COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

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

Contact Person

(632) 632-3000																			

Company Telephone Number

SEC FORM

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Month Day FORM TYPE Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2006**

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

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

5. **Philippines** 6. [ ]
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

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

8. **(02) 632-3000**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding (as of December 31, 2006)
Class "A" Common Shares	**1,915,717,267**
Class "B" Common Shares	**1,232,228,062**
	3,147,945,329

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

Yes [√] No [ ]

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

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

12. Check whether the issuer:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company as of 2006 are as follows: (A) Class “A” Common: P 128,049,742,147.50, (B) Class “B” Common: P 93,633,415,327.50.

DOCUMENTS INCORPORATED BY REFERENCE

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

None.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

San Miguel Corporation (the "Company"), together with its subsidiaries (collectively referred to as the "Group"), is the largest publicly listed food, beverage and packaging company in Southeast Asia. Established in 1890 as a single-product brewery, the Group today has over 100 facilities in the Philippines, Southeast Asia, China, and Australia. In 2006, the Group accounts for about 3.8% of the country's gross national product and 4.2% of the country's gross domestic product.

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

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

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

The Group's food operations involve poultry and livestock operations, the production and marketing of fresh, ready-to-cook and processed meats as well as milk, butter, cheese, margarine, ice cream, flour and flour-based products, snack foods, coffee, cooking oil, coconut oil, pet food and animal and aquatic feeds.

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

The Group has strategic partnerships with international companies, among them Nihon Yamamura Glass Company, Ltd. and Rengo Co., Ltd. of Japan, and The Coca-Cola Company *(up to February 2007)*[1] and Hormel Foods Corporation of the United States. Kirin Brewery Co. Ltd., one of the largest beer manufacturing companies in Japan, has a significant stake in the Company.

The Group is one of the nation's biggest private employers with an estimated 27,000 employees. In addition, the Group contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers.

Major developments in the Company are discussed in Management's Discussion and Analyses of Financial Conditions and Results of Operations, attached herein as **Annex "F"**, and in Note 9 of the Audited Consolidated Financial statements, attached herein as **Annex "D"**.

Beverage

The San Miguel Beer Division ("SMBD") has five breweries in the Philippines strategically located in Luzon, Visayas and Mindanao.

[1] *Please refer to footnote 2 on the divestment of the Company's equity interest in CCBPI in February 2007.*

The international beer group of SMBD operates one brewery each in Indonesia, Australia, Vietnam, Thailand, and three breweries in China, including Hong Kong.

Apart from beer, the Group also produces hard liquor through its majority-owned subsidiary, Ginebra San Miguel, Inc. ("GSMI"). GSMI is not only the leader in the domestic hard liquor market, but also the world's largest gin producer by volume and the fourth largest spirits company by volume.

Included also in the Group's beverage business portfolio are Coca-Cola Bottlers Philippines, Inc. ("CCBPI") and Cosmos Bottling Corporation ("CBC"), both producing carbonated soft drinks. The Group also produces bottled water and ready-to-drink and powdered fruit juices through Philippine Beverage Partners, Inc. ("Philbev"), a subsidiary of CCBPI.[2]

Below is a list of the Company's beverage subsidiaries:

San Miguel Brewing International Ltd. and subsidiaries – including:
- San Miguel Brewery Hong Kong Limited
- PT Delta Djakarta Tbk
- San Miguel Beer (Thailand) Ltd.

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

San Miguel Beverages, Inc.
Coca-Cola Bottlers Philippines, Inc. and subsidiaries[3] – including:
- Philippine Beverage Partners Inc.
- Philippine Bottlers, Inc. and subsidiaries – including:
  - Cosmos Bottling Corporation and subsidiaries – including:
    - Cosmos Bacolod Bottlers, Inc.
    - Cosmos Visayas Bottlers, Inc.

Food

The Group's domestic food and agribusiness operations are comprised of San Miguel Pure Foods Company, Inc. and its subsidiaries ("SMPFC"), which include San Miguel Foods, Inc. and its subsidiary, San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., Magnolia, Inc, Monterey Foods Corporation, and Star Dari, Inc.

