	Good
	Depot	Talisay, Nasipit, Agusan del Norte	Rented except Building and Facilities	Good
	Depot	Tagoloan, Misamis Oriental	Rented except Building and Facilities	Good
	Depot	Bgy. Campo Islam, Lower Calarian, Zamboanga City	Rented except Building and Facilities	Good
	Depot (LPG Operation)	Lakandula Drive, brgy. Bonot, Legaspi City	Rented except Building & Facilities	Good
	Depot (Gasul - San Fernando)	San Fernando, Pampanga	Rented except Building and Facilities	Good
	Sales Office	Roxas St., Brgy. Ilaya, Calapan City, Oriental Mindoro	Rented	Goods
	Sales Office	1020 A Mabini St., San Jose, Occidental Mindoro	Rented	Good
	Terminal	Bo. Mainaga, Mabini, Batangas	Rented except Building & Facilities	Good
	Terminal	Petron Bataan Refinery, Limay, Bataan	Rented except Building & Facilities	Good

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	Terminal	Jesus St., Panadacan, Manila	Rented except Building & Facilities	Good
	Terminal	Looc, Mandaue City, Cebu	Rented except Building & Facilities	Good
	Terminal (Gasul – Pasig)	Bo. Ugong, Pasig, M.M	Rented except Building & Facilities	Good
	Airport Installations	Davao Airport	Rented except Building & Facilities	Good
	Airport Installations	Brgy. Airport, Mandurriao, Iloilo City	Rented except Building & Facilities	Good
	Airport installations	Laoag Airport	Rented except Building & Facilities	Good
	Airport Installations	JOCASP, CPD, NAIA, Pasay City	Rented except Building & Facilities	Good
	Power Generation			
1	PANASIA ENERGY HOLDINGS, INC.			
	Bataan Combined Cycle Power Plant	Limay, Bataan	Owned	Good
	Land (where plant is situated)	Limay, Bataan	Pacific Central - 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	No. 40, San Miguel Avenue, Mandaluyong City	Owned	Good
	Industrial Land	Cabuyao, Laguna	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

	Company Name / Subsidiary	Address	Rented / Owned	Condition
	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.			
	Land	McKinley, Forbes Park, Makati City	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 Corporation			
	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

	Company Name / Subsidiary	Address	Rented / Owned	Condition
2	PHILIPPINE BREWERIES CORPORATION	SMFG Cmpd., Legaspi cor Eagle St., Ugong, Pasig City	Owned	Good
3	SMC STOCK TRANSFER SERVICE CORPORATION	1505, 1506, 1507 Condominium Units 15th Robinson's Equitable Tower ADB Avenue cor Poveda St., Pasig City	Owned	Good

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

ANNEX "G"

SAN MIGUEL CORPORATION` 17- C for 2010

Date Reported	Subject
January 5	Reply to PSE clarification with respect to the news article entitled "San Miguel forms joint venture to bid for tollway."
January 6	Please be informed that at today's meeting of the Board of Directors of San Miguel Corporation, the Board declared a cash dividend of P0.35 per share for common shareholders payable on February 15, 2010 to all stockholders of record as of January 22, 2010. The stock and transfer books of the Corporation will be closed from January 23, 2010 to January 29, 2010.
January 6	Press Release entitled "San Miguel Corporation to invest in Top Frontier."
January 7	Further to our disclosure yesterday on SMC's Investment in Top Frontier, please be informed that the transaction has been completed today.
January 13	Reply to PSE letter dated January 12, 2010, with respect to the approval by the Board of Directors of San Miguel Corporation of the acquisition of a 49% stake in Top Frontier Holdings.
January 19	Reply to PSE letter dated January 18, 2010, requesting for additional information on the approval by the Board of Directors of San Miguel Corporation of the acquisition of a 49% stake in top Frontier Holdings, Inc.
February 1	Further to our disclosure of December 18, 2010 on San Miguel Brewery Inc.'s acquisition of SMC's overseas beer business, please be informed that the acquisition has been completed today, January 29, 2010.
February 2	Please be informed that at the meeting held today, February 2, 2010 of the Board of Directors of San Miguel Corporation, the Board approved the following corporate actions: 1. Sale of SMC's food-related brands and intellectual property rights to its subsidiary, San Miguel Pure Foods Company, Inc. (SMPFC) at a purchase price of Php 3.2 Billion Pesos. 2. Sale of San Miguel Pure Foods International Ltd. (BVI), a wholly owned subsidiary of SMPFC, of SMC's 51% interest in San Miguel Pure Foods Investment Ltd. (SMPFIL) at book value. 3. Sale of up to 40% of the Company's interest in SMPFC, by way of a trade sale or a marketed placement to investors, which may include investors outside the United States (Ref S) or and to not more than 19-non qualified buyers domestically to be determined by Management. 4. Potential subscription of up to Php5.2 Billion worth of new SMPFC shares.
February 2	Please be informed that at the meeting held today, February 2, 2010 of the Board of Directors of San Miguel Corporation, the Board declared a cash dividend of P0.35 per share payable on March 8, 2010 to all stockholders of record as of February 19, 2010. The stock and transfer books of the Corporation will be closed from February 20, 2010

