SAN MIGUEL CORPORATION

2011 ANNUAL REPORT

food
beverage
packaging
&
power & energy
oil refining
infrastructure
mining
property
banking
telecommunications

TABLE OF CONTENTS

2 Message to Stockholders

6 Management's Discussion & Analysis

13 Financial Position

14 Corporate Governance

20 Corporate Social Responsibility

23 Board of Directors

24 Key Executives

28 Financial Section



Through our products and services, we want to give every single person we come in contact with access to the very best we can offer—whether in terms of quality, or affordability or choice. Our vision is to contribute to a strong Philippines, where our businesses create new jobs. Where the cost of basic services is well within the reach of every Filipino. Where quality roads and transport infrastructure help bring down the cost of goods, putting more money in the pockets of manufacturers and consumers alike. And where our beverages and food products provide nutrition, and enjoyment in celebrating life's big and small moments.

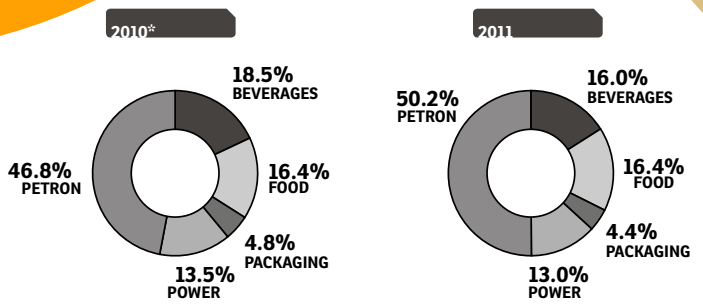
LETTER TO STOCKHOLDERS

DURABILITY & GROWTH

Over the past five years, our company has undergone a significant transformation. These last two years, in particular, have been a period of dramatic change. We've made strategic acquisitions and built up our position in fast-growing and high-potential industries. As a group, we've made real progress in making extensive portfolio changes and in carrying out the diversification we aim for.

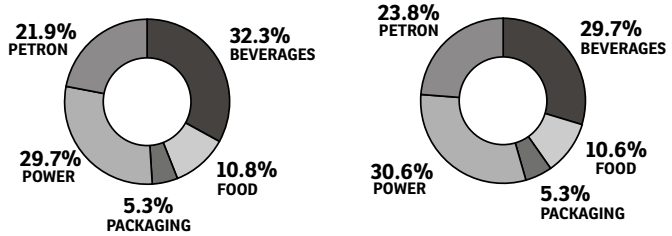
Contribution by revenue

**2010 is pro-forma with full-year consolidation of Petron and power business*



Contribution by EBITDA

**2010 is pro-forma with full-year consolidation of Petron and power business*





Eduardo M. Cojuangco, Jr.
Chairman & CEO

Much of our recent success has come from bucking trends and trying out new things. We seized the opportunity offered by the global recession of 2008 to acquire quality companies at attractive multiples and yields. For instance, we've accelerated our investments in the fast-growing oil refining, power and infrastructure industries; and they've since given your company the impetus to forge ahead.

Seizing opportunities offered by the recession

In addition, we continue to invest in new companies and new growth programs to make our businesses perform better. To raise funds for our continued expansion, the company issued combined equity and bonds worth some US$950 million in May 2011. Already plans are underway to invest in new power projects in Luzon, the Visayas and Mindanao. In Petron, we are spending close to $2.0 billion for the Phase-2 upgrade of our Limay refinery in Bataan, which will allow us to broaden the base of Petron's petrochemical business.

In other sectors of the growing San Miguel Group, we recently acquired a 46.5% stake in the holding company that controls the Skyway toll road and South Luzon Expressway (SLEX) toll roads, in partnership with the Citra Group of Indonesia. Citra Metro Manila Tollways Corp. is the concessionaire of the Skyway toll road; this is a six-lane, 16.38-kilometer elevated and at-grade road expressway that is one of the government's big-ticket infrastructure projects. The concession to the 36.1-kilometer SLEX toll road which connects key southern regions is held by the South Luzon Tollway Corp.

We also have our sights on the Southern Tagalog Arterial Road (STAR), a 42-kilometer toll road that connects with SLEX. Together with our MRT 7, TPLEX and Boracay Airport projects, these new undertakings significantly expand San Miguel's total infrastructure investment.

In early April, we reached an agreement through our wholly owned subsidiary, San Miguel Equity Investments, Inc. to acquire a minority stake in companies which have equity ownerships in Philippine Airlines and Air Philippines at a value of $500 million. We are confident that once we get to work re-fleeting and rehabilitating Asia's first airline, we will return it to its rightful place of prominence among regional airlines, and provide the best outcome for the millions of consumers that fly on our national carrier every year.

Largest investment outside the Philippines

In April this year, we completed our acquisition of the downstream businesses of Exxon Mobil Malaysia, San Miguel's largest investment outside the Philippines in recent years. We believe that the three subsidiaries of Exxon Mobil—namely Esso Malaysia Berhad (EMB), Exxon Mobil Malaysia Sdn. Bhd. and Exxon Mobil Borneo Sdn Bhd.—give us a unique opportunity to expand our participation in the petroleum industry outside the Philippines. While we continue to focus on our home market, we are open to overseas acquisitions that fit clearly into our company's long-term strategy, and offer the potential to speed up our corporate growth.

Meeting our financial goals

Overall, we're pushing ahead in the areas of sales growth, margins, earnings, cash and working capital reduction. And we work harder and harder at meeting our mix of financial goals because we continue to believe that, in the long term, sustained growth in earnings, cash and returns is the best way for San Miguel to increase value for you, our shareholders.

SMC's consolidated sales revenues for 2011 reached P536 billion, more than double the prior year's revenue of P246 billion. This was largely the result of the full-year consolidation of Petron and our power business. Yet even with the full-year 2010 revenues of these two new businesses, our consolidated sales revenues grew by a creditable 13%.

On the back of this strong performance from our new businesses, operating income rose 62% to reach P56.0 billion, while consolidated net income attributable to equity holders of the parent company reached P17.5 billion. The latter



Ramon S. Ang
President & COO

is 13% lower than the net income for 2010, which reflected a one-off transaction involving the acquisition of SMC Global Power Holdings Corp. In addition, foreign exchange gains were much lower in 2011 compared to those of the previous year. Deducting this one-time transaction and forex gains, SMC's recurring net income posted a 36% increase to P17.3 billion compared to 2010's P12.7 billion. Consolidated recurring EBITDA, meanwhile, grew 47% to reach P77.2 billion.

Building on a trend of strong growth

These results go a long way to show that our success in 2010 was not a one-off. Indeed, we believe we have managed to build on a trend of strong growth for our newly acquired businesses, confirming our vision of shifting to sectors that respond to the greatest and most urgent needs of our country's economic modernization.

Very nearly all of our traditional core businesses, too, have performed well; in many cases, they're pulling further ahead of the competition. But, overall, our core businesses grew only 3%, accounting for 37% of revenues. By contrast, revenue contribution from our new businesses grew five-fold last year.

To further underscore the transformation, San Miguel revenue in 2007—the year the company first articulated its strategy of diversification—was some P148 billion. By 2010, an inflection point in our recent history, the company was reporting over P246 billion in revenue, roughly a 66% increase over a four-year period.

As of this writing, the new businesses already make up 63% of total SMC revenues; once our downstream oil business in Malaysia is folded into the group, this number will amount to an estimated 70%.

Today, Petron Corporation by itself contributes nearly half of San Miguel's total revenues—larger than the contribution of our three traditional businesses combined. Petron has the added benefit of a sound balance sheet and strong cash flows that allow us immediately to fund its expansion. For its part, power contributes an estimated 13% to our total revenue mix, closely matching the contribution of the food business; return on equity for these power generation assets is at 24.3%.

Making a difference in people's lives

As we have said time and again, our goal as a company reaches much further than simply turning in good numbers for our stockholders. Our growth and profitability sustain us in our much larger objective; and that

Q&A with RSA

RAMON S. ANG

Q: Is there any one thing you would have wanted to achieve in 2011 that you didn't?

A: I'm not the kind of person who looks back with regret or disappointment, so I can't really answer this question in the way you might like. If you're thinking about us not winning the bid on a particular acquisition, I'll just say that I have worked on many deals in my lifetime (both here at San Miguel and in my own personal businesses), to know that everything is fair game and nothing ever goes your way 100% of the time. You win some, you lose some, but the most important thing is that you did something, or took a risk.

On the whole, we did well in 2011. I'm very happy with how things worked out and we showed everybody that we can build on success. That 2010 wasn't a one-off. We ended the year very strongly and as we move into 2012, we have new infrastructure projects that we're taking on in partnership with the Citra group tucked into our belt: SLEX (South Luzon Expressway), Skyway and STAR (Southern Tagalog Arterial Road). We've also acquired a stake in Philippine Airlines. There's no bigger deal on the table at the moment.

Of course there's always room for improvement, but I also believe that we have enough time over the next twelve months to do better and correct areas where we didn't do so well, or fine tune our operations if that's what is needed. I am generally a very positive person, if there are low points, I generally get over them quick, so I don't get disappointed very easily.

Q: What's the one thing you want to tell your employees?

A: To remember that we can't rest our hopes for the future on doing what we used to do, or how we did it in the past. We should be very proud of our roots, but San Miguel is becoming an ever more diversified company. We're no longer just a food and beverage company, we are also a provider of numerous basic services and that shift will define us in the future and is responsible for the many growth opportunities now open to us as a company.

larger objective is to make a difference in people's lives through the products and services we provide. And as our participation in more areas of the Philippine economy grows, so does our take-up of business opportunities that present themselves.

We employ thousands of people, and already we have the power to impact the lives of thousands more. That power speaks to the assets our company has; but, most important, the trust and belief that consumers, customers, and communities have in the San Miguel name and all it stands for. We have become a business leader and one of the most respected and most profitable companies in the Philippines. We believe we have also become a symbol of what the Filipino can achieve.

Committed to nation building, San Miguel has made substantial social investments in the Philippines. In the wake of the tragedy in Cagayan de Oro wrought by Typhoon Sendong, for instance, your company donated P550 million toward a private sector-led housing and resettlement program that will result in over 5,000 new homes being built for the thousands left homeless by that calamity.

Because of our company's nature, our definition of leadership is, unavoidably, partly about scale and size. But, more fundamentally, leadership to us is also about being able to shape not just markets, but also society at large, through the quality and reach of our goods and services.

For 2012 we expect San Miguel to produce another year of profit and growth, helped along by our company's overall resilience, and by the continuing good growth prospects of both our traditional core businesses and our new sector industries.

Never have we felt more confident about San Miguel's future. Our journey toward transformation is by no means over. The industries in which we now compete are fast evolving; we're constantly reviewing the approach toward our vision for the San Miguel Group and for its individual business units. What we are seeing now is no overnight success, but the result of hard work, not only by our senior management team but also by every one who works with them. As we continue to build an enduring business that helps people live their lives in better ways, we see as our company's surest path to value creation over the long term, the hard work and untiring efforts of the more than 17,000 strong San Miguel family.

Q: What new business particularly intrigues or interests you the most?