The Company's business portfolio offers a complete line of food products and services for both individual and food service customers. Its businesses range from vegetable oils, feeds, flour, poultry, fresh and processed meats, coffee, snacks, and dairy products, to food service. The Company carries some of the best-known brands in the Philippine food and agribusiness industry, among them Magnolia, Monterey, Star, Purefoods, Dari Crème, and B-Meg.

Having established partnerships with world-renowned food companies-Hormel Foods Corporation of the United States and the Lasalle Company-SMPFC enjoys access to global and regional expertise.

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[2] *In February 2007, the Company divested its 65% equity interest in CCBPI (including subsidiaries CBC and Philbev) to its partner The Coca-Cola Company. The Group, however, continue to participate in the growing non-carbonated beverage business by producing and selling ready-to-drink tea and fruit juices in the Philippines, Thailand and Indonesia through its newly formed subsidiary San Miguel Beverages, Inc.*

[3] *Please refer to footnote 2 on the divestment of the Company's equity interest in CCBPI in February 2007.*

Expansion in the region came from the increase in equity participation of SMPFC to 75% in P.T. San Miguel Pure Foods Indonesia (formerly P.T. Purefoods Suba Indah), a company engaged in the manufacture and trade of processed meats and related products in Indonesia and the acquisition of San Miguel Pure Foods Investment (BVI) Limited ("SMPFI"), which wholly owns San Miguel Pure Foods (VN) Co., Ltd., (formerly TTC (VN) Co. Ltd.), a hogs and feed mill business in Binh Duong, Vietnam. In December 2006, however, the Company, through San Miguel Food and Beverage International Limited, sold to Hormel Netherlands B.V. its 49% shareholdings in SMPFI.

The establishment of San Miguel Super Coffeemix Co., Inc. ("SMSCCI"), through the partnership with Super Coffeemix Manufacturing Ltd. of Singapore, marked the entry of SMPFC in the coffee business. SMSCCI imports, packages, manufactures, markets and distributes coffee and coffee-related products in the Philippines.

To further diversify the Group's revenue and geographic base, the Company acquired Berri, Ltd. ("Berri") in August 2004, Kings Creameries Pte. Ltd in March 2005, National Foods Limited ("NFL") in June 2005, a stake in Del Monte Pacific, Ltd. (DMPL) in January 2006, and Lactos Pty, Ptd. ("Lactos") in May 2006. In October 2006, the Company, through San Miguel Pure Foods (Vn) Co. Ltd., entered into a Sale and Purchase Agreement (the "SPA") with Le Gourmet Company Limited ("Le Gourmet"), for the purchase of certain tangible assets, trademarks, processes and information, as well as the take over of the land use rights of Le Gourmet used in relation to the processing and sale of its meat products in Vietnam, for the purchase price of approximately US$2 million, subject to the terms and conditions specified in the SPA, including the relevant governmental approvals of the transaction in Vietnam. The transaction has not yet been completed to date.

An ice cream business based in Malaysia and Singapore, King's is ranked as the fourth largest overall in both countries. King's, however, enjoys the No. 1 position in modern retail trade in Malaysia.

NFL is Australia's leading dairy manufacturer while Berri is one of the largest producers of fruit juice in Australia. NFL has strong leadership positions in highly-attractive product categories, including expanding healthy, "better for you" segments like soymilk. NFL enjoys No. 1 positions in white milk and flavored milk, dairy desserts and yogurt in Australia. Lactos, on the other hand, is the leading specialty cheese maker in the continent.

With the integration of Berri and Lactos into NFL, the Group enjoys a wide consumer base, a diverse product offering and an efficient business platform in Australia.

DMPL, meanwhile, owns Del Monte brand rights for the Philippines and the Indian sub-continent. With one of the world's largest and most efficient pineapple operations and diverse line of products, DMPL provides strategic fit to San Miguel's portfolio.

