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S. E. C. Registration Number

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(Company's Full Name)

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

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Contact Person

(632)	632-3000
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Company Telephone Number

1	2
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Month

3	1
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Day

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FORM TYPE

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Month

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Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2007
2. Commission identification number PW00000227
3. BIR Tax Identification No 041-000-060-741
4. Exact name of issuer as specified in its charter SAN MIGUEL CORPORATION

5. Philippines

Province, country or other jurisdiction
of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. No. 40 San Miguel Avenue,
Mandaluyong City

Address of issuer's principal office

1550
Postal Code

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

9. N/A

Former name, former address and former fiscal year, if changed since last report

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

Title of each Class

Number of shares of common
stock outstanding
(as of March 31, 2007)

Class "A" Common Shares

1,916,462,031

Class "B" Common Shares

1,234,297,429

Total

3,150,759,460

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

Yes [x] No []

If yes, state name of such Stock Exchange and the class/es of securities listed herein.

Class "A" and class "B" – Common Shares

PHILIPPINE STOCK EXCHANGE

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Corporation (SMC) and its subsidiaries (collectively, the Company) as of and for the period ended March 31, 2007 (with comparative figures as of December 31, 2006 and for the period ended March 31, 2006) and Selected Notes to Consolidated Financial Statements is hereto attached as Annex "A".

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

The information required by Part IV, Paragraph (a)(2)(B) of SRC Rule 12 is attached hereto as Annex "B".

PART II--OTHER INFORMATION

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

NONE

SIGNATURES

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

Issuer	SAN MIGUEL CORPORATION
Signature and Title	 FERDINAND K. CONSTANTINO Senior Vice President and Chief Finance Officer/Authorized Signatory
Date	May 15, 2007
Signature and Title	 BELLA O. NAVARRA Comptrollership Manager/Authorized Signatory
Date	May 11, 2007

**SAN MIGUEL CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements
for the period ending March 31, 2007
(with comparative figures for 2006)

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

SAN MIGUEL CORPORATION

I, **BELLA O. NAVARRA** of the above-mentioned corporation, do solemnly swear that all matters set forth in the attached reports are true and correct to the best of my knowledge and belief.


BELLA O. NAVARRA
VP, Corporate Finance – Comptrollership

SUBSCRIBED AND SWORN to before me this 11th day of May 2007, affiant exhibiting to me her Community Tax Certificate No. 22180704 issued on February 22, 2007 at Mandaluyong City.

Doc. No. 447;
Page No. 91;
Book No. I;
Series of 2007.


JHOANNA JASMINE M. JAVIER
Commission No. 0273
Notary Public for Mandaluyong City
Until Dec. 31, 2008
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 43076
PTR No. 1184422 ; 01-05-07 ; Mandaluyong City
IBP No. 691375 ; 12/05/06 ; RSM

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 2007 and December 31, 2006
(Amounts in Millions)

ASSETS		LIABILITIES AND STOCKHOLDERS' EQUITY			
	2007	2006			
		(Audited)			
Current Assets			Current Liabilities		
Cash and cash equivalents	P 26,845	P 24,280	Drafts and loans payable	P 29,153	P 42,354
Trade and other receivables - net	42,329	43,275	Accounts payable and accrued expenses	30,713	39,321
Inventories - net	36,205	42,627	Income and other taxes payable	4,438	3,016
Biological assets - net	3,258	3,570	Dividends payable	1,404	318
Prepaid expenses and other current assets	4,971	5,234	Current maturities of long-term debt - net of debt issuance cost	13,303	11,007
Total Current Assets	113,608	118,986	Total Current Liabilities	79,011	96,016
Noncurrent Assets			Noncurrent Liabilities		
Investments and advances - net	6,050	5,989	Long-term debt - net of current maturities and debt issuance cost	77,210	84,908
Property, plant and equipment - net	85,732	97,986	Deferred tax liabilities	12,856	13,974
Investment properties - net	1,820	1,744	Other noncurrent liabilities	1,480	2,157
Biological assets - net of current portion	1,276	1,260	Total Noncurrent Liabilities	91,546	101,039
Goodwill - net	67,853	72,899			
Intangible assets - net	28,227	28,115	Stockholders' Equity		
Deferred tax assets	3,433	6,653	Equity Attributable to Equity Holders of the Parent Company		
Other noncurrent assets - net	11,803	15,952	Capital Stock	16,081	16,067
			Additional paid -in capital	30,405	30,211
			Revaluation increment	18	18
			Cumulative translation adjustments - net	5,841	4,577
			Retained Earnings		
			Appropriated for expansion projects	6,036	6,036
			Unappropriated	81,240	78,011
			Treasury Stock	(4,053)	(4,053)
			Minority Interest in Consolidated Subsidiaries	135,568	130,867
Total Noncurrent Assets	206,194	230,598	Total Stockholders' Equity	13,677	21,662
	P 319,802	P 349,584		149,245	152,529