A: I'm an engineer by training so Petron is fascinating to me in terms of the processes. I'm very involved and interested in their RMP-2 project and I enjoy meeting with the engineers and hearing about how they are coming along with phase 2 of the plant, the building of a new co-generation power plant, and retrofitting parts of the old plant. I'm very interested in our telecommunications project and PAL. The challenges we face in these industries are tremendous so they deserve my focus and my time. In the telco industry I'm confident we can be more of just a bit player. For PAL, I know we can improve the airline's profitability.

Mining is a huge growth industry for the Philippines, there is so much potential as yet untapped. Now that government has taken legislative steps to secure the industry's future, I really believe we're going to see this industry take off, so I want to make sure that SMC is prepared to participate in the wealth of advantages in mining.

Again, people who know me know that I like learning and getting involved. Sometimes they wish I wouldn't get so involved, but to the extent that I can help, I do. My way of thinking is the more I know and understand the business, the more effective my contribution can be.

Q: How big do you think San Miguel will be in two, three years time?

A: We hear a lot of people talk about the size of our company, and I would think it's because it's one of the most obvious things about us at this point. But success isn't just about how big you've become. Growth has to come with a purpose.

Q: Did you ever imagine that San Miguel would become what it is today?

A: To some extent yes. But I have to say that we've been blessed beyond any of our expectations. That we could have gotten to this point and be given a chance to have made the impact that we have on the national economy, that's really something.

Success brings more success and more opportunities and more challenges. But in this last year, we've gained strength and a lot more confidence as a company. And as you grow in both, you want to keep doing better all the time.

A YEAR OF CHANGE & CONTINUITY

The year 2011 was marked by wins in both our core and new businesses as the majority of our operating units met growth objectives by managing dynamic operating variables under competitive marketplace conditions. Our beer and food operations turned in very good results, as did subsidiary Petron Corp. and the power business.

Nearly five years since we began diversifying our company's portfolio, snapping up stakes in a variety of infrastructure projects and other high-growth potential companies in the bid to increase returns on investments, San Miguel Corporation again turned in another strong year for 2011, working to improve execution and strengthen the profitability of each of its business units.

Consolidated sales revenue in 2011 reached P536 billion, more than double the previous year. Steady growth derived from core businesses was complemented by a 63% contribution from our newer businesses, specifically power and oil refining. Correspondingly, operating income grew 62% to P56 billion.

This performance met our key financial objectives for 2011 and also builds on the strong results your company has delivered in recent



years. In sum, revenue has grown by an estimated 262% since we first embarked on our transformation in 2007 ago, while operating income has increased by 381% over the same period.

Consolidated net income attributable to parent company amounted to P17.5 billion, 13% lower than last year, seeing as a one-off transaction was recorded in 2010, namely the acquisition of SMC Global Power.

In addition, foreign exchange gains were much lower this year compared to 2010 when the peso performed more strongly against the dollar. Without one-time transactions and foreign exchange gains, recurring net income would have been P17.3 billion, 36% higher than in 2010. SMC's consolidated recurring EBITDA rose 47%, reaching P77.2 billion.

To further fund acquisitions and to ramp up investment in its new engines of growth, SMC launched a shares and exchangeable bonds offering in the second quarter of 2011, raising US$950 million in the process. The response of the overseas and domestic investing community was overwhelmingly positive, reaffirming the market's confidence in the company's present growth strategy.

Following the offering, SMC is now compliant to a PSE regulation that requires listed companies to maintain



at least a 10% float, with shares actively trading on the exchange. As a result, in September, SMC was again listed on the Philippine Stock Exchange index (PSEi) and in November, the company joined the Morgan Stanley Capital International (MSCI) global standard index.

From both a financial and portfolio standpoint, San Miguel is on firm footing. Having redefined our portfolio of businesses and maximizing resources on areas of high growth potential SMC's businesses are now much more focused and most importantly, more profitable. As a result, we are well-positioned to capture some of the biggest opportunities present in our country today, and to participate in diverse, critical industry categories that are at the intersection of the Philippine economy.

BEVERAGES

SAN MIGUEL BREWERY INC.

For the Philippines' oldest and largest brewer, 2011 was another year of significant achievement in many important areas. San Miguel Brewery Inc.'s growth strategies based on multi-value distribution and consumption-generating programs



continued to deliver strong growth so that continuing profitable growth was enhanced for the majority of products in SMB's portfolio.

Total revenues grew 6% reaching P71.9 billion with consolidated volumes amounting to 223.8 million cases, 1% higher than 2010. Distribution remained SMB's key competitive advantage with volume generating initiatives further improving product availability among served outlets both domestically and overseas.

Operating income ended at P20.5 billion, higher by 10%.

Beer Domestic

San Miguel Brewery's domestic operations ended the year with a 5% revenue growth compared to the previous year, helped by a price increase implemented in May 2011 and higher volumes reaching 185 million cases.

The San Miguel brand continued to dominate the market. Established volume-generating programs (Muziklaban, the National Beer Drinking contest, the Oktoberfest), numerous on-premise activations, sponsorship of major events and festivals, and consumer loyalty promotions all continued to work for the business raising its profile and strengthening brand loyalty. As a result, operating income grew 8% to P20.3 billion.

Beer International

Revenues of beer international operations rose 16%, on the back of significant improvements in sales especially from North China, Hong Kong, Indonesia and exports. Higher volumes from these critical markets,largely offset lower volumes from South China, Vietnam and Thailand, allowing Beer International to register 5% growth in total international volume.

With these improvements and strong profitability in the brewery's Indonesian and exports operations, Beer International registered a significant increase in operating income versus last year.

In South China, market conditions continued to be challenging, as competitors touted aggressive trade offers. While the South China operations continued to post negative operating results in 2011, there was considerable improvement over the previous year.

In response to intense market competition, Beer International embarked on a major business restructuring program that resulted in the integration of the sales and distribution teams of its local Dragon brand into the Guangzhou operations. Now a purely brewing operation, our facility in Guangdong will also be developed as an production base for exports and we are focusing on improving plant utilization, productivity and efficiency. South China operations also launched the new San Mig Light with an enhanced



formula, new packaging design and new positioning in the market.

In North China, revenue grew 14%. Sales of local brand Blue Star and San Miguel Pale Pilsen both posted growth. The North China operations have shown a significant recovery from last year's losses.

2011 was a very good year for Hong Kong operations as revenue increased by 24%, a strong showing considering that the local beer industry grew only 2%. Against such a backdrop, the brewery further strengthened its position as the No. 1 beer company in Hong Kong in terms of volume with our flagship brand San Miguel at the forefront. San Mig Light chalked up an impressive growth from its launch in 2010, while San Miguel Pale Pilsen continued to build on its brand equity in sports. San Miguel Hong Kong Brewery also secured the exclusive distributorship of Budweiser and Harbin in Hong Kong, further strengthening its portfolio of brands and market dominance.

Operating performance likewise turned around from a loss in 2010.

In Vietnam, revenues grew by 10% on account of better selling prices due to an improvement in sales of San Miguel brands. Some of this headway however was negated by the contraction of the Bia Hoi market.

PT Delta Djakarta posted a 23% revenue growth. Strong volume sales resulted from expansion programs implemented in primary cities across Indonesia. Operating income posted a double-digit growth, despite the increase in excise tax, higher inflation affecting direct materials and payroll.

The widespread flooding in Thailand in the fourth quarter 2011 weighed down volumes, offsetting much of the gains registered in the first half of the year. As a result, full-year domestic volumes were below last year's levels. Despite this drop, lower costs for containers, manufacturing supplies and freight-trucking-handling costs prevented a further drop in operating income.

Export revenues grew by a robust 26%, mainly due to strong volume sales. San Miguel brands performed well in Sudan, Singapore, Malaysia, Taiwan and Korea, and debuted in newly opened markets in Saudi Arabia.

GINEBRA SAN MIGUEL INC.

Amid the relentless pressure of competition and shifts in consumer preference, our hard liquor and soft beverages business under Ginebra San Miguel, Inc. (GSMI) buckled under



this highly competitive operating environment, turning in much lower volumes versus 2010. GSMI ended the year with revenue of P15.1 billion, 33% lower than the previous year. While the company's flagship Ginebra San Miguel gin held its ground and continued to be a strong contributor to the business, Gran Matador and GSM Blue trailed behind rival brands which managed to be first to market with lighter-proof liquor products favored by younger consumers. GSMI responded to this challenge by way of launching Gran Matador Light and Antonov Mixed Drinks, managing to gain some lost ground in the last quarter of 2011, and successfully stemming the volume and revenue decline for the remainder of the year. GSMI was also affected by higher excise taxes and higher raw material costs, which resulted to an operating loss of P891 million.

FOOD

San Miguel Food Group posted a record sales performance for 2011, with consolidated revenues reaching

TWENTY ELEVEN MILESTONES

JANUARY

Petron Corp. enters into a sale and purchase agreement with Harbour Centre Port Terminal Inc. to acquire 35% of Manila North Harbour Port Inc.

SMC Global Power Holdings Corp, a wholly-owned subsidiary of San Miguel, closes a successful $300-million debut bond issue.

FEBRUARY

San Miguel Electric Corp. is incorporated.

MARCH

San Miguel Pure Foods Company, Inc. completes listing of 15 million preferred shares.







P89.6 billion, 11% above last year's already strong showing. The double-digit growth was backed by strong volume sales and better average selling prices, surpassing 2010 levels across almost all business units.

The upward trend in raw material prices persisted in 2011, causing margin erosion throughout the business. Continuing efforts to rationalize low-margin products and SKUs and cost reduction programs, however, alleviated the margin squeeze, resulting to an operating income of P6.1 billion, 4% better than 2010. Net income reached P4.1 billion, 8% higher than 2010.

The sustained growth and profitability from the Food Group is hinged on its strategic programs on innovation, capacity expansion and efficiencies established in recent years.

Agro-industrial

The Agro-Industrial cluster, which contributes about 65% of Food Group sales, posted a 5% revenue growth for 2011. The strong sales performance was driven by robust volume growth mainly from the poultry and basic meats sectors. However, high raw material prices continued to affect the business, resulting in a decline in margins.

Revenues of the commercial feeds segment grew 8% compared to 2010 amid volatile raw material costs and aggressive pricing competition. The businesses inability to pass on the full cost to consumers deterred growth in operating profits.

The poultry business generated revenue growth of 10% on account of higher volumes and better selling prices, despite an industry oversupply of chicken which tempered price increases. Higher broiler costs and the increase in fixed costs due to the opening of additional Chicken Station outlets resulted to lower operating income.

SMFI's fresh meats business' strong volume growth compensated for a decline in selling prices. Profits, however, were impacted by the higher cost of marketable hogs brought about by the increase in feed costs. As a result, in spite of a continuing drive to improve production efficiencies and effectively manage fixed costs, operating income was lower than the previous year.

Value-added

The Food Group's value-added business did well in 2011, with revenue growth of 5%. Leading brands and products included TJ hotdog, PF Star hotdog, nugget bacons, whole hams and corned meats. The business posted a substantial increase in operating income helped by efforts to rationalize SKUs.



Milling

The flour milling operation was affected by competition coming from lower-priced imported flour products. However, with better selling prices, revenue grew 17%. Operating income also managed to grow despite rising wheat and freight costs.

Dairy and others

The dairy, fats and oils business generated revenues that registered a stellar 23% increase from last year's level. Strong volumes and better selling prices across most product categories contributed to this strong showing. In spite of higher input costs, the segment registered a significant growth in operating income. Magnolia Ice Cream posted considerable revenue growth of 31%.