	to February 26, 2010.
February 3	Further to our disclosure, we wish to clarify that the dividends declared on February 2, 2010 is for common shareholders.
February 12	Reply to PSE clarification with respect to the news article entitled "SMC to put up $200-M corporate jet hub in Clark."
March 4	Reply to PSE clarification with respect to the news article entitled "San Miguel bags huge Luzon toll road project."
March 5	Reply to PSE clarifications with respect to the following: 1) SMC bags $1.5-B railway project linking QC to Bulacan; and 2) Notice to the Shareholders of San Miguel Corporation issued by Top Frontier Investment Holdings, Inc.
March 8	Reply to PSE with respect to the news article entitled "San Miguel buys coal firm."
March 11	Reply to PSE letter dated March 9, 2010 requesting for additional information with respect to the San Miguel Corporation disclosure dated March 8, 2010, in connection with the acquisition by San Miguel Energy ("SMEnergy") of 100% of the outstanding capital stock of Daguma Agro Minerals.
March 16	Reply to PSE clarification with respect to the news article entitled "San Miguel eyes Caticlan airport project."
March 16	Reply to PSE clarifications with respect to the news articles entitled: 1) Danding willing to sell SMC to Kirin; and 2) SMC open to selling 27% stake in Meralco 'at the right price'." Also please be informed that at the meeting of the Board of Directors of San Miguel Corporation held on March 15, 2010, the Board of Directors declared a cash dividend for common stockholders of P0.35 per share payable on April 12, 2010 to all stockholders of record as of March 29, 2010. The stock and transfer books of the Corporation will be closed from March 30, 2010 to April 5, 2010. At the same meeting of the Board approved that the date of stockholders' Meeting will be on May 31, 2010. The scheduling is in light of the on-going tender offer on the Company's shares by Top Frontier Investment Holdings, Inc. The record date for stockholders entitled to vote will be on April 23, 2010, the closing of stock and transfer books will be from April 24 to April 30, 2010, the deadline for submission of proxies is on May 17, 2010 and the validation of proxies is on May 24, 2010.
March 17	Reply to PSE clarification with respect to the news articles dated March 17, 2010 entitled "San Miguel turns down Kirin bid to control beer operations."
March 18	Reply to PSE clarifications with respect to the following news articles: 1) San Miguel to Sell $1 Billion Assets to Fund Growth; and 2) SMC's brewery stake-sale plan to Kirin leaves market guessing.
March 19	Reply to PSE clarifications with respect to the following news articles: 1) San Miguel Energy mulls over Negros coal plant; and 2) SMC set to take control of Petron.
March 26	Reply to PSE clarification with respect to the news article entitled "San Miguel eyes

<table>
<tr><td></td><td>more coal mines in Mindanao.”</td></tr>
<tr><td>March 29</td><td>Reply to PSE clarifications with respect to the news articles entitled “SMC eyes on Clark and San Miguel mulls bullet train project.”</td></tr>
<tr><td>April 6</td><td>Reply to PSE clarification with respect to the news articles entitled “San Miguel eyes higher stake in 2 North Luzon tollways projects and SMC acquires majority stake in MRT-7.”</td></tr>
<tr><td>April 12</td><td>Further to our previous disclosure, we advise that the Company, through its wholly-owned subsidiary, San Miguel Holdings Corporation, executed a share sale purchase agreement with the consortium of Messrs. George T. Yang, Rafael P. Puno, Lino A. Barte, and RPRP Ventures Management and Development Corporation (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 22 June 2009, with the Republic of the Philippines, through the Department of Transportation and Communications and the Civil Aviation Authority. Closing of the Agreement is subject to certain conditions and an appropriate disclosure shall be made upon satisfaction of such conditions.</td></tr>
<tr><td>April 14</td><td>Please be informed that at today’s meeting, April 14, 2010 of the Board of Directors of San Miguel Corporation (the "Corporation"), the Board declared a cash dividend of P1.50 per share payable on May 11, 2010 to all preferred shareholders of record as of April 28, 2010. The stock and transfer books of the Corporation will be closed from April 29, 2010 to April 30, 2010.</td></tr>
<tr><td>April 14</td><td>Press Release entitled “SMC TO SEEK STOCKHOLDER APPROVAL TO WAIVE PRE-EMTPIVE RIGHTS AND REDUCE HOLDINGS IN CORE BUSINESSES.”</td></tr>
<tr><td>April 14</td><td>Press Release entitled “San Miguel Reports Strong Growth in 2009.”</td></tr>
<tr><td>April 19</td><td>Reply to PSE clarification with respect to the news article entitled “SMC is now largest marketer of power,” posted on Malaya Business Insight on April 19, 2010.</td></tr>
<tr><td>April 19</td><td>We reply to your request for additional information regarding the disclosure of San Miguel Corporation (“SMC” or the “Company”) dated April 14, 2010 in connection with the approval by its Board of Directors of the declassification of SMC’s outstanding capital stock from Class “A” and Class “B” common shares to common shares without distinction.