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

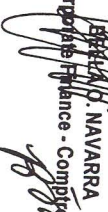
CERTIFIED CORRECT:

BELEN O. NAVARRA
VP, Corporate Finance - Compliance

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Period Ended March 31, 2007 and 2006
(Amounts in Millions)

	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustment	Retained Earnings	Treasury Stock - at cost	Total	Minority Interests	Total Equity	
					Appropriated	Unappropriated				
Balance at January 1, 2007 (Audited)	P 16,067	P 30,211	P 18	P 4,577	P 6,036	P 78,011	P (4,053)	P 130,867	P 21,662	P 152,529
Changes in fair value of cash flow hedges, net of tax				4						4
Net effect of translation adjustments				1,260						1,260
Net income										4
Total income and expense for the year										4
Issuances						4,331		4,331	(181)	1,260
Stock options	14	194		1,264		4,331		5,595	(181)	4,150
Reissuance of Treasury Shares								208		5,414
Addition in minority interest, dividends and others										208
Appropriations - net										-
Cash dividends									(7,804)	(7,804)
Stock dividends										-
Balance at March 31, 2007	P 16,081	P 30,405	P 18	P 5,841	P 6,036	P 81,240	P (4,053)	P 135,568	P 13,677	P 149,245
Balance at January 1, 2006 (Audited)	P 16,031	P 29,647	P 18	P 5,619	P 6,087	P 70,695	P (4,053)	P 124,044	P 14,060	P 138,104
Changes in fair value of cash flow hedges, net of tax				18						18
Net effect of translation adjustments				(1,060)						(1,060)
Net income						10,566		10,566	(396)	10,170
Total income and expense for the year						10,566		9,524	(396)	9,128
Issuances	36	376		(1,042)				412		412
Stock options		188						188		188
Reissuance of treasury shares										-
Addition in minority interest, dividends and others										-
Appropriations -net										-
Cash dividends						51		7,998		7,998
Stock dividends					(51)	(3,301)				(3,301)
Balance at December 31, 2006	P 16,067	P 30,211	P 18	P 4,577	P 6,036	P 78,011	P (4,053)	P 130,867	P 21,662	P 152,529

CERTIFIED CORRECT:


BRENDA O. NAVARRA
VP, Corporate Finance - Compliance

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended March 31, 2007 and 2006
(Amounts in Millions, Except Earnings Per Share)

	2007	2006 (As Restated - Note 5)
NET SALES	P 55,380	P 51,852
COST OF SALES	<u>38,871</u>	<u>35,015</u>
GROSS PROFIT	16,509	16,837
SELLING AND ADMINISTRATIVE EXPENSES	(12,680)	(11,806)
INTEREST EXPENSE AND FINANCING CHARGES	(2,241)	(2,300)
INTEREST INCOME	301	244
FOREIGN EXCHANGE - NET	456	48
EQUITY IN NET EARNINGS OF ASSOCIATES	55	94
OTHER INCOME (CHARGES)	<u>101</u>	<u>(42)</u>
INCOME BEFORE INCOME TAX	2,501	3,075
PROVISION FOR INCOME TAX	<u>933</u>	<u>728</u>
PROFIT FROM CONTINUING OPERATIONS	1,568	2,347
DISCONTINUED OPERATIONS		
GAIN/(LOSS) FROM DISCONTINUED OPERATIONS (Note 5)	<u>2,582</u>	<u>(92)</u>
NET INCOME	<u>P 4,150</u>	<u>P 2,255</u>
Attributable to :		
Equity holders of the Parent	P 4,331	P 2,169
Minority interest	<u>(181)</u>	<u>86</u>
	<u>P 4,150</u>	<u>P 2,255</u>
Basic Earnings Per Share	<u>P 1.38</u>	<u>P 0.69</u>

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

Basic Earnings Per Share is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding during the period.