San Miguel Super Coffeemix Co. Inc. posted 32% revenue growth, the result of intensified distribution efforts. Operating income more than doubled compared to last year.

PACKAGING

San Miguel's packaging business, under San Miguel Yamamura Packaging Corporation (SMYPC) ended another solid year in 2011. Consolidated revenues reached P24.1 billion, 3% higher than 2010, the result of continuing efforts to broaden reach both in the domestic and export markets. Bringing our packaging products overseas offers a new dimension to the business. In

MAY

SMC holds a crossing ceremony at the Philippine Stock Exchange following a concurrent equity and equity-linked bond offering that raises $950 million.

JUNE

SMC and subsidiary, TransAire Holdings Development Corp. (TADHC), inaugurate newly-renovated Boracay Airport.









2011, revenue derived from exports of our Philippine facilities grew 26%. Almost half of the company's revenue is now foreign currency-denominated with sales of SMYPC's international operations and exports accounting for 46% of total revenue. In spite of higher fuel and raw materials cost and competitive pricing in overseas markets, operating income and EBITDA growth were sustained at 8% and 7%, respectively.

The glass segment, the business' largest segment with a 34% revenue contribution, posted sales revenue growth of 9% above 2010 levels. Operating income for the segment surged, the result of purposive cost-cutting measures such as working capital reduction, overhead expenses controls and efficiency improvements.

In 2011, the metal business gained customers from China, Hong Kong, Sri Lanka, the Middle East and Romania.

Driven largely by better selling prices, revenue of the plastics businesses grew 12% above 2010 levels. However,





fixed costs ballooned due to higher depreciation.

The paper segment, under Mindanao Corrugated or Mincorr, registered revenue growth of 14% on account of higher sales volumes. Operating income likewise rose significantly due to successful utilization improvements and a decline in fixed cost.

The PET business was severely hit by a drop in demand from key customers, registering much lower revenues compared to 2010. Cost management and containment initiatives allowed the business to minimize losses for 2011.

On a brighter note, flexibles volumes grew to register revenue growth of 12% and 2011 marked a major improvement for the segment.

SMYPC's Malaysian operations continued to contribute strongly to the overall business. Sales revenues increased 8%.

The company's Australian trading arm, Cospak, continued to do well in 2011. Sales were strong and gross contribution likewise grew despite higher costs. Cospak continued to make a strategic contribution to the packaging group, enabling SMYPC to further grow its exports, allowing for better access to the growing Australian market.



POWER & ENERGY

In a few short years, San Miguel has built a power company with a full spectrum of power plants and IPPA contracts that are operated and maintained together with world class, independent power producers. Today, power subsidiary SMC Global Power Holdings, is one of the largest power companies in the country.

In January a US$300 million bond was issued in preparation for financing for future expansions. Later in September, SMC Power also raised US$200 million from a syndicated loan. In August 2011, Limay power plant was sold to make room for capacity increases from new acquisitions through government biddings and construction of new plants. With Sual, Ilijan and San Roque

AUGUST

SMC signs a sale and purchase agreement to acquire three subsidiaries comprising Exxon Mobil's downstream oil business in Malaysia.

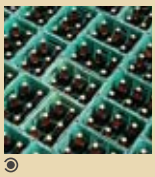
SMC completes sale of the Limay power plant in Bataan.

OCTOBER

San Miguel Brewery Inc. opens a new bottling facility in Sta. Rosa

SMC buys an additional 37.7% stake in Eastern Telecom, raising its stake to 77.7%









in the power portfolio, total capacity stood at 2,545 MW, 23% and 17% of the Luzon and national grid capacities. Before the year ended, expiring contracts with customers were renewed. The Sual power plant was able to sign new customers, while Ilijan completed negotiations with Meralco, which remains the business' biggest customer. 2011 also saw the full-year effect of the power business's consolidation in the SMC group. And the year-end financial results bore out its positive contribution.

Total power generated reached 14,483 thousand MWH which brought revenues of more than P71 billion and operating income of P16.7 billion despite lower WESM prices during the year.

OIL REFINING

Petron registered a good 2011 performance despite a challenging third quarter that saw weak demand brought about by higher fuel prices and aggressive competition particularly in the retail and industrial sectors.

The company ended the year with consolidated revenues of P274 billion, a significant 20% growth from last year. Lower domestic demand due to higher fuel prices and aggressive competition affected retail and industrial volumes, even as sales in petrochemical sales managed to remain buoyant. Margins grew, the result of a better product mix that included sales from high-margin petrochemical feedstocks such as propylene, benzene, toluene and mixed xylene. This translated to higher operating income of P14.8 billion and net income of P8.5 billion.

In 2011, the refinery upgrade, or RMP2-plan, was launched that will enable the company to fully convert its residual products to higher-value gasoline and diesel, and significantly increase production of petrochemicals. This on-going project will allow Petron to further integrate high-margin products in the business mix. Petron has also embarked on the expansion of its distribution network. By year-end 2011, the company now has over 1,900 retail service stations, 16 car care centers and more than 700 LPG branch stores. The company's ambitious modernization and expansion programs will result in better yields, more efficient production and optimized distribution.



Construction of a power plant in Limay, Bataan, which began in 2010, is still ongoing. The co-generation power plant adjacent to Petron's oil refinery will ensure reliable and economical steam and power supply for the business and provide Petron considerable cost savings. The first phase of this project is expected to be completed by the second half of 2012.



At the end of March 2012, Petron, through its subsidiary Petron Oil and Gas International Sdn. Bhd., completed the acquisition of Exxon Mobil's downstream assets in Malaysia. This investment provides Petron a unique opportunity to extend its portfolio of oil refining and marketing businesses outside the Philippines.

DECEMBER

SMC, through wholly-owned subsidiary San Miguel Holdings Corp. (SMHC) buys a 46% stake of Atlantic Aurum Inc., which has a controlling equity interest in Citra Metro Manila Tollways Corp., the concession holder of the Skyway Project. SMC also confirms that it is in talks with the Citra Group to invest in the 42-kilometer Southern Tagalog Arterial Road (STAR) tollway.





PROPERTIES

San Miguel Properties, Inc., the real estate arm of San Miguel Corporation, generated revenues of P844 million in 2011. Existing inventory of our residential subdivision projects in General Trias, Cavite and Sta. Rosa, Laguna have sold out and SMPI is now developing new inventory. Townhouse developments in Pasig and Mandaluyong are currently on the drawing board as are plans for a residential condominium on Pasay Road, Makati City.

On-going construction of the 29-storey serviced apartments on Legaspi St., Makati City is scheduled for completion in 2014.

INFRASTRUCTURE

Our infrastructure projects are well on track. For the Boracay Airport, the existing terminal has been renovated and upgraded; inauguration was in June 2011. Terminal fees were raised to P200 and revenues will go toward maintaining the facilities and providing services provided to visitors of this popular holiday spot. Meanwhile, technical plans related to the extension of the runway are being finalized with construction expected to start by the third quarter.

For the Tarlac-Pangasinan-La Union Expressway (TPLEX), construction is ongoing with the first phase nearing completion. We expect revenues to begin coming in as the 16-kilometer Tarlac-Gerona stretch becomes operational.



The MRT 7 technical evaluation and other aspects related to the project are being jointly reviewed and discussed with the DOTC and other government agencies. We expect implementation to begin within 2012.

TELE COMMUNICATIONS

San Miguel's fledgling telecommunications business consists of WiMAX broadband operator Wi-Tribe Telecoms, formerly known as Liberty Telecommunications Holdings Inc.; Bell Telecommunications Philippines Inc.; and, Eastern Telecommunications Philippines, Inc.

WiMAX is a wireless digital communications system and once completely rolled out, Wi-Tribe hopes to provide a suite of fixed, mobile and data services. In 2011, Wi-tribe intensified its positioning in the broadband market, focusing on quality and customer service. Wi-tribe share for broadband in Metro Manila households finished at 5%, up from 3% in 2010, reaching a total subscriber



base of over 66,000. The company continues to invest in strengthening awareness via print and in-store advertising.

In 2011, SMC increased its ownership of Eastern Telecom to 75% from 40% in December 2010. Eastern Telecom provides internet and data transmission services and owns extensive backhaul and fiber assets in its operational areas. Eastern Telecom reported improving revenues and grew subscription lines from 4,880 to 5,143 in 2011.

Bell Tel will give San Miguel entry into the wireless voice, data and video connectivity business, expanding the scope of the company's telecom offerings.

FINANCIAL POSITION

SMC's consolidated total assets as of December 2011 amounted to P891 billion, P61 billion higher than in 2010. The 7% increase was mainly due to an increase in working capital requirements, investment in subsidiaries and additions in property, plant and equipment.

Long-term debts grew by P42 billion to P211 billion mainly coming from parent company US$600 million exchangeable bonds, SMC Global Power bonds of US$300 million, and a US$200 million syndicated debt. SMC's total interest bearing debt amounted to P294 billion while total net debt reached P165 billion.

Current ratio was higher at P1.61 from P1.57 in 2010. Debt-to-equity ratio stood at 1.98, lower than the prior year's 2.11, while interest-bearing-debt-to-equity ratio was at 0.98.

Total equity attributable to equity holders of the parent company grew to P229 billion from P216 billion in 2010. Retained earnings grew to P165 billion, with net income attributable to equity holders of the parent company of P17.5 billion slightly offset by P8.3 billion cash dividends declared to common and preferred shareholders.

CORPORATE GOVERNANCE

San Miguel Corporation recognizes that good governance helps the business to deliver strategy, generate shareholder value and safeguard shareholders' long-term interests, and as such, is committed to the highest standards of corporate governance.

As a responsible corporate citizen, we want to do the right thing, and we have the policies and programs in place to help ensure that we do.

Our Board of Directors, led by our Chairman Eduardo M. Cojuangco, Jr., believes in conducting our business affairs in a fair and transparent manner, and in maintaining the highest ethical standards in all the business dealings of the Company.

SHAREHOLDERS' RIGHTS

The Company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors.

Voting rights

Each common share in the name of the shareholder entitles such shareholder to one vote which may be exercised in person or by proxy at shareholders' meetings, including the Annual General Stockholders' Meeting (AGSM). Common shareholders have the right to elect, remove and replace directors as well as vote on certain corporate acts specified the Corporation Code.

Preferred shareholders have the right to vote on matters involving certain corporate acts specified in the Corporation Code and enjoy certain preferences over holders of common shares in terms of dividends and in the event of liquidation of the Company.

Among the corporate actions approved by the shareholders in 2011 were the extension of the corporate term of the Company for another 50 years from August 21, 2013, and the change in the date of the annual meeting of the stockholders from the second Tuesday of May to the second Tuesday of June, and the amendment of the Amended Articles of Incorporation of the Company to reflect such changes.

Pre-emptive rights

Under the Company's amended articles of incorporation, as approved by the shareholders in a meeting held on May 17, 2009, and as approved by the Securities and Exchange Commission (SEC), shareholders do not have pre-emptive rights to the issuance of shares relating to equity-linked debt or other securities, any class of preferred shares, shares in payment of a previously contracted debt or shares in exchange for property needed for corporate purposes, to give the Company greater flexibility in raising additional capital, managing its financial alternatives and issuing financing instruments.