a. Effects on Capital Structure as of March 31, 2010

<table>
<tr><th>As of March 31, 2010</th><th>Before De-classification</th><th>After De-classification</th></tr>
<tr><td>Issued Shares</td><td></td><td></td></tr>
<tr><td></td><td>1,991,075,273 Class “A” shares</td><td rowspan="2">3,241,884,002 common shares</td></tr>
<tr><td></td><td>1,250,808,729 Class “B” shares</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Outstanding Shares</td><td></td><td></td></tr>
<tr><td></td><td>1,460,115,761 Class “A” shares</td><td rowspan="2">2,303,235,332 common shares</td></tr>
<tr><td></td><td>843,119,571 Class “B”</td></tr>
</table>
</td></tr>
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	shares	
Listed Shares		
	1,980,454,487 Class "A" shares	3,222,210,748 common shares
	1,241,756,261 Class "B" shares	
Treasury Shares		
	530,959,512 Class "A" shares	938,648,724 common shares
	407,689,212 Class "B" shares	

Please note that the effect on capital structure may change from the date of this disclosure since there are shares that may be issued under the Company's Employee Stock Purchase Plan and there are shares that may be exercised under the SMC Long Term Incentive Plan. Please note further that the declassification is subject to approval by the stockholders on May 31, 2010 and by the Securities and Exchange Commission ("SEC"), upon approval by the Company's stockholders.

b. Procedure for Updating Stock Certificates

If the declassification is approved by the stockholders and the SEC, SMC will informing the shareholders of the declassification of the Company's shares. The shareholders will be requested to surrender their certificates to Class "A" and/or Class "B" common shares, to the Corporation's stock transfer agent, SMC Stock Transfer Service Corporation, for cancellation and issuance of new certificates to common shares in their names.

For lost or destroyed stock certificates, the following procedure in the Corporation Code shall be followed for the issuance by the Corporation of new certificates in lieu of those which have been lost, stolen or destroyed:

(1) The registered stockholder or his legal representative shall file with the Corporation an Affidavit setting forth, if possible:

(i) the circumstances as to how the certificates were lost, stolen or destroyed;
(ii) the number of common shares in the Corporation represented by each certificate;
(iii) the serial numbers of the certificates; and
(iv) other information and evidence that he may deem necessary.

(2) A notice of loss of the certificates should be published in a newspaper of general circulation published in the place where the Corporation has its principal office, once a week for three consecutive weeks, and an Affidavit together with a copy of such notice of loss should be submitted to the Corporation to evidence the said publication.

(3) Instead of waiting for one year, the stockholder may file a bond or other security, running for a period of one year, for a sum and in such form and with such sureties as may be satisfactory to the Board of Directors of the Corporation, in which case a new certificate may be issued even before the expiry of the one-year period.

(4) Notwithstanding the foregoing, if there is a pending contest regarding the ownership of said certificate of stock, the issuance of the new certificate in lieu thereof shall be suspended until final decision by the courts.

April 21	Further to our letter dated April 19, 2010, with respect to the news article entitled "SMC is now largest marketer of power," posted on Malaya Business Insight on April 19, 2010.

April 23	We advise that the Executive Committee of the Company today, April 23, 2010, authorized Management to: (i) exercise the option to acquire, on or before April 30, 2010, forty percent (40%) of the outstanding common shares of Sea Refinery Corporation ("Sea Refinery"), in accordance with the terms and conditions of the Option Agreement, dated December 24, 2008, executed by the Company and SEA Refinery Holdings, B.V., as amended: Sea Refinery owns approximately 50.1% of the outstanding common shares of Petron Corporation ("Petron") and (ii) initiate a tender offer for the common shares of Petron held by the public, on the appropriate date, in accordance with the mandatory requirements of the Securities Regulation Code, at an offer price of P6.85 per share.
April 26	We advise that the Company received this afternoon, April 26, 2010, the Letter-Resignation of Dir. Mirzan Mahathir as member of the board of directors of the Company, effective as of April 15, 2010.
April 28	Reply to PSE. We refer to your letter dated April 27, 2010. **Investment in Top Frontier Holdings, Inc.** We advise that, to date, the amendment to the Articles of Incorporation and By-Laws of Top Frontier Investment Holdings, Inc. (Top Frontier) has not been filed with the Securities and Exchange Commission (SEC). As we have previously disclosed, the approval by the SEC of such amendment shall be required for the re-classification of the unissued common shares of stock of Top Frontier to preferred shares. An appropriate disclosure relating to the extent of the investment of the Company in Top Frontier shall be made upon approval by the SEC of the amended constitutive documents of Top Frontier, and the issuance by Top Frontier of the common and preferred shares in favor of the Company. **Acquisition of Daguma Agro Minerals, Inc.** As contained in our disclosure dated March 10, 2010, the Share Purchase Agreement (the "Agreement"), dated January 29, 2010, covering the purchase by the Company, thru SMEnergy, of 100% of the outstanding capital stock of Daguma Agro Minerals, Inc. (the "Sale Shares") is subject to confidentiality provisions. With such provisions, the Company is not in a position to disclose the consideration paid for the Sale Shares. However, we advise that such consideration does not amount to a material transaction as the purchase price of the Sale Shares does not amount to 10% of the Company's total assets. **Acquisition of Caticlan International Airport Development Corporation** We advise that the Share Sale Purchase Agreement (the "Agreement") between San Miguel Holdings Corporation and the consortium of Messrs. George T. Yang, Rafael P. Puno, Lino A. Barte and RPRP Ventures Management & Development Corporation contains confidentiality provisions and the Company is not in a position to disclose the consideration due to the consortium members. However, such consideration does not amount to a material transaction as the consideration due in favor of the consortium members under the Agreement does not amount to 10% of the Company's total assets. In addition, we further advise that the conditions precedent for the closing of the Agreement have not been satisfied as of date hereof.
April 28	On April 28, 2010, San Miguel Corporation (SMC) caused the publication in two (2) newspapers of general circulation of an announcement that it will be making a Tender Offer for Eight Hundred Eighty Four Million One Hundred Twenty Five Thousand Four Hundred Thirty Eight (884,125,438) common shares of Petron Corporation ("Petron"), constituting approximately 9.4% of its outstanding common stock, following SMC's intention to exercise its option to acquire forty percent (40%) of SEA Refinery