CERTIFIED CORRECT:

BEAULA O. NAVARRA
VP, Corporate Finance - Compliance

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2007 and 2006
(Amounts in Millions)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax and minority interests	P 5,083	P 3,075
Adjustments for :		
Depreciation, amortization and others - net	(378)	2,313
Interest expense and financing charges	2,241	2,744
Interest income	(301)	(277)
Equity in net earnings of associates	(55)	(94)
Gain on sale of investments and property and equipment	(11)	(3)
Operating income before working capital changes	6,579	7,758
Changes in noncash current assets, certain current liabilities and others	(4,276)	(707)
Cash generated from operations	2,303	7,051
Interest paid	(2,771)	(4,525)
Income taxes paid	2,230	(296)
Net cash flows from operating activities	1,762	2,230
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments and advances	101	(49)
Additions to property, plant and equipment	(1,892)	(2,232)
Decrease (increase) in other noncurrent assets and others	7,931	(1,333)
Proceeds from sale of investments and property and equipment	12,733	17
Interest received	282	279
Net cash flows provided by (used in) investing activities	19,155	(3,318)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from :		
Short-term borrowings	59,988	149,750
Long-term borrowings	2,601	-
Payments of:		
Short-term borrowings	(73,609)	(149,802)
Long-term borrowings	(7,458)	(1,711)
Cash dividends paid	(3)	(1,089)
Issuance of capital stock	208	118
Dividends paid to minority shareholders	(11)	(40)
Increase in minority interest	-	480
Net cash flows used in financing activities	(18,284)	(2,294)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(68)	(378)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,565	(3,760)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	24,280	20,876
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	P 26,845	P 17,116

CERTIFIED CORRECT:

LEILA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2007

	TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	P 8,443,503,199.26	6,315,557,782.62	279,421,809.47	418,030,144.72	1,430,493,462.45
ALLOW. FOR DOUBTFUL ACCOUNTS	(1,021,593,384.98)				
NET	P 7,421,909,814.28				

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies and methods adopted in preparing interim consolidated financial statements of the Company are the same as those followed in the December 31, 2006 audited consolidated financial statements.

The Company prepared its consolidated interim financial statements for the first quarters of 2007 and 2006 following the new presentation rules under SFAS No. 30 (revised 2000) on “Interim Reporting” and prepared in compliance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS).

2. Segment Information

Business Segments

	Beverage		Food		Packaging		Others		Eliminations		Consolidated	
	2007	2006*	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006*
REVENUES												
External sales	₱17,775	₱17,023	₱33,679	₱31,712	₱3,926	₱3,117	₱—	₱—	₱—	₱—	₱55,380	₱51,852
Inter-segment sales	—	—	—	1	679	2,262	—	—	(679)	(2,263)	—	—
Total Revenues from Continuing Operations	₱17,775	₱17,023	₱33,679	₱31,713	₱4,605	₱5,379	₱—	₱—	(₱679)	(₱2,263)	₱55,380	₱51,852

* As restated – Note 5

3. Related Party Transactions

Advances to NutriAsia Pacific Ltd. amounted to ₱1,231 and ₱1,304 million as of March 2007 and 2006, respectively.