On May 31, 2010, the shareholders of the Company approved to amend the articles of incorporation to deny pre-emptive rights to any issuance of common shares. Such amendment of the articles of incorporation was approved by the SEC on August 10, 2010.

Subject to certain conditions, shareholders also do not have pre-emptive rights to shares issued, sold or disposed of by the Company to its officers and/or employees pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans.

Right to Information

Shareholders are provided, through the Investor Relations Group, disclosures, announcements, and, upon request, periodic reports filed with the SEC. All disclosures of the Company are likewise immediately available at the Company's website upon disclosure to the Philippine Stock Exchange (PSE).

Dividends

Shareholders are entitled to receive dividends as the Board, in its discretion, may declare from time to time. However, the Company is required, subject to certain exceptions under the law, to declare dividends when the retained earnings equal to or exceed its paid-up capital stock.

In 2011, the Company paid out cash dividends of P6.00 per Series "1" Preferred Shares and a total of P1.05 per common share.

STAKEHOLDER RELATIONS

San Miguel Corporation exercises transparency when dealing with shareholders, customers, employees, trade partners, creditors, and all other stakeholders. The Company ensures that these transactions adhere to fair business practices in order to establish long-term and mutually-beneficial relationships.

Shareholder Meeting and Voting Procedures

Stockholders are informed at least 15 business days before the scheduled meeting of the date, time, and place of the validation of proxies. In 2011, notices of the 2011 AGSM were sent to the stockholders on May 13, 2011. Voting procedures on matters presented for approval of the stockholders in the AGSM are set out in the Definitive Information Statement.

Shareholder and Investor Relations

San Miguel Corporation responds to information requests from the investing community and keeps shareholders informed through timely disclosures to the PSE and the SEC, through regular quarterly briefings, AGSMs, investor briefings and conferences, the Company's website, and responses to email and telephone queries. The Company's disclosures and other filings with the SEC and PSE are available for viewing and download from the Company's website.

The Company, through the Investor Relations group under Corporate Finance, holds regular briefings and meetings with investment and financial analysts.

DISCLOSURE AND TRANSPARENCY

San Miguel Corporation adheres to a high level of standards in its corporate disclosure and adopts transparency with respect to the Company's financial condition and state of corporate governance.

Ownership Structure

The top 20 shareholders of the Company, including the shareholdings of certain record and beneficial owners who own more than 5% of its capital stock, its directors and key officers, are disclosed annually in the Definitive Information Statement distributed to shareholders prior to the AGSM.

Financial Reporting

San Miguel Corporation provides the investing community with regular updates on operating and financial information through adequate and timely disclosures filed with the SEC and the PSE.

Consolidated audited financial statements are submitted to the SEC and the PSE on or before the prescribed period and are distributed to the shareholders prior to the AGSM.

San Miguel Corporation's financial statements conform to Philippine Accounting Standards and Philippine Financial Reporting standards, which are all in compliance with International Accounting Standards.

Quarterly financial results, on the other hand, are released and are duly disclosed to the SEC and PSE in accordance with the prescribed rules. The results are also presented to financial and investment analysts through a quarterly analysts' briefing. These disclosures are posted on the Company's corporate website.

In addition to compliance with structural reportorial requirements, the Company discloses in a timely manner market-sensitive information such as dividend declarations, joint ventures and acquisitions, sale and divestment of significant assets that materially affect the share price performance.

Securities Dealing

The Company has adopted a policy which regulates the acquisition and disposal of Company shares by its directors, officers and employees, and the use and disclosure of price-sensitive information by such persons. Under the policy, directors, officers and employees who have knowledge or are in possession of material non-public information are prohibited from dealing in the Company's securities prior to disclosure of such information to the public. The policy likewise prescribes the periods before and after public disclosure of structured and non-structured reports during which trading in the Company's securities by persons who, by virtue of their functions and responsibilities, are considered to have knowledge or possession of material non-public information is not allowed.

ACCOUNTABILITY AND AUDIT

The Audit Committee has oversight functions with respect to the external and internal auditors. The role and responsibilities of the Audit Committee are clearly defined in the Company's Manual on Corporate Governance.

External Auditor

The accounting firm of Manabat Sanagustin & Company CPAs, accredited by the SEC, served as the Company's external auditors for the fiscal years 2010 and 2011.

The external auditor is selected and appointed by the shareholders upon the recommendation of the Board and subject to rotation every five years or earlier in accordance with SEC regulations. The external auditor's main function is to facilitate the environment of good corporate governance as reflected in the Company's financial records and reports, through the conduct of an independent annual audit on the Company's business and rendition of an objective opinion on the reasonableness of such records and reports.

The external auditors are expected to attend the AGSM of the Company and respond to appropriate questions during the meeting. They also have the opportunity to make a statement if they so desire. In instances when the external auditor suspects fraud or error during its conduct of audit, they are required to disclose and express their findings on the matter.

The Company paid the external auditor Audit Fees amounting to P12 million both in 2010 and 2011.

Internal Audit

Internal audit is carried out by the San Miguel Group Audit (SMGA) which helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. SMGA reports to the Audit Committee.

SMGA is responsible for identifying and evaluating significant risk exposures and contributes to the improvement of risk management and control systems by assessing adequacy and effectiveness of controls covering the organization's governance, operations and information systems. By evaluating their effectiveness and efficiency, and by promoting continuous improvement, the group maintains effective controls of their responsibilities and functions.

BOARD OF DIRECTORS

Compliance with the principles of good corporate governance starts with the Company's Board of Directors. The Board is responsible for oversight of the business, affairs and integrity of the Company; determination of the Company's mission, long-term strategy and objectives; and management of the Company's risks through evaluation and ensuring the adequacy of the Company's internal controls and procedures.

It is the responsibility of the Board to foster and engender the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, exercised in the best interest of the Company, its shareholders, and other stakeholders.

Composition

The Board consists of 15 members, each elected by the common stockholders during the AGSM. The Board members hold office for one year until their successors are duly elected and qualified in accordance with the amended by-laws of the Company.

The broad range of skills, expertise and experience of the directors in the fields of management, economics, business, finance, accounting, and law ensure comprehensive evaluation of, and sound judgment on, matters relevant to the Company's businesses and related interests. The names, profiles, and shareholdings of each director are found in Definitive Information Statement, distributed prior to the AGSM.

The Board of Directors and the senior management of the Company have all undergone the requisite training on corporate governance.

Independent and Non-Executive Directors

San Miguel Corporation has three independent directors, which is more than the legal requirement of having at least two independent directors or 20% of its board size, whichever is less but in no case less than two. Currently, of the 15 directors, Mr. Winston F. Garcia, Mr. Carmelo L. Santiago and former Chief Justice Reynato S. Puno sit as independent and non-executive directors of the Company.

The Company defines an independent director as a person who, apart from his fees and shareholdings, has no business or relationship with the Corporation, which could, or could reasonably be perceived to, materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a director. An Independent Director shall submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an Independent Director at the time of his election and/or re-election as an Independent Director.

Chairman/CEO and President/COO

The Chairman of the Board and Chief Executive Officer is Mr. Eduardo M. Cojuangco, Jr. while Mr. Ramon S. Ang holds the position of Vice Chairman, President and Chief Operating Officer. These positions are held by separate individuals with their respective roles clearly defined to ensure independence, accountability and responsibility in the discharge of their duties. The Chairman/CEO and the President/COO both attended the AGSM for 2011.

Board Performance

The Board holds regular meetings. To assist the directors in the discharge of their duties, each director is given access to the Corporate Secretary and Assistant Corporate Secretary, who serve as counsel to the board of directors and at the same time communicate with the Board, management, the Company's shareholders and the investing public.

In 2011, the Board held nine meetings. Set out below is the record of attendance of the directors at these meetings and at the AGSM.

2011 BOARD ATTENDANCE

Names	JAN 20	MAR 14	APR 5	MAY 12	JUN 7*	AUG 12	SEP 22	NOV 11	DEC 15
Eduardo M. Cojuangco, Jr.	•	•	∘	•	•	•	•	•	∘
Ramon S. Ang	•	•	•	•	•	•	∘	•	•
Estelito P. Mendoza	•	•	•	•	•	•	-	•	-
Iñigo Zobel	•	•	•	•	•	-	•	-	•
Winston F. Garcia	•	•	•	•	•	•	•	•	•
Leo S. Alvez	•	•	•	•	•	•	•	•	•
Menardo R. Jimenez	•	•	•	-	•	•	•	•	•
Hector L. Hofileña	•	•	•	•	•	•	•	•	•
Carmelo L. Santiago	•	•	•	•	•	•	•	•	•
Roberto V. Ongpin	•	•	•	-	•	-	•	•	-
Alexander J. Poblador	•	•	•	•	•	•	•	•	•
Joselito D. Campos, Jr.	•	•	•	-	•	•	•	•	•
Eric O. Recto	•	•	•	•	•	•	•	•	•
Ferdinand K. Constantino	•	•	•	•	•	•	•	•	•
Reynato S. Puno	•	•	•	•	•	•	•	•	•

* Annual General Stockholders Meeting and organizational board meeting
● present
∘ via teleconference

Board Remuneration

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 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. In 2010, the Board of Directors approved the increase in the per diems for each Board meeting attended by the members of the Board from P10,000 to P50,000, and from P10,000 to P20,000 for each committee meeting attended.

Directors who are executive officers of the Company are likewise granted stock options under the Company's Long-Term Incentive Plan for Stock Options, which plan is administered by the Executive Compensation Committee.

Board Committees

To assist the Board in complying with the principles of good corporate governance, the Board created four committees.

Executive Committee. The Executive Committee is currently composed of six directors, which includes the Chairman of the Board and CEO, Vice-Chairman of the Board, President and COO and an independent director in the person of Mr. Carmelo Santiago. Mr. Eduardo M. Cojuangco, Jr. sits as Chairman of the Committee. The Committee acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, with the exception of the power to appoint any entity as general managers or management or technical consultants, to guarantee obligations of other corporations in which the Company has lawful interest, to appoint trustees who, for the benefit of the Company, may receive and retain such properties of the Company or entities in which it has interests and to perform such acts as may be necessary to transfer ownership of such properties to trustees of the Company, and such other powers as may be specifically limited by the Board or by law.

The Executive Committee did not hold a meeting in 2011.

Nomination and Hearing Committee. The Nomination and Hearing Committee is currently composed of six voting directors – two of whom are independent, Mr. Carmelo Santiago and Mr. Reynato S. Puno – and one non-voting member in the person of the Company's Corporate Human Resources' Head. Atty. Estelito P. Mendoza is the Chairman of the Committee.

Among others, the Nomination and Hearing Committee screens and shortlists candidates for Board directorship in accordance with the qualifications and disqualifications for directors set out in the company's Manual on Corporate Governance, the amended articles of incorporation and amended by-laws of the company and applicable laws, rules and regulations.

In 2011, the Nomination and Hearing Committee held one meeting.

Executive Compensation Committee. Six directors currently comprise the Executive Compensation Committee, two of whom are independent in the persons of Mr. Winston Garcia and Mr. Carmelo L. Santiago. Mr. Menardo R. Jimenez is Chairman of the Committee. The Executive Compensation Committee advises the Board in the establishment of formal and transparent policies and practices on directors and executive remuneration and provides oversight over remuneration of senior management and other key personnel – ensuring consistency with the company's culture, strategy and control environment. In two meetings in 2011, the Committee, among others, designated the amount of remuneration for directors and reviewed promotions of certain executive officers.