	Corporation ("SRC") from SEA Refinery Holdings B. V. on April 30, 2010. SRC owns Four Billion Six Hundred Ninety Six Million Eight Hundred Eighty Five Thousand Five Hundred Sixty Four (4,696,885,564) common shares of Petron, representing approximately 50.1% of the issued and outstanding common stock of Petron.
May 4	Further to our disclosure made on April 28, 2010 regarding the tender offer to be undertaken by San Miguel Corporation (SMC) covering the common shares of Petron Corporation ("Petron"), SMC caused the publication in two (2) newspapers of general circulation on May 1, 2010 of an amended announcement that it will be making a Tender Offer for all the remaining Four Billion Six Hundred Seventy Eight Million Two Hundred Eighteen Thousand Nine Hundred Thirty Three (4,678,218,933) common shares of Petron, constituting approximately 49.9% of its outstanding common stock. The publication of the amended notice has been made to comply with the requirements of the SEC.
May 11	PSE reply to news article entitled "Cojuangco unloading stake in San Miguel," posted on Inquirer.net on May 10, 2010.
May 11	In compliance with SRC Rule 19 (Tender Offers), Item 8 (Dissemination Requirements), San Miguel Corporation ("SMC") caused the Summary Publication in two (2) newspapers of general circulation on May 5, 6, and 7, 2010 of the Notice to Stockholders of Petron Corporation ("PETRON") setting out the details of the tender offer to be undertaken by SMC covering the common shares of Petron. Copies of the published Notice are hereto attached.
May 14	Reply to PSE clarification with respect to the news article entitled "SMC eyes 'multiple deals' this year," posted on Business Mirror Online Space on May 13, 2010.
May 17	Press Release entitled "SMC first quarter income surges 7 percent to P2.90 billion."
May 19	This is to inform you that we have requested Manila Electric Company (Meralco) to annotate and record the Share Purchase Agreement (SPA) dated 27 October 2008, executed by and between GSIS and SMC and the Escrow Agreement dated 27 November 2009, executed by and among GSIS, SMC and Union Bank of the Philippines, particularly the designation of SMC as the Attorney-in-Fact of GSIS under Section 3(b) of the Share Purchase Agreement in the corporate records and books of Meralco. The agreements relate to 300,963,189 common shares of stock of Meralco in the name of GSIS. The SPA contains a restriction on the sale, transfer or disposition of any part or all of the subject shares under Section 3(d) and Section 5.1(d) thereof.
May 26	PSE reply to news article entitled SMEC to mine coal in 3 sites and Secondary share sale an option if Purefoods offers not that good, posted in the May 26, 2010 issue of the BusinessMirror.
June 2	Press Release entitled "Diversification to secure SMC's future; spur economic growth."
June 2	Reply to PSE clarification with respect to the news article entitled "San Miguel wraps up buyout of coal mine in South Cotabato," posted in the June 2, 2010 issue of the BusinessWorld.
June 2	Please be informed that at the Organizational Board Meeting of the Board held on May 31, 2010, 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 - Chief Finance Officer- Treasurer

	Francis H. Jardeleza - General Counsel & Corp. Secretary Lorenzo G. Timbol - Asst. Corporate Secretary Mary Rose S. Tan - 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 Carmelo L. Santiago Hector L. Hofileña **Audit Committee** Carmelo L. Santiago – Chairman Estelito P. Mendoza Winston F. Garcia Pacifico M. Fajardo Ferdinand K. Constantino **Executive Compensation** Menardo R. Jimenez – Chairman Joselito D. Campos, Jr. Winston F. Garcia Ferdinand K. Constantino Carmelo L. Santiago Eric O. Recto **Nominations Committee** Estelito P. Mendoza – Chairman Ramon S. Ang Carmelo L. Santiago Leo Alvez Alexander J. Poblador Roberto V. Ongpin David S. Santos – Ex Oficio Member
June 2	Please be informed that at the Annual Stockholders' Meeting of San Miguel Corporation (the "Corporation") held on May 31, 2010, 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 Pacifico M. Fajardo Hector L. Hofileña Carmelo L. Santiago Roberto V. Ongpin Alexander J. Poblador