4. Property, Plant and Equipment

Property, plant and equipment consist of:

	Balance, January 1, 2007 (Audited)	Additions	Disposals/ Reclassifications	Currency Translation Differences	Balance, March 31, 2007 (Unaudited)
Cost:					
Land and improvements	₱16,488	₱217	(₱5,524)	₱162	₱11,343
Buildings and improvements	31,211	53	(3,932)	(94)	27,238
Machinery and equipment	86,212	563	(17,182)	(168)	69,425
Transportation equipment	5,093	14	(2,161)	(7)	2,939
Tools and small equipment	19,612	44	(5,340)	80	14,396
Office equipment, furniture and fixtures	4,270	28	(1,786)	(7)	2,505
Molds	879	37	(41)	(1)	874
Leasehold improvements	800	12	-	-	812
Construction in progress	10,563	924	(257)	(33)	11,197
	175,128	1,892	(36,223)	(68)	140,729
Accumulated depreciation and amortization:					
Land improvements	1,661	43	(473)	(2)	1,229
Buildings and improvements	6,783	218	(1,434)	(21)	5,546
Machinery and equipment	46,751	1,015	(12,213)	(54)	35,499
Transportation equipment	4,022	66	(2,118)	(4)	1,966
Tools and small equipment	9,867	319	(5,119)	15	5,082
Office equipment, furniture and fixtures	3,784	51	(1,728)	(7)	2,100
Molds	712	45	(42)	-	715
Leasehold improvements	282	8	-	2	292
	73,862	1,765	(23,127)	(71)	52,429
Accumulated impairment losses:					
Land and improvements	185	-	(185)	-	-
Buildings and improvements	503	-	(112)	(3)	388
Machinery and equipment	2,710	-	(541)	(11)	2,158
Tools and small equipment	(129)	-	140	2	13
Office equipment, furniture and fixtures	9	-	(2)	-	7
Molds	2	-	-	-	2
	3,280	-	(700)	(12)	2,568
Net book value	₱97,986	₱127	(₱12,396)	₱15	₱85,732

Depreciation and amortization charged to operations amounted to ₱1,765 and ₱1,711 in March 2007 and 2006, respectively.

5. Discontinued Operation

On February 22, 2007, the Company, together with its two wholly-owned subsidiaries, completed the sale of its 65% ownership in Coca-Cola Bottlers Philippines, Inc. (CCBPI) to Coca-Cola South Asia Holdings, Inc. for a total consideration of US\$590 million. Subject to the terms and conditions set forth in the Share Purchase Agreement, the total purchase price maybe adjusted based on the result of the closing audit, to be completed within 180 days from closing date.

The results of CCBPI for the period are presented below:

	2007	2006
Net sales	5,269	8,951
Cost of sales	4,134	6,585
Gross profit	1,135	2,366
Selling and administrative expenses	(1,427)	(1,909)
Interest expense and financing charges	(72)	(444)
Interest income	16	34
Foreign exchange – net	(2)	11
Other charges	(79)	-
Income before income tax	(430)	58
Provision for income tax	149	149
Loss from discontinued operation	579	92
Gain on sale from disposal of investment	3,161	-
Net income (loss) from discontinued operation	2,582	(92)
Attributable to:		
Equity holders of the Parent	2,785	(60)
Minority interest	(203)	(32)
	2,582	(92)

Following the completion of the sale of CCBPI shares and as required by the Accounting Standards, all items related to CCBPI, including its operating results for the first two months of 2007, were presented as a separate item under “Discontinued Operations”. Comparative figures for Consolidated Statements of Income for the period 2006 have been restated.

6. Earnings Per Share

Basic earnings per share is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

	2007	2006
Net income attributable to equity holders of SMC for the period (a)	₱4,331	₱2,168
Weighted average number of common shares outstanding (b)	3,149	3,141
Basic Earnings per share (a/b)	₱1.38	₱0.69

7. Other Matters

- a. On May 8, 2007, the Board of Directors (BOD) authorized the spin-off of the Company's domestic beer operations, preparatory to the division's subsequent initial public offering and listing in the Philippine stock market. The BOD also approved for its beer business to enter into a partnership with Kirin Brewery Company, Ltd., a strategic investor of the Company since 2002.

On the same date, the BOD also authorized the listing of the Company's domestic and regional packaging business.

- b. The effects of seasonality or cyclicity on the interim operations of the Company's businesses are not material.
- c. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents, except those stated in the Management Discussion and Analysis of Financial Conditions and Results of Operations.
- d. 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.