Audit Committee. The Audit Committee is currently composed of five members with two independent directors as members, Mr. Carmelo L. Santiago, who also sits as Committee Chairman, and Mr. Winston Garcia.

The Audit Committee reviews and monitors, among others, the integrity of all financial reports and ensures their compliance with both the internal financial management manual and pertinent accounting standards, including regulatory requirements. It also performs oversight financial management functions and risk management, approves audit plans, directly interfaces with internal and external auditors, and elevates to international standards the accounting and auditing processes, practices, and methodologies of the company.

The Audit Committee held five meetings in 2011 wherein the Committee reviewed and approved, among others, the Company's 2010 Consolidated Audited Financial Statements as reviewed by the external auditors, and the company's unaudited financial statements for the first to the third quarters of the year.

Board Committee Members

The members of each Board Committee and their attendance at the Board Committee meetings in 2011 are set out in the table below. The Chairman of each of the Board Committees attended the 2011 AGSM.

ATTENDANCE IN COMMITTEE MEETINGS

Audit Commitee	Date of Meeting					
	MAR 14	APR 4	MAY 12	AUG 12	NOV 11	
Carmelo L. Santiago (C)	•	•	•	•	•	
Estelito P. Mendoza	•	•	•	•	•	
Winston F. Garcia	•	•	•	•	•	
Ferdinand K. Constantino	•	•	•	•	•	
Leo S. Alvez[1]	N/A	N/A	N/A	•	•	

Executive Commitee	Date of Meeting	Nomination and Hearing Committee	Date of Meeting	Executive Compensation Committee	Date of Meeting	
			JAN 20		JAN 20	JUN 7
Eduardo M. Cojuangco, Jr. (C)	N/A	Estelito P. Mendoza (C)	•	Menardo R. Jimenez (C)	•	•
Ramon S. Ang	N/A	Ramon S. Ang	•	Estelito P. Mendoza	•	•
Estelito P. Mendoza	N/A	Carmelo L. Santiago	•	Carmelo L. Santiago	•	•
Menardo R. Jimenez	N/A	Leo S. Alvez[2]	•	Winston F. Garcia	•	•
Carmelo L. Santiago	N/A	Roberto V. Ongpin	•	Ferdinand K. Constantino	•	•
Hector L. Hofileña	N/A	Alexander J. Poblador	•	Joselito D. Campos, Jr.	•	•
		Reynato S. Puno[3]	N/A	Eric O. Recto	•	•

[1] Appointed as member of the Audit Committee on June 7, 2011
[2] Member of the Nomination and Hearing Committee until June 7, 2011
[3] Appointed as member of the Nomination and Hearing Committee on June 7, 2011

MANAGEMENT

Management is primarily responsible for the day-to-day operations and business of the Company. The annual compensation of the Chairman/CEO and the top senior executives of the company are set out in the Definitive Information Statement distributed to shareholders.

EMPLOYEE RELATIONS

Employees are provided an Employee Handbook and Code of Ethics which contains the policies, guidelines for the duties and responsibilities of an employee of San Miguel Corporation.

Through internal newsletters and company e-mails all facilitated by the Human Resources Department and the Corporate Affairs Office, employees are updated on material developments within the organization.

Career advancement and developments are also provided by the company through numerous training programs and seminars. The company has also initiated activities centered on the safety, health and welfare of its employees. Benefits and privileges accruing to all regular employees are similarly discussed in the Employee Handbook.

CODE OF ETHICS

The Company's Code of Ethics sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the directors, officers and employees of the company.

Procedures were also established for the communication and investigation of concerns regarding the company's accounting, internal accounting controls, auditing, and financial reporting matters to the Audit Committee under its whistle blowing policy.

These policies are available on the Company's website.

COMPLIANCE MONITORING

The Compliance Officer, Atty. Virgilio S. Jacinto is responsible for monitoring compliance by the Company with the provisions and requirements of good corporate governance.

On April 14, 2010, the Board Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by the Securities and Exchange Commission under its Memorandum Circular No. 6, Series of 2009.

WEB SITE

Up-to-date information on the Company's corporate structure, products and services, results of business operations, financial statements, career opportunities and other relevant information on the Company may be found at its website www.sanmiguel.com.ph.

CORPORATE SOCIAL RESPONSIBILITY

SERVING OUR COMMUNITIES

With over 17,000 employees, and a nation-wide network of thousands of suppliers, dealers, distributors and business partners, San Miguel Corporation is ideally placed to make a positive impact on the Philippine economy, the environment and society.





Established 40 years ago on the principle that business should be a force for good in the world, San Miguel Foundation is the company's social responsibility and philanthropic arm.

Engaging with our various stakeholders and local communities offers San Miguel the opportunity to publicly and actively demonstrate our values as a company while at the same time supporting local community initiatives and key social issues.

For instance, the Foundation has sponsored school buildings for the *Aklat, Gabay, Aruga Tungo sa Pag-angat at Pag-asa* (AGAPP) Foundation, which has built over 100 classrooms all over the Philippines, and donated over P2.7 million to the Department of Social Welfare and Development toward disaster relief efforts and to support the families of victims in the Maguindanao massacre; and a further P4.0 million to Philippine General Hospital for critical renovations to the hospital's emergency room and exhaust facilities.

Our focus

There are three main areas that encompass our Foundation's Corporate Social Responsibility programs: education, community and enterprise development and, the environment.

These areas are important both to growing our business and contributing to the growth of vibrant, sustainable communities whether through scholarships, livelihood and feeding programs, watershed and river rehabilitation projects, programs focused on reducing our environmental impact, and disaster response.

As the Foundation celebrates its 40th anniversary in 2012, its mission to contribute to the empowerment of



SMC host communities by harnessing and encouraging the various San Miguel businesses to pursue programs that lead to self-reliance and sustainability, is an natural extension of its vision to breathe life into SMC's social responsibility and operating principles.

Doing their share

Every year, our operating units and subsidiaries initiate projects for communities in which we operate, engaging positively at the grassroots level and making lasting contributions that help improve lives.

San Miguel Brewery Inc.

For 2011, San Miguel Brewery Inc. and the San Miguel Foundation conducted medical missions and feeding programs that reached nearly 3,500 beneficiaries. In the area of education, the brewery identified new scholars for its San Miguel Beer Community Scholarship Program and continues to support scholars currently enrolled in vocational courses. San Miguel Brewery also supports the *Kawang Gawa* livelihood project and has sponsored barangay strengthening seminars in Mandaue, Bacolod, Pampanga, and Davao del Sur.

As the Philippines' leading brewer, SMB has a clear responsibility–and a significant opportunity–to protect the environment and continues to sponsor the Tullahan River Dredging Project alongside other environmental programs like tree-planting and coastal clean-ups.

As an adjunct to the Tullahan project, the brewery again tapped San Miguel Foundation to spearhead the development of a 1.9-hectare community in Disiplina Village, Barangay Ugong, Valenzuela which is expected to be the site of 300 homes for informal settlers living near Tullahan River.

San Miguel Brewery also runs community clinics offering free consultation and medicines. Currently, there are three Community Clinics supported by SMB —the Polo Clinic which serves Barangay Marulas in Valenzuela and Barangay Potrero in Malabon; the Darong Clinic in Davao del Sur which caters to Barangay Darong; and, the San Fernando Clinic in Pampanga which reaches out to Barangays Quebiawan, San Isidro and Maimpis. For 2011, the clinics reached a total of close to 2,700 beneficiaries.

San Miguel Yamamura Packaging Corporation

San Miguel's packaging arm conducted medical missions benefiting more than 1,000 residents of neighboring communities, and has sponsored over 100 children enrolled in San Miguel Foundation's *Malusog na Katawan, Matalas na Isipan* feeding program. SMYPC also supports scholars for its SMYPC community scholarship program.

Towards the end of 2011, SMYPC conducted *Pamaskong Handog* assisting projects on health, education and livelihood.



In January 2012, San Miguel Corporation committed P550 million to build 5,000 homes for the thousands of families left homeless by Typhoon Sendong in the cities of Cagayan de Oro, Iligan and Negros Oriental.

SMC partnered with housing groups Gawad Kalinga and Habitat for Humanity to build the houses together with local government units to help identify relocation sites for the displaced families.

San Miguel, through San Miguel Foundation and Petron Foundation also separately donated an estimated P12 million worth of products and cash for the victims of Typhoon Sendong.

The donations, channeled through various government agencies, government officials, and non-government organizations, included food and beverage products distributed to affected families.

Aside from these, San Miguel group employees contributed P1.3 million cash and in-kind donations, and participated in relief operations and organized soup kitchens in more than 21 evacuation centers, benefitting 6,000 families from the hardest hit areas in CDO and Iligan.

San Miguel Pure Foods Company

As the country's largest and leading food company, San Miguel Pure Foods is an active supporter of a six-month feeding program, *Handog Lusog para sa Nutrisyon ng Nasyon*, for an estimated 1,000 school children in SMPFC communities throughout the country.

In Sumilao, Bukidnon, the Food Group runs a community clinic that has since benefited over 3,000 residents. A community store and a community training center in partnership with the Technical Education and Skills Development Authority (TESDA) were also established, providing additional support to the community in the form of capability- and skills training, and livelihood opportunities.

SMC Global Power Holdings Corp.

Taking a page from other SMC subsidiaries, SMC Global Power Holdings Corp. launched the San Miguel Global Power Mobile Clinic in 2011 to serve residents in the Luzon region. The fledgling power company also has a scholarship program focusing on mechanical, electrical and chemical engineering in Pangasinan and Batangas. SMCGP's volunteerism program was kicked off by a tree-planting activity in Tanay, Rizal that saw 40 employee-volunteers enlisting in the effort to plant a thousand seedlings.

Ginebra San Miguel, Inc.

SMC's liquor and spirits subsidiary is an active sponsor of medical missions. The company's latest mission reached 300 beneficiaries in Pangasinan. GSMI also sponsors TESDA scholars.

Bank of Commerce

For 2011, Bank of Commerce organized and hosted a community build in Valenzuela with 170 employee volunteers.

SMITS

San Miguel's IT group sent out-of-school youths from Mandaluyong to a TESDA-sponsored course on Computer Hardware Servicing.

Petron Corporation

In 2011, Petron Foundation celebrated 15 years of helping the Filipino youth overcome poverty in the areas of education, environment, entrepreneurship and employment through relevant and sustainable CSR programs in partnership with its stakeholders.

The company's basic education program, *Tulong Aral ng* Petron had a total of 4,513 scholars enrolled from Grades 1 to 6: 3,599 scholars in 23 partner schools in the National Capitol Region, and 914 scholars in 10 partner schools in Mindanao.

The scholars continued to enjoy the benefits of Petron's send-a-child to school program, including the provision of books, school supplies, shoes and uniforms; daily meal allowances for children, and capability-building and livelihood programs for parents.