	Joselito D. Campos, Jr. Eric O. Recto Ferdinand K. Constantino At the same meeting, the following corporate actions were approved by the shareholders representing at least two-thirds of the outstanding capital stock of the Corporation: 1. Removal of the classification of common shares into Class A and Class B shares ("De-classification"). 2. Denial of pre-emptive rights to any issuance of common shares. 3. Amendment of Article VII of the Amended Articles of Incorporation to reflect the De-classification and denial of pre-emptive rights to any the issuance of common shares. 4. Authority to sell the Corporation's stake in its major subsidiaries such as beer, packaging and food, resulting in less than 51% interests/ownership of the Corporation in such subsidiaries, and authorization of the Board of Directors to approve the implementing transactions of such sale after evaluation and study by Management.
June 4	Reply to PSE clarification with respect to the news article entitled "SMC buys grain terminal," published in the June 4, 2010 of the Manila Standard Today.
June 17	Please be informed that at the meeting of the Board of Directors of San Miguel Corporation held on June 17, 2010, the Board declared a cash dividend for preferred shareholders of P1.50 per share payable on August 2, 2010 to all stockholders of record as of July 9, 2010. The stock and transfer books of the Corporation will be closed from July 10, 2010 to July 16, 2010.
June 18	Further to the previous disclosures of San Miguel Corporation (SMC) on its intention to exercise of the option to acquire 100% of SEA Refinery Corporation ("SRC") from SEA Refinery Holdings B. V. ("SEA BV") under the Option Agreement between SMC and SEA BV dated December 24, 2008, as amended on March 4, 2010 (the "Option Agreement"), consisting of: (i) 16,000,000 common shares of SRC, representing 40% of the outstanding capital stock of SRC on or before April 30, 2010; and (ii) 24,000,000 common shares of SRC, representing 60% of the outstanding capital stock of SRC on or before December 23, 2010, SMC hereby reports that on June 15, 2010, SMC executed the Deed of Absolute Sale of Shares covering its purchase of 16,000,000 common shares of SRC from SEA Refinery Holdings B. V., representing forty percent (40%) of the outstanding capital stock of SRC, at the price of Sixteen Million Pesos (P16,000,000.00). SRC owns 4,696,885,564 common shares of Petron Corporation.
June 28	PSE reply to the news article entitled "Harbour Centre, San Miguel told to finish post modernization plan," published in the June 28, 2010 issue of the BusinessWorld.
July 1	Reply to PSE, with respect to the news article entitled "MVP to invest in new Clark airport terminal."
July 12	Reply to PSE letter dated July 9, 2010, with respect to the news article entitled "SMC keen on acquiring majority stake in PAL," published in the July 9, 2010 issue of The Philippine Star.
July 12	Reply to PSE letter dated July 9, 2010, with respect to the news article entitled "San

	Miguel says Pure Foods bids due July 15," posted on ABS-CBN News on July 9, 2010.
July 13	Reply to PSE letter dated July 13, 2010, with respect to the news article entitled "SMC sees double-digit profit growth," posted on INQUIRER.net on July 12, 2010.
July 14	Reply to PSE letter dated July 14, 2010, with respect to the news article entitled "Harbour Centre-San Miguel venture expects to finish North Harbor master plan this week," posted on the BusinessWorld ONLINE on July 14, 2010.
July 27	Please be informed that the Board of Directors approved today, July 27, 2010, the offer of approximately 1 Billion common shares (from unissued capital stock and treasury shares) at a price of not less than P75 per share. The proceeds will be used to finance investments and acquisitions of the Company. The Board has authorized Management to determine the issue price and other terms of the offer.
July 27	Please be informed that at today's meeting of the Board of Directors of San Miguel Corporation (the "Corporation"), the Board declared cash dividends for common stockholders as follows: a) regular cash dividend rate of P0.35 per share, and b) special cash dividend rate of P5.00 per share. The cash dividends are both payable on August 25, 2010 to all stockholders of record as of August 10, 2010. The stock and transfer books of the Corporation will be closed from August 11, 2010 to August 15, 2010.
July 27	Reply to PSE letter dated July 27, 2010, with respect to the following news articles: 1. "San Miguel pursues Laiban project," posted in the INQUIRER.NET on July 26, 2010; and 2. "MPIC, SMC to team up for Clark project," posted in the philstar.com on July 27, 2010.
July 29	Reply to PSE clarification with respect to the news article entitled "San Miguel mull over nuke plant."
August 11	Reply to PSE clarification with respect to the news article entitled "SMC group, Korean firm in deal for $177-M Clark project."
August 12	Press Release entitled "Strong beer and liquor sales lift SMC 1H results."
August 13	We advise that the Company, thru its wholly-owned subsidiary, Vega Telecom, Inc. ("Vega"), on July 30, 2010, subscribed to new shares of stock of the following corporations, to wit: Two Cassandra-CCI Conglomerates, Inc. ("TCCI"), Perchpoint Holdings Corp. ("PHC") and Power Smart Capital Limited ("PSCL"). Through such subscriptions, Vega shall own up to 75% of the outstanding capital stock of the said corporations. TCCI, PHC and PSCL collectively own 100% of the outstanding capital stock of Bell Telecommunication Philippines, Inc.
August 16	Reply to PSE clarification with respect to the news article entitled "PURE FOODS SALE THIS WEEK," published in the August 16, 2010 issue of the Manila Standard Today.
August 18	We transmit herewith a copy of the Amended Articles of Incorporation of the Company as approved by the Securities and Exchange Commission on August 10, 2010.