SAN MIGUEL CORPORATION

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation (SMC) and subsidiaries (the Company) as of and for the period ended March 31, 2007 (with comparative figures as of December 31, 2006 and for the period ended March 31, 2006). All necessary adjustments to present fairly the consolidated financial position, results of operations, and cash flows of the Company at March 31, 2007, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted.

I. 2007 TRANSACTIONS

- o Effective January 1, 2007, the Company transferred its share interest in San Miguel Foods Inc. (SMFI), Magnolia Inc. (Magnolia) and Monterey Foods Corporation (Monterey) in exchange for equivalent shares in San Miguel Pure Foods Company, Inc. (SMPFC). The shares of SMFI, Magnolia and Monterey were valued using their respective book values as of September 30, 2006 while SMPFC will issue the equivalent shares valued at the latest trading price as of September 30, 2006. The application for increase in the authorized capital stock of SMPFC will be submitted to the SEC for approval.
- o In January 2007, the Company incorporated a new beverage company, San Miguel Beverages Inc. (SMBI) with total authorized capital of ₱100 million and an initial paid-up capital of ₱6.25 million. SMBI will be engaged in the manufacturing, exporting, importing, selling and distribution of juice drinks, fruit drinks, water and water-based drinks, malt-based and coffee-based drinks and other beverage products.
- o In February 2007, the Company, together with its two wholly owned subsidiaries, completed the sale of its 65% ownership in Coca-Cola Bottlers Philippines, Inc. to Coca-Cola South Asia Holdings, Inc. Initial payment totaling US\$370 million was received in February and March 2007.
- o In April 2007, the Company, through San Miguel Foods Asia Limited, entered into a Share Purchase Agreement with Well Grounded Limited for the sale of the Company’s 42.22% equity and other interest in NutriAsia San Miguel Holdings Limited (NSMH) for US\$150 million. NSMH is the holding company of NutriAsia Pacific Ltd, which in turn is the parent company of Del Monte Pacific Ltd. The amount of US\$130 million was received on April 25, 2007 as partial payment for the transaction.
- o On April 27, 2007, the Company entered into a Sale and Purchase Agreement with Nihon Yamamura Glass, a leading Japanese manufacturer of glass and plastic container, for the sale of the Company’s 35% stake in the packaging businesses. This represents the domestic businesses under San Miguel Packaging Specialists, Inc. and regional operations under San

Miguel Packaging International, Ltd. To date, the Company and Nihon Yamamura Glass are completing the closing conditions to finalize the sale.

II. RESULTS OF OPERATIONS

2007 vs 2006

As required by Accounting Standards and following the completion of the sale of CCBPI shares on February 22, 2007, all items related to CCBPI, including its operating results for the first two months of 2007, were presented in a separate item under “Discontinued Operations”. Last year actual results were also restated to be comparable.

For the first quarter of 2007, SMC, excluding CCBPI, registered a 7% increase in revenues to ₱55,380 million from ₱51,852 million of the same quarter last year. While sales revenue of most domestic businesses is at par with last year, sales revenue of consolidated National Foods Limited registered a 12% increase.

Consolidated operating income, however, stood at ₱3,829 million, 24% behind last year. The decrease was due to (a) the absorption of the liquor business’ increase in excise tax, which was effected in January 2007, (b) reduce glass bottle requirements and (c) cost increases experienced by National Foods as a consequence of the drought condition in Australia.

Net financing charges for the first quarter ended at ₱1,484 million 26% lower than last year, due to the continued appreciation of peso to ₱48.28 as of end-March, bringing consolidated profit from continuing operations to ₱1,568 million, 33% lower than last year.

With the recognition of one-time gain of ₱3,161 million from the sale of CCBPI shares, net of ₱376 million net loss for the first two months of its operations, consolidated net income amounted to ₱4,331 million, double than last year.

2006 vs 2005

The Company sustained the rapid revenue pace of 2005 as consolidated net sales for the first quarter of 2006 reached ₱60,803 million – 29% higher than 2005. These improvements were largely due to our international operations, particularly National Foods (NFL), and the resilience of our Food and Packaging Groups.