With the pioneer batch of *Tulong Aral* High School scholars all set to complete their secondary education, PFI is undertaking *Tulong Aral* College Scholarship Program. Under this new initiative, Petron will make available ten scholarship slots each in a Bachelor's degree in Engineering, a Bachelor's degree in a four-year course relevant to Petron's business, and a Technical/Vocational course for *Tulong Aral* seniors who qualify in the schools' admissions procedures.

Petron concluded its partnership with the United States Agency for International Development (USAID). Under this partnership, Petron took the lead role in the construction of USAID-Petron Schools and repair of classrooms in Region 9, Region 12 and the Autonomous Region of Muslim Mindanao (ARMM) and the implementation of the Educators Professional Development Program. By the end of 2011, Petron was able to build a total of 108 new classrooms and refurbished 480 existing ones.

For the Educators Professional Development Program, a large-scale capability building program for teaching English, Science and Math covering Region 12, Petron trained nearly 4,500 elementary school teachers through its partnership with the International Youth Foundation. A further 278 school administrators were given support through management and leadership trainings.

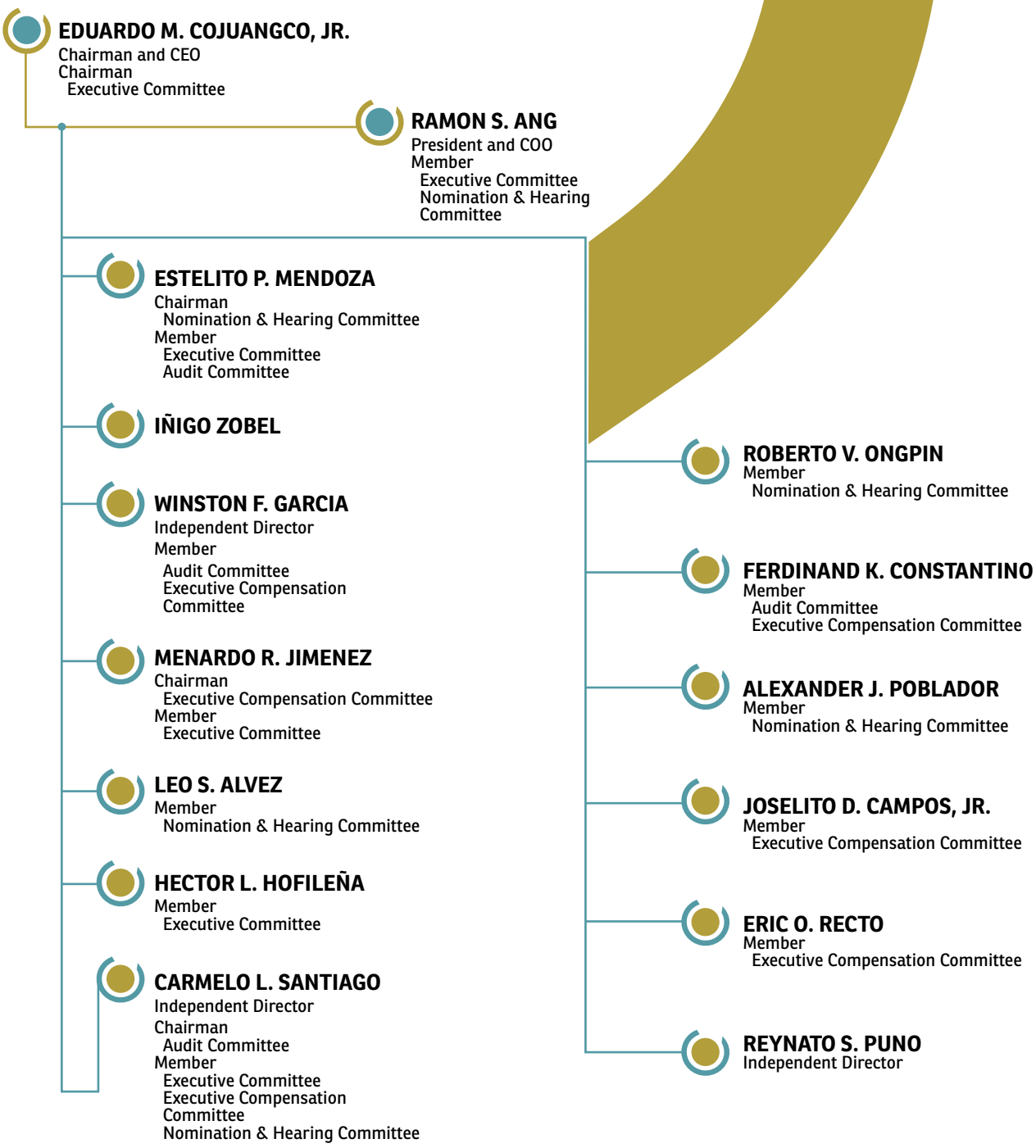
The Boracay Beach Management Program (BBMP), a partnership among Petron Foundation, the Municipality of Malay in the Province of Aklan, San Miguel Corporation and the Boracay Foundation, Inc. aims to foster multi-stakeholder participation in attaining sustainable development for Boracay Island, celebrated its first year anniversary in September 2011. As part of the anniversary celebrations, Petron Foundation launched the Adopt-a-Tree Program with the goal of planting at least 30,000 seedlings yearly within a 63-hectare area in the watershed of Malay.

In other environmental initiatives, Petron partnered with the Department of Environment and Natural Resources and City Government of Marikina to support the Adopt-An-Estero/River Program for the Marikina River and the National Greening Program. Under this agreement, Petron will undertake environmental improvement on vital water tributaries leading to Marikina River. The program provides for two major components: the dredging of these creeks and the rehabilitation of their banks and easements, and community engagement (through information and education campaigns, and community mobilization activities in support of the program).

2011 was also a milestone for employee volunteerism in Petron with Petron achieving 100% participation among its employees. Employees from all Petron divisions throughout the country pledged at least an hour of their salaries for the last working day of 2011 to raise funds for *Tulong Aral* ng Petron under the "Share Your Spare" campaign.

Petron employees put in an equivalent of 16,120 hours sharing their time and talent directed to various efforts in education, environment and other community endeavors.

BOARD OF DIRECTORS



KEY EXECUTIVES

Eduardo M. Cojuangco, Jr.
Chairman & Chief Executive Officer

Ramon S. Ang
Vice Chairman & President & Chief Operating Officer

Ferdinand K. Constantino
Chief Finance Officer & Treasurer

Virgilio S. Jacinto
Corporate Secretary & General Counsel

CORPORATE STAFF UNITS

OFFICE OF THE PRESIDENT
Senior Vice President
Aurora T. Calderon
Vice President
Lorenzo G. Formoso, III

CORPORATE AFFAIRS OFFICE
Vice President
Ramon A. Santiago

GROUP AUDIT
Vice President
Ramon R. Bantigue

CORPORATE MERGERS & ACQUISITIONS
Head
Ma. Belen C. Buensuceso
Vice President
Cecile Caroline U. de Ocampo

CORPORATE FINANCE
Senior Vice President
Joseph N. Pineda
Vice President
Bella O. Navarra

CORPORATE HUMAN RESOURCES
Head
Maria Cristina M. Menorca

CORPORATE INFORMATION & TECHNOLOGY MANAGEMENT
Vice President
Manuel M. Agustin

SAN MIGUEL BREWERY INC.
President
Roberto N. Huang
Executive Vice President
Teruyuki Daino

Executive Financial Advisor
Shobu Nishitani

Senior Vice President
M. L. Menlou B. Bibonia

Vice President
Mercy Marie L. Amador
Debbie D. Namalata

Corporate Secretary & General Counsel
Rosabel Socorro T. Balan

SAN MIGUEL BREWING INTERNATIONAL LTD.
Managing Director
Carlos Antonio M. Berba
Executive Vice President
Taro Matsunaga
Vice President
Jesus J. Bitanga, Jr.
Frederick Gerard S. Martelino
Hercila M. Reyes
Ramon G. Torralba

SAN MIGUEL BREWERY HONG KONG, LTD
Managing Director
Peter K. Y. Tam

GUANGZHOU SAN MIGUEL BREWERY CO., LTD.
Commercial Manager
Vincent K. M. Kwok

SAN MIGUEL GUANGDONG BREWERY CO. LTD.
General Manager
Rodrigo O. Guiang

SAN MIGUEL BAODING BREWERY CO., LTD.
General Manager
Wilfredo R. Camaclang

SAN MIGUEL BREWERY VIETNAM LTD.
General Manager
J. Bienvenido S. Anonas

SAN MIGUEL BEER THAILAND LTD.
Plant Operations Manager
Ricardo L. Tablante

SAN MIGUEL MARKETING THAILAND LTD.
Vice President & Commercial Director
Querubin G. de Guzman, Jr.

P.T. DELTA DJAKARTA, TBK
President Director
Raymundo Y. Albano

GINEBRA SAN MIGUEL INC.
President
Bernard D. Marquez

Vice President
Clemente O. Alburo
Nelson S. Elises
Cesar B. Gimena
Lucia C. Unsay
Valentino G. Vega

SAN MIGUEL PURE FOODS COMPANY, INC.
President
Francisco S. Alejo, III

Vice President
Eliezer O. Capacio
Alden M. Castañeda
Noli L. Manalo
Ma. Soledad E. Olives
Zenaida M. Postrado
Jennifer T. Tan

Corporate Secretary & General Counsel
Alexandra B. Trillana

COMMODITY BUSINESSES

AGRO-INDUSTRIAL CLUSTER
SAN MIGUEL FOODS, INC.
President & Cluster Head
Rita Imelda B. Palabyab

POULTRY BUSINESS
Vice President & General Manager
Leo A. Obviar

FEEDS BUSINESS
Vice President & General Manager
Norman C. Ramos

FRANCHISING BUSINESS
Manager
Jose Alberto B. Arellano

MILLING CLUSTER
SAN MIGUEL MILLS, INC.
President and Cluster Head
Florentino C. Policarpio

FLOUR MILLING BUSINESS
General Manager
Julio R. Gregorio

BRANDED/VALUE-ADDED BUSINESSES

PROCESSED MEATS CLUSTER
THE PURE FOODS HORMEL COMPANY, INC.
Vice President & General Manager
Raul B. Nazareno

DAIRY, FATS & OILS CLUSTER
MAGNOLIA, INC.

BUTTER, MARGARINE, CHEESE, JELLIES,
MILK, & SPECIALTY OILS BUSINESS
Vice President & General Manager
Reginald I. Baylosis

ICE CREAM BUSINESS
General Manager
Mauricio A. Alcon, Jr.

COFFEE BUSINESS
SAN MIGUEL SUPER COFFEEMIX CO., INC.
General Manager
Michael Allan N. Castro

INTEGRATED BRANDED LOGISTICS
DIVISION LOGISTICS GROUP
Vice President & General Manager
Enrique A. Punsalang

FOODSERVICE
GREAT FOOD SOLUTIONS
General Manager
Helene Z. Pontejos

INTERNATIONAL CLUSTER
VP & International Cluster Manager
Oscar R. Sañez

P.T. SAN MIGUEL PURE FOODS INDONESIA
General Manager
Gil R. Buensuceso

SAN MIGUEL PURE FOODS (VN) CO., LTD.
General Manager
Enrico R. Zavalla

SAN MIGUEL YAMAMURA PACKAGING GROUP

President
Ferdinand A. Tumpalan

Executive Vice President
Motokazu Hiraiwa

Vice President
Renato Y. Cabrera, Jr.
Marivic R. Costales
Elizabeth V. Mercado

Corporate Secretary & General Counsel
Dante Miguel V. Cadiz

GLASS BUSINESS
Vice President and Business Manager
Emmanuel R. Alcantara

GLASS OPERATIONS
SAN MIGUEL YAMAMURA ASIA CORPORATION
Plant Manager
Jonathan C. Aquino

SMC YAMAMURA FUSO MOLDS CORPORATION
Plant Manager
Redentor I. Sioson

ZHAOQING SAN MIGUEL YAMAMURA GLASS CO., LTD. (China)
General Manager
Jesus G. Cortes, Jr.