<table>
<tr><td></td><td>As previously disclosed to the SEC on June 3, 2010, the shareholders representing at least two-thirds of the outstanding capital stock of the Corporation approved during the Annual Stockholders Meeting held on May 31, 2010 the (a) removal of the classification of common shares into Class A and B shares (“De-classification”), (b) denial of pre-emptive rights to any issuance of common shares and (c) the amendment of Article VII of the Amended Articles of Incorporation to reflect the De-classification and denial of pre-emptive rights to any the issuance of common shares.</td></tr>
<tr><td>August 20</td><td>We refer to your letter dated August 18, 2010, with respect to the Company’s disclosure dated August 13, 2010 pertaining to the subscription by Vega Telecom, Inc. (“Vega”), a wholly-owned subsidiary, of new shares of stock of the following companies:

1. Two Cassandra-CCI Conglomerates, Inc. (“TCCI”);
2. Perchpoint Holdings Corp. (“PHC”); and
3. Power Smart Capital Limited (“PSCL”)

As requested, the additional information relating to the subscriptions are set forth below.

1. The subscriptions by Vega Telecom, Inc. (“Vega”) to the shares of stock of Two Cassandra-CCI Conglomerates, Inc. (“TCCI”), Perchpoint Holdings Corp. (“PHC”) and Power Smart Capital Limited (“PSCL”) were made in line with the investments of the Company in the telecommunications industry.

2. The extent of the subscriptions of Vega is as follows:

<table>
<tr><th>CORPORATION</th><th>NUMBER OF SHARES</th></tr>
<tr><td>TCCI</td><td>250,000 common shares and
500,000 preferred shares</td></tr>
<tr><td>PHC</td><td>75,000 common shares</td></tr>
<tr><td>PSCL</td><td>3 ordinary shares</td></tr>
</table>

The aggregate amount paid for the aforestated subscriptions does not constitute a material transaction considering such amount is less than ten percent (10%) of the total assets of the Company. The enterprise value of Bell Telecommunication Philippines, Inc. (“Bell”) was used as the basis for determining the total consideration for the said subscriptions and such consideration was remitted to the respective depository accounts of TCCI, PHC and PSCL on August 2, 2010.

3. TCCI, PHC and PSCL are holding/investment companies. Save for PSCL which is domiciled in the British Virgin Islands, TCCI and PHC are Philippine corporations. The extent of the legal and beneficial shareholdings of TCCI, PHC and PSCL in Bell is set forth below.

<table>
<tr><th>CORPORATION</th><th>NUMBER OF SHARES</th></tr>
<tr><td>TCCI</td><td>3,500,000</td></tr>
<tr><td>PHC</td><td>3,000,000</td></tr>
<tr><td>PSCL</td><td>3,500,000</td></tr>
</table>

4. The stockholders, directors and officers of TCCI, PHC and PSCL have no material relationships with the Company and Vega.

5. The shares of stock of Vega in TCCI, PHC and PSCL are recorded as additional investments.</td></tr>
<tr><td>August 24</td><td>Please see attached reply to PSE reiterating the request to disclose details of the subscription by Vega Telecom, Inc., a wholly-owned subsidiary of San Miguel Corporation, to new shares of stock in Two Cassandra-CCI Conglomerates, Inc.,</td></tr>
</table>