To preserve these gains, the Company continued to implement cost containment measures to complement the improvement in some raw material costs. This resulted in consolidated operating income of ₱5,488 million which is 49% higher than last year.

Despite financing charges related to acquisition of National Foods, which more than doubled to ₱2,408 million compared to the same period last year, consolidated net income attributable to the equity holders of SMC ended 7% better than 2005 at ₱2,168 million.

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

1. BEVERAGES

2007 vs 2006

a. Beer

San Miguel Beer Division - Philippines (SMBD-Phils)

SMBD-Phils revenues amounted to ₱10,477 million, 1% lower than last year. Due to lower cost of raw materials and fuel, operating income for the first quarter reached ₱2,700 million, 13% above last year.

San Miguel Beer Division – International Operations (SMBD Int'l)

SMBD Int'l sales revenue of US\$68.3 million was 1% above last year primarily due to increase in sales volume. Year-to-date consolidated operating loss was US\$1.47 million, 58% improvement from 2006. This was aided by a favorable sales mix and savings in some fixed expenses.

b. Ginebra San Miguel, Inc. (GSMI)

GSMI's sales revenue amounted ₱2,977 million, 1% increase from previous year. Higher cost of raw materials resulting from the use of higher priced molasses and alcohol, lower mix of high margin products, absorption of the 8% increase in excise tax effected in January 2007 and increased promotion and selling activities brought down operating income to ₱132 million.

2006 vs 2005

a. Beer

San Miguel Beer Division - Philippines (SMBD-Phils)

SMBD-Phils' first quarter revenue amounted to ₱10,582 million, a 3% decline as compared to the same period in 2005. Volume declined in March versus the same period in 2005 as trade inventory levels normalized following withdrawals in February in anticipation of price increase.

Brand-building programs were sustained to push volumes, which includes TV ads and other volume-generating activities like San Mig Light's sponsorship of the Philippine Mountain Bike Championship and the San Miguel Beer Poker Bar Tour.

Still, with lower costs of some raw materials and higher average selling prices, operating income reached ₱2,397 million in the first three months of 2006.

San Miguel Beer Division – International Operations (SMBD Int'l)

SMBD Int'l revenue resulted to 8% increase in 2006 to US\$67.7 million. The positive performance was brought about by strong results from Greater China operations and exports. Contributing also are the favorable performance of North & South China Operations and Hongkong.

SMBD Int'l consolidated operating loss for the 1st quarter was US\$3.49 million resulting from higher ad and promo expenses and unfavorable sales mix.

b. Ginebra San Miguel, Inc. (GSMI)

GSMI's performance for the first quarter remained soft with revenues of ₱2,942 million. Operating income amounted to ₱445 million, lower than in 2005 with continued higher prices of alcohol and lower volume.

c. Coca-Cola Beverage Group (CCBG)

CCBG reported sales revenue of ₱8,951 million, only a 1% increase due to delay in planned price adjustment in an attempt to push volumes higher during the summer months.

Continued efforts to reduce fixed costs offset the soft volumes and higher packaging and tolling costs – enabling CCBG to reach an operating income of ₱457 million.

2. PACKAGING

2007 vs 2006

With the lower glass requirements from SMBD-Phils., Coca-Cola Beverage Group, and other external customers in health care and spirits segments, the Packaging group registered a sales revenue of 16% lower than last year, from ₱5,453 million to ₱4,605 million. Consequently, first quarter operating income ended at ₱25 million, significantly behind last year.

2006 vs 2005

Sales revenues amounted to ₱5,453 million – 8% higher than 2005's level – brought about by sustained domestic volume growth, particularly in plastics, PET, and composite businesses as well as strong performance of its offshore operations.

Operating income for the first three months was 13% higher at ₱673 million on tight cost management and substantial savings on raw material purchases.

3. FOOD

2007 vs 2006

The San Miguel Food Group and Agribusiness registered consolidated revenues of ₱14,696 million, at par with 2006. However, with improved efficiencies, lower raw materials and managed fixed costs, year-to-date operating income ended at ₱540 million, 7% higher than last year.