In addition to the above mentioned recent acquisitions, the Food Group operates through the following subsidiaries / operating divisions:

San Miguel Pure Foods Company, Inc. ("SMPFC") is a 99.83%-owned business of the Company engaged in processing and sale of poultry and feeds, processed meats and flour milling.[4]

[4] *Exclusive of the 9,436,814 Common Class "A" shares and 4,442,620 Common Class "B" shares, the denial of pre-emptive rights to the issuance of which have been approved by the SEC on February 9, 2006 and which have been issued to SMC on March 15, 2007, but are pending listing with the PSE.*

San Miguel Foods, Inc. ("SMFI") is a 64%-36%-owned business of SMPFC and SMC respectively, engaged in integrated poultry operation, production and marketing of feeds and flour.

The Purefoods-Hormel Company, Inc. ("PF-Hormel") is a 60%-40% joint venture between SMPFC and Hormel Netherlands B.V. PF-Hormel produces and markets fresh processed meats (hotdogs, hams, bacons, cold cuts and gourmet meat) and canned meat products (corned beef, luncheon meat, Vienna sausage, pork and beans, liver and meat spreads) under the following brands: *Pure Foods, Iberico, Hormel, Gusto, Vida, Chef's* and *Spam*.

Magnolia, Inc. ("Magnolia"), a 71%-29%-owned business of SMPFC and SMC respectively, manufactures butter, margarine and cheese, and is the exclusive manufacturer and distributor of SMC-owned Star Dari, Inc.'s *Star Margarine* and *Dari Crème*. Magnolia accounts for a substantial share of the cheese market, through the Magnolia brands. In May 2003, Sugarland Corporation ("Sugarland") became a wholly-owned subsidiary of Magnolia, after its acquisition from GSMI. Sugarland currently toll manufactures the products of Magnolia which handles the selling and marketing of *Jelly Ace* products.

Monterey Foods Corporation ("MFC") is a 69%-29%-owned business of SMC and SMPFC respectively. MFC is considered a major player in the highly fragmented domestic pork and beef industries. Fresh produce from MFC's farms is sold in *Monterey* meat shops located in major cities throughout the country.

Star Dari, Inc. ("SDI"), a wholly owned subsidiary of SMC, produces *Dari Crème* and *Star margarine*.

The Coconut Oil Milling and Refinery Operation, an operating division of SMC, is a leading manufacturer and exporter of crude coconut oil.

Below is a list of the Company's food subsidiaries:

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

San Miguel Foods Australia Holding's Pty Ltd. and subsidiaries,
- National Foods Limited and subsidiaries including
  - Berri Ltd. and King's Creameries (S) Pte. Ltd.

Star Dari, Inc.

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

Monterey Foods Corporation

Packaging

The San Miguel Packaging Group (the "Packaging Group") is a "Total Packaging Solutions" business servicing many of the region's leading food, pharmaceutical, chemical, beverages, and personal care manufacturers. The Packaging Group serves clients in the Asia-Pacific, Middle East, and U.S. markets. The Packaging Group manufactures glass bottles, PET bottles, corrugated cartons, paperboard, paper pallets, flexible packaging, plastic crates and pallets, plastic caps, plastic poultry flooring, plastic pails and trays, plastic films, industrial laminates, woven bags, metal closures, two-piece aluminum beverage cans; and offers filling services, as well as graphics design and testing services.

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

A wholly owned subsidiary of the Company under the Packaging Group is San Miguel Packaging Specialists, Inc. (formerly Beverage Packaging Specialists, Inc.), which manufactures, among many other packaging products, PET containers. It also handles the recycling of PET containers which makes it Asia's first food-grade recycling system using state-of-the-art technology.

Further increasing its presence in the international market, the Group also completed its acquisition of four packaging businesses of Malaysian firm Guolene Packaging Industries Berhad through San Miguel Packaging International Limited. These businesses are San Miguel Plastic Films, San Miguel Packaging & Printing Sdn Bhd., San Miguel Woven Products Sdn Bhd and the Packaging Research Center.