SAN MIGUEL YAMAMURA HAIPHONG GLASS CO., LTD. (Vietnam)
General Director
Antonio P. Dy, Jr.

METAL & PLASTICS BUSINESS
Vice President and Business Manager
Gerard A. Martin

METAL CLOSURE OPERATIONS
SAN MIGUEL YAMAMURA PHU THO PACKAGING CO., LTD. (Vietnam)
General Manager
Gaspar S. Alberto

PLASTIC OPERATIONS
FOSHAN SAN MIGUEL YAMAMURA PACKAGING CO. LTD. (China)
General Manager
Jesus G. Cortes, Jr.

PET BUSINESS
Vice President & Business Manager
Enrico C. Wong

FLEXIBLES & PAPER BUSINESS
Vice President & Business Manager
Armando S. Villarama

FLEXIBLES OPERATIONS
SAN MIGUEL YAMAMURA PACKAGING & PRINTING SDN. BHD. (Malaysia)
General Manager & conc. Malaysia Operations Group Manager
Jose Antonio J. Menchaca

SAN MIGUEL YAMAMURA PLASTIC FILMS SDN. BHD. (Malaysia)
General Manager
Tang Han Lock

SAN MIGUEL YAMAMURA WOVEN PRODUCTS SDN. BHD. (Malaysia)
General Manager
Tan Teck Soon

PACKAGING RESEARCH CENTRE SDN BHD (Malaysia)
General Manager
Dr. Patrick Loi Suok Tee

PAPER OPERATIONS
MINDANAO CORRUGATED & FIBREBOARD, INC.
Plant Manager
Rey B. Gudian

COSPAK GROUP
Chief Executive Officer
David Driver

PETRON CORPORATION

President
Eric O. Recto

Senior Vice President
Lubin B. Nepomuceno
Emmanuel E. Eraña

Vice President
Ma. Rowena O. Cortez
Susan Y. Yu
Freddie P. Yumang
Albertito S. Sarte
Jaime O. Lu
Archie B. Gupalor

Corporate Secretary & General Counsel
Jose Joel Angelo C. Cruz

SMC GLOBAL POWER HOLDINGS CORPORATION

President
Alan T. Ortiz, Ph.D

Vice President & General Manager
Elenita D. Go

SAN MIGUEL PROPERTIES, INC.

Vice President and General Manager
Karlo Marco P. Estavillo

OTHER BUSINESSES

ANCHOR INSURANCE BROKERAGE CORPORATION

General Manager
Robelin Caesar T. Rojas

SMC RETIREMENT FUNDS OFFICE

General Manager
Amor C. Iliscupidez

SMC STOCK TRANSFER SERVICE CORPORATION

Vice President & General Manager
Enrique L. Yusingco

SMITS, INC.

Vice President & Officer-in-charge
Manuel M. Agustin

ARCHEN TECHNOLOGIES, INC.

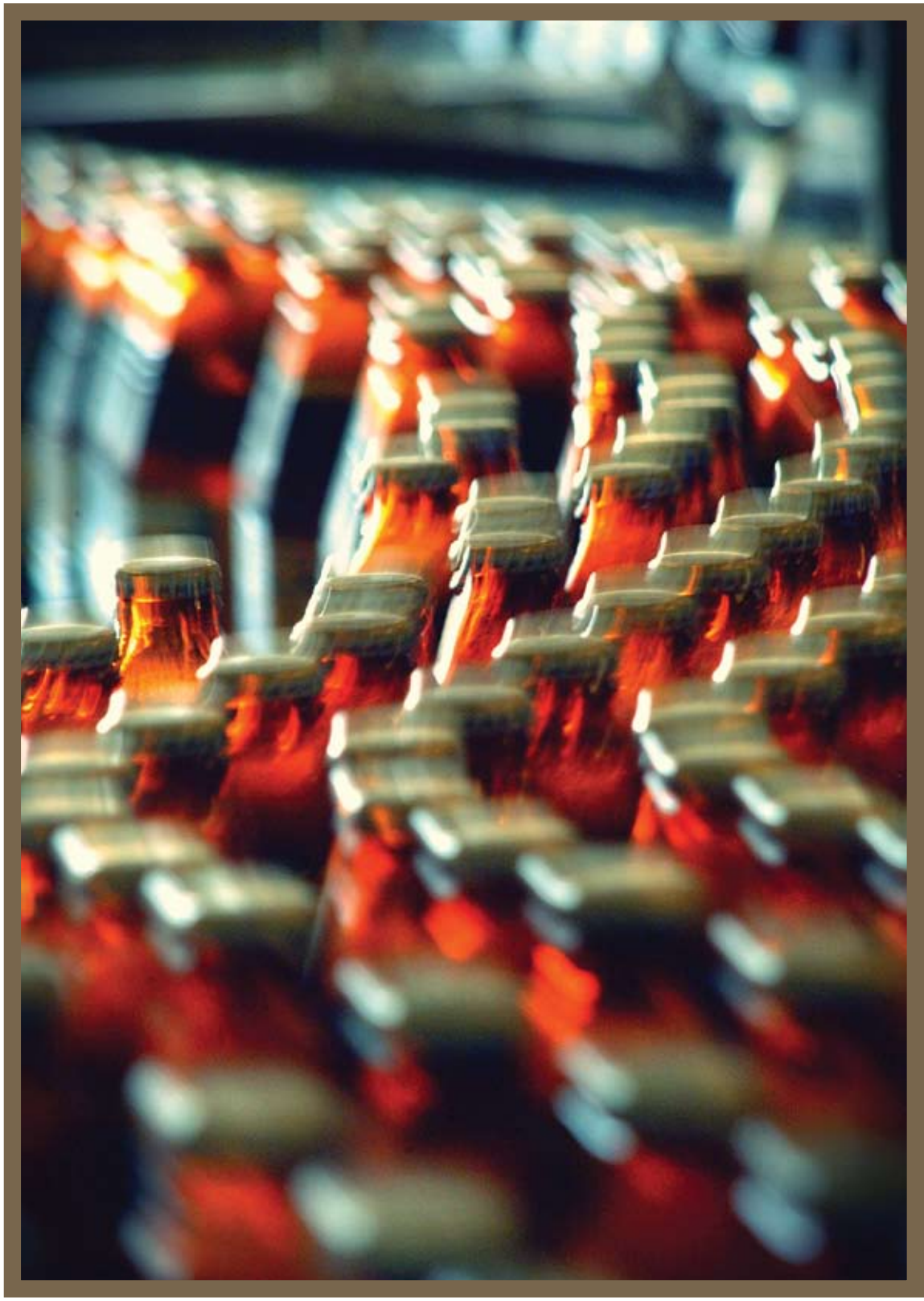
General Manager
Roscel R. Celestial

SAN MIGUEL SHIPPING & LIGHTERAGE CORPORATION

President
Thomas Tan

Today, the San Miguel portfolio is one that offers a mix of consumer goods and vital services; highly integrated operations that, taken together, contribute an estimated 5% to the Philippines' GDP.








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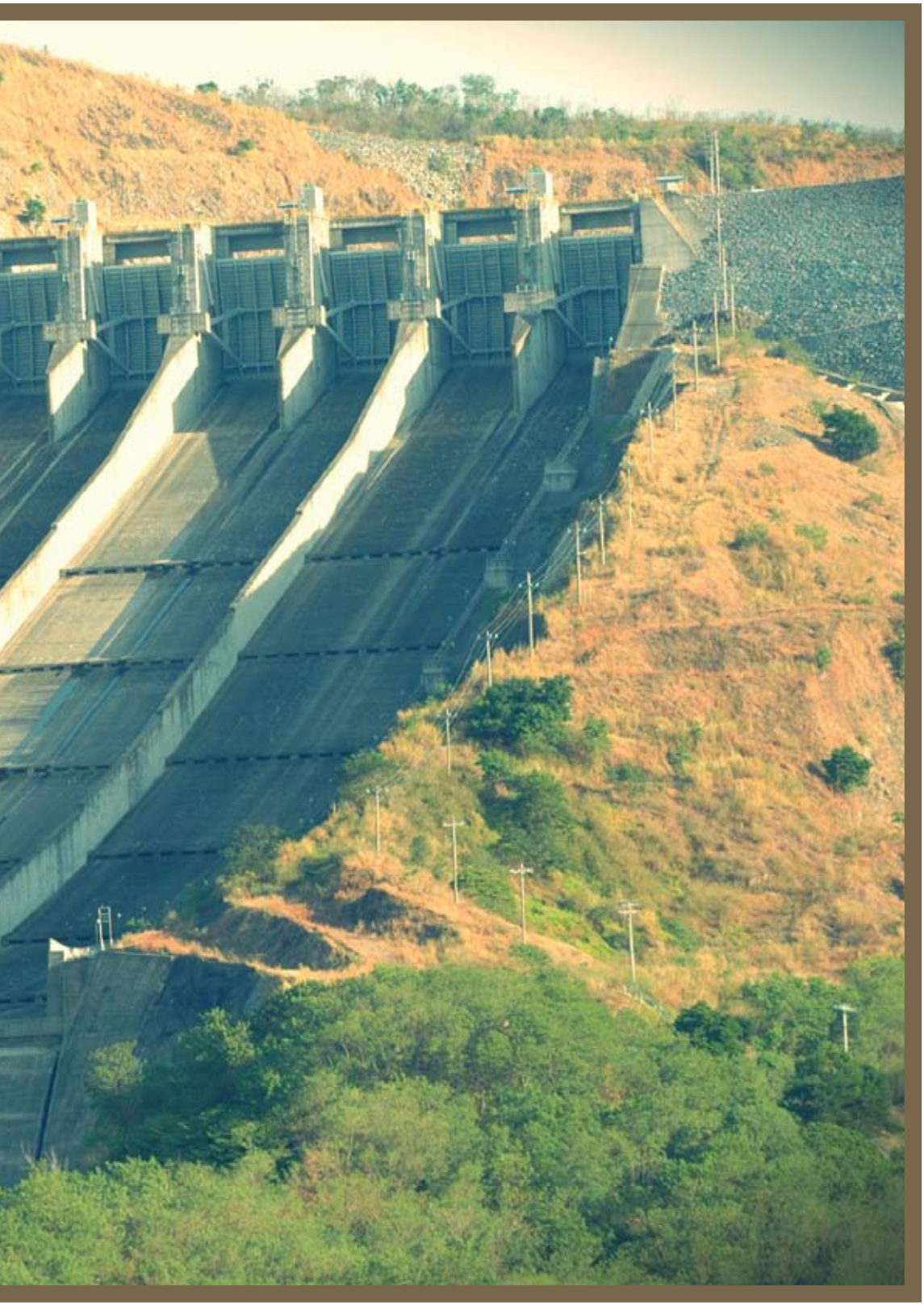