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

a. Agro-Industrial

The Agro-industrial cluster delivered year-to-date revenues of ₱9,618 million, 7% higher than 2006. However, due to higher raw materials and fixed costs, operating income ended at ₱384 million, 10% lower than last year's level.

b. Processed meats

Processed meats business registered year-to-date sales revenue of ₱2,057 million, 1% lower than last year. However, with favorable prices on raw materials, operating income registered at ₱76 million, 43% above last year.

c. Flour Milling

The milling cluster contributed revenues at ₱2,662 million, 11% below last year due to lower flour volumes and tight copra supply. Operating income ended at ₱80 million, 50% below last year due to the impact of higher raw materials of flour and higher fixed costs.

d. Magnolia Inc.

Magnolia Inc. posted year-to-date revenues of ₱1,062 million, 6% higher than last year, mainly due to higher selling prices and sales volume. The business incurred an operating loss of ₱7 million from last year's ₱76 million on the account of favorable raw materials prices and lower fixed costs.

2006 vs 2005

The Food Group, excluding National Foods and Berri, generated consolidated revenues of ₱15,245 million – 7% better than 2005. Lower raw material prices, use of cheaper raw material substitutes, and higher efficiencies across the Food Group's operations enabled operating income to surge significantly to ₱503 million.

a. Poultry

The poultry business reported higher volume, generating sales revenue of ₱4,025 million in the first quarter of 2006. Favorable supply and demand conditions allowed prices to remain stable.

b. Feeds

The feeds business reported 4% higher revenues to ₱3,536 million. The business' raw material substitution strategy eased impact of rising variable costs, resulting in significant operating income gain.

c. Basic meats

Amid continued sluggish demand, the basic meats business posted sales revenue of ₱1,396 million, which was 4% better than 2005.

d. Processed meats

Processed meats business reported revenue of ₱2,074 million – 4% better than in 2005 – due to improved average selling prices despite soft volumes. Operating income mellowed to ₱53 million due to significant increases in prices of raw material and fixed costs.

e. Flour and coconut oil milling

The combined flour and coconut oil milling business contributed revenue of ₱3,001 million for the first quarter – 27% higher than in 2005. With the flour business' lower wheat and freight costs, combined operating income substantially rose to ₱159 million.

f. Dairy - Butter, Cheese and Margarine

Magnolia Inc. registered revenue of ₱1,000 million – 16% higher than in 2005 – with higher volumes reported across all categories specifically ice cream. The business however, reported an operating loss due to continued higher expenses in support of new product roll-outs and advertising.

4. NATIONAL FOODS LIMITED / BERRI LIMITED

2007 vs 2006

Consolidated National Foods Limited sales revenue for the first quarter generated AU\$496.4 million, 12% above last year. However, operating income ended at AU\$24.2 million, 35% lower last year, due to cost increases associated with the drought condition in Australia and higher cost of imported juice concentrates/fruit supply.

2006 vs 2005

The combined National Foods/Berri generated sales revenue of AU\$441 million, 5% higher than in 2005 with volume sales of dairy and juice growing 4% from 2005.

Operating income of AU\$37.5 million was likewise 5% better than the same period in 2005, on account of higher volumes and effective cost management.

III. FINANCIAL CONDITIONS

Cash and cash equivalents increased by 11% from ₱24,280 million in 2006 to ₱26,845 million in 2007 mainly due to initial payment received by the Company from sale of CCBPI shares.

Inventories decreased by ₱6,422 million from ₱42,627 million in 2006 mainly due to sale of CCBG, net of increase in finished goods of SMPFC.

Current biological assets decreased by 9% to ₱3,258 million in 2007 mainly due to Monterey's decrease in livestock inventory level.

Prepaid expenses and other current assets decreased by 5% to ₱4,971 million in 2007 mainly due to the sale of CCBG.

Property, plant and equipment decreased by ₱12,254 million from ₱97,986 million in 2006 as a result of the sale of CCBG.

Goodwill decreased by 7% from ₱72,899 million in 2006 to ₱67,853 million in 2007 mainly due to sale of CCBG.