Brief description of the Packaging Group business segments is as follows:

Glass. The glass business is the largest business segment of the Packaging Group. It has four glass manufacturing facilities in the Philippines and one glass mold plant serving the requirements of the beverage, food, pharmaceutical, personal care and health care industries. The bulk of the glass bottle requirements served by this segment are for the softdrink and beverage industries.

In July 1991, the Company thru its San Miguel Packaging Division, (SMPP) embarked on a joint venture with Yamamura Glass Co., Ltd (now Nihon Yamamura Glass Co. ["NYG"]), incorporating San Miguel Yamamura Asia Corporation ("SMYAC"), rated as the country's most technologically advanced glass manufacturing facility. Another strategic alliance forged by SMPP was with the NYG and the Fuso Machine & Molds Manufacturing Co., Ltd. of Japan, forming SMC Yamamura Fuso Molds Corporation ("SMYFMC").

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

Plastics. The business provides plastic crates and pallets, plastic poultry flooring, plastic pails and trays to the domestic beverage segment and cater to the requirements of SMC's brewing operations in Vietnam and China.

PET. The PET business, under the Company's subsidiary SMPSI, is the newest addition to the Packaging Group's portfolio. It produces PET preforms and bottles, plastic caps & handles and offers filling services as well.

Paper. San Miguel Rengo Packaging Corporation ("SMRPC"), the Company's joint venture with Rengo Co. of Japan, supplies the packaging needs of a broad range of manufacturing industries. Another subsidiary of the Company in the paper business is Mindanao Corrugated Fibreboard Inc. ("Mincorr") based in Davao.

Composites. Through Rightpak, SMPP manufactures flexible packaging for the food, beverage and healthcare industries.

The Packaging Group has five international packaging plants located in China (glass, metal, plastic), Vietnam (glass, metal), Indonesia (plastic) and Malaysia (corrugated carton and paperboard, composites, plastic films, laminates and woven bags). Aside from extending the reach of the packaging business overseas, these facilities also serve the packaging requirements of SMC breweries in China and Vietnam.

Below is a list of the Company's packaging subsidiaries:

San Miguel Packaging International Limited and subsidiaries – including:
- San Miguel Yamamura Haiphong Glass Co., Ltd.
- San Miguel Phu Tho Packaging Company, Ltd.
- Zhaoqing San Miguel Glass Company Limited
- Foshan San Miguel Packaging Company, Ltd.
- PT San Miguel Sampoerna Packaging Industries Ltd.
- San Miguel Packaging & Printing Sdn. Bhd.
- San Miguel Woven Products Sdn. Bhd
- San Miguel Packaging Research Center Sdn Bhd
- San Miguel Plastic Films Sdn. Bhd.

San Miguel Packaging Specialist, Inc, (formerly Beverage Packaging Specialists, Inc.) and including subsidiary
- San Miguel Yamamura Ball Corporation

San Miguel Rengo Packaging Corporation
Mindanao Corrugated Fibreboard, Inc.
San Miguel Yamamura Asia Corporation
SMC Yamamura Fuso Molds Corporation

Properties

San Miguel Properties, Inc. ("SMPI") was created in 1990 as an independent developer, it is the Company's primary property subsidiary, currently owned 99.68% by the Company. SMPI was formed by a merger of San Miguel Properties Philippines, Inc. and publicly-listed Monterey Farms Corporation on January 30, 1998, where Monterey Farms Corporation emerged as the surviving entity. Upon the merger's effectivity, Monterey Farms Corporation changed its name to San Miguel Properties, Inc.

SMPI is presently engaged in the development, sale and lease of real properties. Since then, its mandate has changed to being the corporate real estate arm of the Group.

Below is a list of the Company's property subsidiaries:

San Miguel Properties, Inc. and subsidiaries
Seaside Industrial Estate, Inc.