PHILIPPINE STOCK
E PSE CONGRATULATES
MIGUEL CORPORATION ON
SAN MIGUEL
CORPORATION


CHICKEN
STATION


Tinola





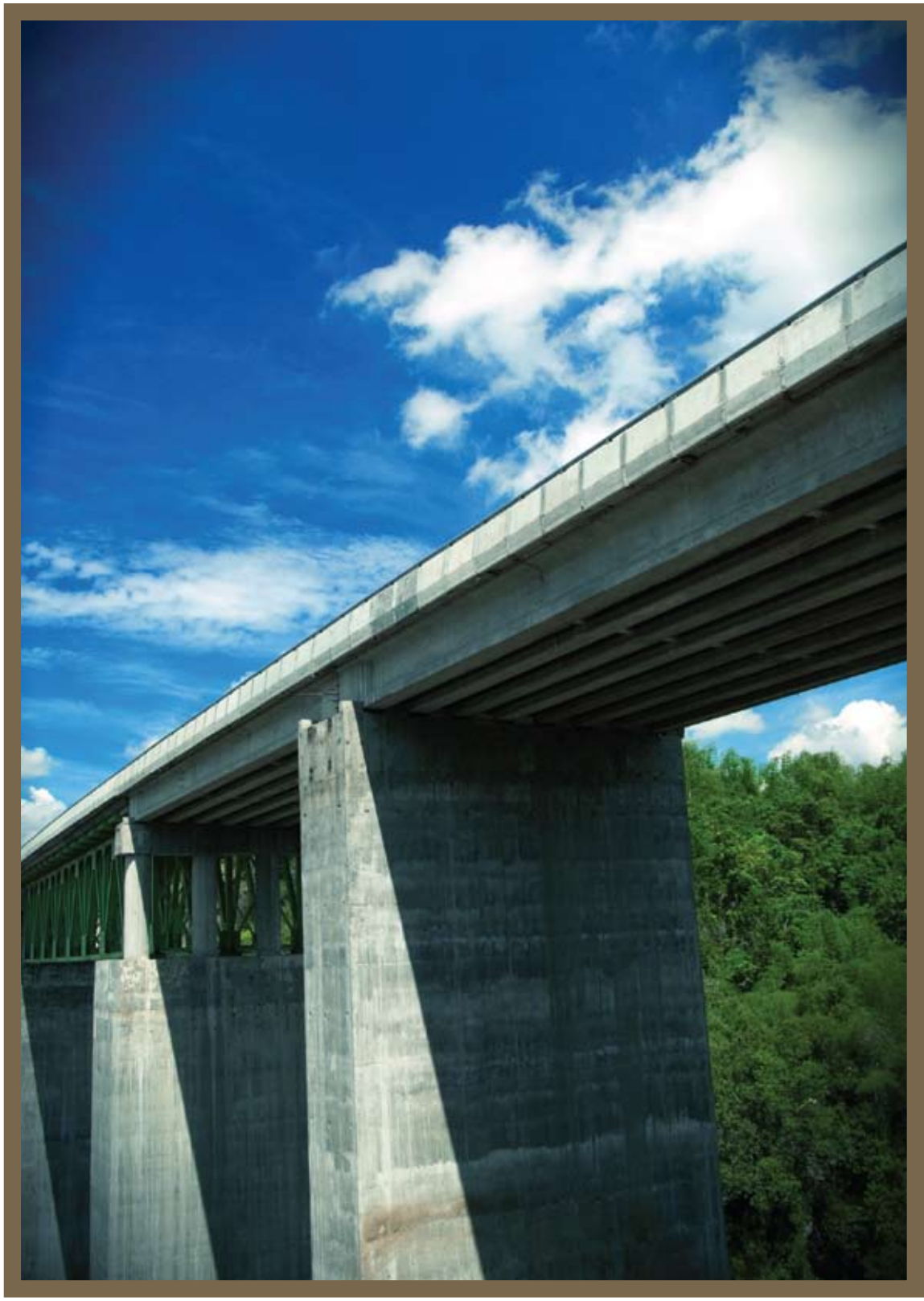



500
RED
HORSE
BEER

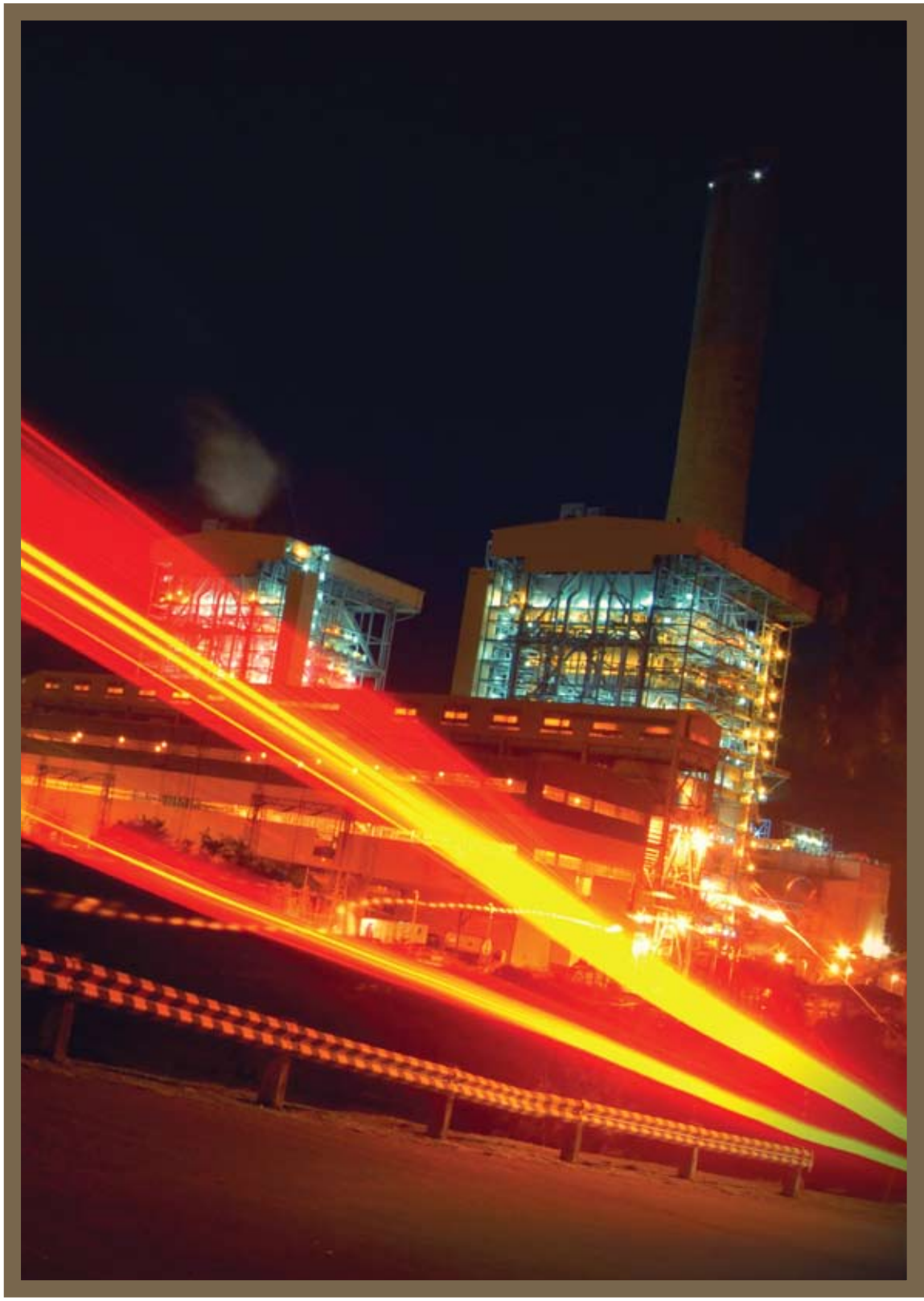




We have become one of the most respected and profitable companies in the Philippines. A powerhouse company and a symbol of what the Filipino can do and achieve.








BORACAY AIRPORT











REPORT OF THE AUDIT COMMITTEE

For the year ended December 31, 2011

The Audit Committee assists the Board of Directors in its corporate governance and oversight responsibilities in relation to financial reporting, risk management, internal controls and internal and external audit processes and methodologies. In fulfillment of these responsibilities, the Audit Committee performed the following in 2011:

• endorsed for approval by the stockholders, and the stockholders approved the appointment of Manabat Sanagustin & Co. CPAs as the Company's independent external auditors for 2011.

• reviewed and approved the terms of engagement of the external auditors, including the audit, audit-related and any non-audit services provided by the external auditors to the Company and the fees for such services, and ensured that the same did not impair the external auditors' independence and objectivity;

• reviewed and approved the scope of the audit and audit programs of the external auditor as well as the internal audit group of the Company, and have discussed the results of their audit processes and their findings and assessment of the Company's internal controls and financial reporting systems;

• reviewed, discussed and recommended for approval of the Board of Directors the Company's annual and quarterly consolidated financial statements, and the reports required to be submitted to regulatory agencies in connection with such consolidated financial statements, to ensure that the information contained in such statements and reports presents a true and balanced assessment of the Company's position and condition and comply with the regulatory requirements of the Securities and Exchange Commission; and

• reviewed the effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, and ensured that, where applicable, necessary measures are taken to address any concern or issue arising therefrom.

All the five members of the Audit Committee, two of whom are independent directors, are satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2011.

Carmelo L. Santiago
Independent Director

Estelito P. Mendoza
Member – Independent Director

Winston F. Garcia
Member – Independent Director

Leo S. Alvez
Member

Ferdinand K. Constantino
Member

CONTACT US

CORPORATE HEAD OFFICE
SAN MIGUEL CORPORATION
40 San Miguel Avenue, Mandaluyong City
1550 Metro Manila, Philippines
P.O. Box 271 Manila Central Post Office
T (632) 632-3000

The Company's common stock is listed and traded at the Philippine Stock Exchange. Authorized common stock is divided into 60% Class A and 40% Class B shares, with the same rights and privileges. However, only Filipino citizens or corporations or associations at least 60% of the capital of which is owned by Filipino citizens can own Class A shares. SMC American Depositary Receipts are traded over-the-counter in the United States. Morgan Guaranty and Trust Company of New York serves as depository bank.

SAN MIGUEL CUSTOMER CARE CENTER
SMC-1 CUSTOMER CARE SERVICE HOTLINE
T (632) 632-2000
F (632) 632-3299 mailbox 2005#
Toll Free 1-800-1888-7621
Email: customercare.corporate@smg.sanmiguel.com.ph

SHAREHOLDER SERVICES AND ASSISTANCE
SMC STOCK TRANSFER SERVICE CORPORATION
40 San Miguel Avenue, Mandaluyong City
1550 Metro Manila, Philippines
T (632) 632-3450 to 52
F (632) 632-3535

INSTITUTIONAL INVESTOR INQUIRIES
INVESTOR RELATIONS
SAN MIGUEL CORPORATION
T (632) 632-3752
F (632) 632-3313/ 632-3749

OUR WEBSITE
http://www.sanmiguel.com.ph

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CORPORATION