Deferred tax assets decreased by 48% from ₱6,653 million in 2006 mainly due to sale of CCBG.

Other noncurrent assets decreased by 26% from ₱15,952 million in 2006 to ₱11,803 million in 2007 due to decrease in deferred containers expense as a result of the sale of CCBG net of increase in SMC long-term receivable from sale of CCBG.

Drafts and loans payable decreased by 31% to ₱29,153 million in 2007 due to net payments made by SMC and sale of CCBG.

Accounts payable and accrued expenses decreased by 22% from ₱39,321 million in 2006 due to sale of CCBG and payment of trade accounts payable of SMPFC and San Miguel Foods Australia Holdings.

Income and other taxes payable increased by 47% to ₱4,438 million in 2007 mainly due to income taxes payable set up for the 1st quarter. Income taxes payable for the 4th quarter of 2006 was paid in April 2007.

Dividends payable increased by ₱1,086 million mainly due to declaration of cash dividends.

Long-term debt decreased by 6% from ₱95,915 million in 2006 to ₱90,513 million in 2007 mainly due to net payments during the year.

Deferred tax liabilities decreased by 8% from ₱13,974 million in 2006 to ₱12,856 million in 2007 due to sale of CCBG and decrease in San Miguel Foods Australia Holdings deferred tax.

Other noncurrent liabilities decreased by ₱677 million to ₱1,480 million in 2007 mainly due to decrease in retirement liability as a result of the sale of CCBG.

Stockholders' Equity:

The increase (decrease) in stockholders' equity in 2007 is due to:

<i>(In millions)</i>	2007
Income during the period	₱4,331
Net movement of minority interest in consolidated subsidiaries	(7,985)
Issuance of capital stock	208
Effect of translation adjustments	1,264
Declarations of cash dividends	(1,103)
	(₱3,285)

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In millions)</i>	2007	2006
Net cash flows from operating activities	₱1,762	₱2,230
Net cash flows provided by (used in) investing activities	19,155	(3,318)
Net cash flows used in financing activities	(18,284)	(2,294)

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

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

<i>(In millions)</i>	2007	2006
Additions to investments and advances	₱101	(₱49)
Additions to property, plant and equipment	(1,892)	(2,232)
Proceeds from sale of investments and property and equipment	12,733	17
Decrease (increase) in other noncurrent assets and others	8,213	(1,054)

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

<i>(In millions)</i>	2007	2006
Payments of short-term loans – net	(₱13,621)	(₱52)
Payments of long-term debt – net	(4,857)	(1,711)
Payments of dividends	(14)	(1,129)
Other financing activities	208	598

The effect of exchange rate changes on cash and cash equivalents amounted to (P68) million and (P378) million in March 31, 2007 and 2006 respectively. The exchange rates used for net assets in March 31, 2007 are P48.28 to US\$1 (P49.03 in December 31, 2006) and P48.60 to US\$1 as of March 31, 2007 (P51.85 as of March 31, 2006) for income and expense items.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

<i>(In millions)</i>	March 2007	December 2006
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	P39,551	P40,299
Treasury stock	(4,053)	(4,053)

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Company uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II “Results of Operations” of the MD&A for the discussion of the computed certain Key Performance Indicators.

	March 2007	December 2006
<u>Liquidity:</u>		
Current Ratio	1.44	1.24
<u>Solvency:</u>		
Debt to Equity Ratio	1.14	1.29
<u>Profitability:</u>		
Return on Average Stockholders’ Equity	13.01%	6.81%
	Period Ended March 31	
	2007	2006
<u>Operating Efficiency:</u>		
Volume Growth	-	4%
Revenue Growth	7%	35%
Operating Margin	6.91%	9.70%

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

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

* Annualized for quarterly reporting

VII. OTHER MATTERS

- The Company's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of end of March 31, 2007. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.
- The effects of seasonality or cyclicalality on the interim operations of the Company's businesses are not material.
- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company'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.

- g. There were no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date, except for Notes 20 (c) of the 2006 Audited Consolidated Financial Statements that remain outstanding as of March 31, 2007. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- h. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Company as of and for the period March 31, 2007.