	Perchpoint Holdings Corp. and Power Smart Capital Limited.
August 24	Reply to PSE Clarification with respect to the news article entitled "Sale of SMC's Pure Foods bogs down," posted on philstar.com on August 21, 2010.
August 31	We advise that the Company purchased 1,517,637,398 common shares of stock of Petron Corporation ("Petron") from Sea Refinery Holdings, B.V. at Seven Pesos and 20/100 (P7.20) per share. The shares were crossed at the Exchange today, August 31, 2010. Upon the exercise by the Company of the option to acquire 60% of the outstanding shares of Sea Refinery Corporation on or before December 15, 2010, the Company will have up to 67% equity interest in Petron.
September 2	Reply to PSE clarification with respect to the news article entitled "San Miguel Energy eyes LNG-fired plants," posted on the Manila Bulletin on September 2, 2010.
September 3	The Company announces that Atty. Virgilio S. Jacinto is the Company's General Counsel vice Atty. Francis H. Jardeleza who has retired. Atty. Francis H. Jardeleza also tendered his resignation as Corporate Secretary and as Compliance Officer, to be effective upon the appointment of his successor by the Company's Board of Directors at its next meeting.
September 3	The Company purchased 1,517,637,398 common shares of stock of Petron Corporation ("Petron") from SEA Refinery Holdings B. V. at Php7.20 per share through a special block sale crossed at the Philippine Stock Exchange on 31 August 2010 (the "Sale Shares"). The Sale Shares comprise approximately 16% of the outstanding capital stock of Petron. Upon the exercise by the Company of the option to acquire 60% of the outstanding capital stock of SEA Refinery Corporation, which in turn, owns approximately 50.1% of the outstanding common shares of Petron, on or before 15 December 2010, the Company will have up to approximately 68% equity interest in Petron.
September 9	Reply to PSE letter dated September 8, 2010. We refer to your letter dated September 8, 2010, with respect to San Miguel Corporation's disclosure dated August 31, 2010. By way of response to the aforementioned correspondence, we advise as follows. 1. The Board of Directors of the Company authorized the investment in Petron Corporation ("Petron") and the acquisition of 1,517,637,398 common shares (the "Sale Shares") on December 8, 2008. 2. No contractual arrangements were executed for the purchase of the Sale Shares. The said purchase was made thru a special block sale crossed at the Exchange on August 31, 2010. The Company and SEA Refinery Holdings, B. V. mutually determined (i) the consideration for the Sale Shares and ii) the date of crossing of the Sale Shares.
September 21	Please see attached reply to PSE with respect to the news article entitled "SMC looks for power acquisitions abroad," posted in the INQUIRER.net on September 20, 2010.

October 8	**Item 4.** The Company announces that, on its regular meeting held on October 8, 2010, the Board: (i) confirmed the promotion of Atty. Virgilio S. Jacinto to Senior Vice President and General Counsel, and (ii) appointed Atty. Jacinto as the Corporation's Corporate Secretary and Compliance Officer, vice Atty. Francis H. Jardeleza who has retired, as previously disclosed. Atty. Jacinto was appointed as General Counsel of the Corporation on September this year. Prior to joining San Miguel, Atty. Jacinto was a Director and Corporate Secretary of United Coconut Planters Bank from 1998 to 2001. He was also a partner at the Villareal Law Offices from 1985 to 1993. Previous to that, he was an associate at Sycip Salazar Feliciano & Hernandez Law Office. He placed 6th on the 1981 Bar Examinations and was the Class Salutatorian of the UP College of Law Class 1981. He holds a Master of Laws degree from Harvard Law School. **Item 9.** <u>Declaration of Cash Dividends</u> At the Regular Meeting of the Board of Directors of Company held on October 8, 2010, the Board declared cash dividends for Series "1" preferred shares at P1.50 per share and for common stockholders at P0.35 per share. The cash dividends for common shares are payable on November 22, 2010 to all common stockholders of record as of November 2, 2010. The stock and transfer books of the Corporation will be closed from November 3, 2010 to November 9, 2010. The cash dividends for the Series "1" preferred shares are payable on November 15, 2010 to all Series "1" preferred shareholders of record as of October 22, 2010. The stock and transfer books of the Corporation will be closed from October 27, 2010 to November 3, 2010. <u>Investment in Indophil Resources NL</u> The Board authorized the Corporation to enter into a share placement agreement with Indophil Resources NL ("Indophil") to subscribe to approximately 48 million new shares which shall be equivalent to 10.1% of Indophil's issued shares, on a fully diluted basis, for a consideration of US$40 million. In consideration for the placement, the Corporation will conduct a legal and financial due diligence on an exclusive basis. Pursuant to the aforementioned authority, the placement agreement with Indophil was executed today, October 8, 2010. Indophil is an Australian company listed in the Australian stock exchange, engaged in the exploration and development of mineral resources in Southeast Asia and the Philippines. It holds a 37.5% beneficial ownership of Sagittarius Mines, Inc.
October 11	Reply to PSE clarification dated October 11, 2010 with respect to the news article entitled "SMC buys into Tampakan."
October 12	Reply to PSE clarification dated October 12, 2010, with respect to the news article entitled "SMC eyes 100% of Indophil via tender offer."
October 15	Further to our disclosure, dated October 8, 2010, relating to Share Placement Agreement with Indophil Resources NL, we advise as follows:

	(i) pursuant to the terms and conditions of the Placement, 48,016,960 ordinary shares of Indophil were issued this morning in the name of Coastal View Exploration Corporation, a subsidiary of the Company (the "Placement Shares"); (ii) the total consideration for the Placement Shares was AUS$ 41,294,585 (approximately US$ 40 million) or AUS$ 0.86 per Placement Share; and (iii) the Placement Shares are listed and traded in the Australian Stock Exchange, Inc., and comprise approximately 10.1% of the currently issued ordinary shares of Indophil, on a fully diluted basis.
October 15	Press Release, SMC completes acquisition of 10.1% stake in Indophil.
October 22	Further to our previous disclosures relating the above-captioned subject, we advise that Top Frontier issued and delivered this afternoon, October 22, 2010, the stock certificates covering the investment by the Company in 2,598,040 million preferred shares of stock of Top Frontier. Such investment is reflected in the audited financial statements of the Company, as of December 31, 2009, submitted to the Exchange.
October 28	We advise that the Company, through its wholly-owned subsidiary, San Miguel Holdings Corp. ("SMHC"), executed today, October 28, 2010, a share sale and purchase agreement (the "Agreement") with Universal LRT Corporation Limited ("ULC"), a company owned by the group of Mr. Salvador B. Zamora II, pursuant to the authority granted by the Board of Directors of the Company on March 15, 2010. Under the terms of the Agreement, SMHC shall acquire up to 51% equity interest in Universal LRT Corporation (BVI) Limited ("ULC BVI") which holds the exclusive right, obligation and privilege to finance, design, construct, supply, complete and commission the Metro Rail Transit Phase 7 Project by virtue of the Concession Agreement dated 18 June 2008 with the Republic of the Philippines, through the Department of Transportation and Communications. Closing of the Agreement is subject to certain conditions and an appropriate disclosure shall be made upon satisfaction of such conditions.
October 28	Reply to PSE relating to the Investment of San Miguel in Petron Corporation. This refers to the Letter-Advice of the Exchange, dated October 27, 2010, relating to the above-captioned subject. Set forth below, for your perusal and consideration, is our response to the points contained in the said correspondence. Based on the previous disclosures submitted by the Company, the Exchange was duly informed of the amendment to the Option Agreement, dated December 24, 2008 (the "Option Agreement"), between the Company and SEA Refinery Holdings B.V. ("Sea Refinery B.V."), thru: (i) the letter-disclosure, dated April 23, 2010 and (ii) the submission of the tender offer documents for the shares in Petron Corporation ("Petron") initiated by the Company on April 30, 2010 (the "Tender Offer"). The Exchange was furnished with copies of the Initial Tender Offer Report and the Final Tender Offer Report on April 30, 2010 and June 9, 2010, respectively. The acquisition by the Company of additional shares in Petron (1,517,637,398 common shares – the "Shares"), together with the authorization of the Board of Directors of the Company, was disclosed to the Exchange on August 31, 2010, September 3, 2010 and September 9, 2010, respectively. By way of clarification, the authority of the Company to invest in Petron, passed and approved by the Board of Directors of the Company on December 8, 2008, provided for: (i) the execution, delivery and performance of the Option Agreement and (ii) the acquisition by the Company of additional shares thru the tender offer referred to above and the purchase of the Shares. The Shares were subject

	of the special block sale crossed at the Exchange on August 31, 2010. Taking into account the foregoing, as well as the nature and extent of the disclosures made by the Company, we are of the view that the Exchange has been timely and fully apprised of the sequence of events which have taken place in connection with the investment by the Company in Petron commencing from the execution of the Option Agreement, the initiation and completion of the Tender Offer and the special block sale covering the Shares.
November 4	Reply to PSE with respect to the news article entitled "SMC mulls biggest sale of stocks to public.
November 11	Further to the disclosure of San Miguel Brewery Inc. ("SMB"), we advise that the Company executed on November 10, 2010 a Deed of Absolute Sale of Shares for the purchase by SMB of all the shares of the Company in Brewery Properties Inc., the company which owns the land on which the SMB production facilities and sales offices are located. The purchase price is P6.89 billion of which P6.629 has been fully paid.
November 12	Press Release entitled "San Miguel Posts Robust 3Q Performance."
November 19	Reply to PSE clarification with respect to the news articles posted in the INQUIRER.NET entitled as follows: San Miguel to bid for $1.2-B pipeline and San Miguel to sell $3B in shares in 2011.
November 26	We advice that the Company received today, November 26, 2010, the Letter Approval issued by the Philippine Stock Exchange ("PSE") dated November 25, 2010 confirming the approval by the PSE Board of the listing of the 873,173,353 Series "1" Preferred Shares of the Company during the meeting held on November 24, 2010 covering the Company's Common "A" and Common "B" Shares converted to Series "1" Preferred Shares. The actual listing of the Shares will take effect upon the Company's compliance with the requirements of the PSE. Attached hereto is the Letter Approval for reference purposes.
December 8	Press Release entitled "SMC lists preferred shares."
December 15	Further to the previous disclosures of the Company relating to the above-captioned subject, we advise that the Company exercised the option to acquire 60% of the outstanding shares of Sea Refinery Corporation (24,000,000 shares) this afternoon December 15, 2010, as provided in the Option Agreement dated December 24, 2008, as amended. With the exercise of such option, the Company beneficially owns approximately 68% of the outstanding and issued shares of stock of Petron.
December 30	We advise that the Company, through Vega Telecom, Inc. ("Vega"), executed a Share Purchase Agreement (the "Agreement") with ISM Communications Corporation ("ISMCorp.") this afternoon, December 30, 2010, for the purchase by Vega of 100% of the outstanding and issued shares of stock of A. G. N. Philippines, Inc. ("AGNP"). AGNP is the registered and beneficial owner of approximately 40% of Eastern Telecommunications Philippines, Inc. The acquisition of AGNP was authorized by the Board of Directors of the Company during the meeting held on December 16, 2010.