Other subsidiaries include the following:

ArchEn Technologies Inc.
Challenger Aero Air Corp.
San Miguel Energy Corporation
San Miguel Logistics Asia Corporation and subsidiaries
SMC Stock Transfer Service Corporation
SMITS, Inc.
SM Bulk Water Company Inc.
Philippine Breweries Corporation
Pacific Central Properties, Inc.
SMC Shipping and Lighterage Corporation
Anchor Insurance Brokerage Corporation

Principal products or services

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

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

The Company's 2006 foreign operations contributed about 37.21% of consolidated sales and 61.37% of consolidated net income. Foreign sales is broken down by market as follows:

	% to Consolidated Sales		
Market	**2006**	**2005**	**2004**
Australia	30.43	23.88	4.21
China	3.06	3.50	4.35
Indonesia	1.19	1.42	1.66
Vietnam	0.95	1.07	1.24
Others	1.58	2.28	1.71

Distribution Methods

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

Status of any publicly-announced new product or service

The Company plans to build not only the hard infrastructure but also the software capabilities to establish a number of logistics centers nationwide. While the Company endeavors to provide logistics, shipping and cargo handling services, it will also facilitate transactions among suppliers, manufacturers and distributors through electronic commerce technology.

Competition

The Company has the leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies and a strong financial position. See Management Discussion and Analyses under "Results of Operations" for discussion of competition by major business.

Sources and Availability of Raw Materials and Supplies

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

Among the Company's 2006 major raw material's suppliers are as follows:

BEVERAGE BUSINESS

Concentrates	Anstie Distillers, International Ltd.
	Bodegas M. Gil Luque S.A
	Gat Food Canneries
	Marquez Del Real Tesoro
	The Coca-Cola Export Company
	Wilbas International Trading
Flavors	BASF Philippines Inc.
	Cenmaco Inc.
	CP Kelco Singapore Pte. Ltd.
	Crystals International / Mastertaste Inc.
	DSM Nutritional Products Asia Pacific Pte. Ltd.
	Etablissements V. Mane Fils
	Firmenich Asia Pte. Ltd.
	Givaudan Roure Pte Ltd
	Givudan Singapore Pte. Ltd.
	HQ Archer Daniels Midland Company
	International Flavors & Fragrances
	International Flavors & Fragrances (Philippines) Inc.
	Kerr Concentrates, Inc.
	Kerry Food Ingredients (Philippines), Inc.
	Mineral & Pigment Solutions, Inc.
	Nutra Asia Enterprise
	P.T. Mane Indonesia
	Philippine TPM Trading Inc.
	Pure & Rich Food International, Inc.
	Quest International
	R & P Enterprise
	Symrise, Inc.
	Vitachem Industries
Glass Bottles	Arcya Glass Corporation
	Sino-France

Malt	Barret Burston International Malting Company Joe White Maltings Pty Ltd. Malteries Soufflet Malteurop Malt Co.,Ltd.
Molasses / Alcohol	All Asian Countertrade, Inc. Balayan Distillery, Inc. Berbacs Chemicals Inc. Health Keepers (HKC) Co., Inc. Heindrich Trading Corporation Progressive Chemical Trade, Inc. Schuurmans & Van Ginneken Philippines, Inc. Second Consolidated Sugar Corporation Sunnix, Incorporated
PET Bottles	International Development and Management Corp. (IDMC) Medical Plastic Corporation Plastmack Rem's Synthetic Polymer Manufacturing
Sugar	All Asian Countertrade, Inc. Bangkok Inter Food Co., Ltd / Joy Century Limited Busco Sugar Milling Co., Inc. Central Azucarera De Tarlac Central Azucarera Don Pedro, Inc. Davao Sugar Central Company, Inc. (Dasuceco) Hawaiian-Philippine Company Hideco Sugar Milling Company (Hisumco) La Perla Sugar Export Corporation Lopez Sugar Corporation Second Consolidated Sugar Corporation SMC Food 21, Thailand

FOOD BUSINESS

Cattle meat	Australian Rural Exports Pty. Ltd. (Also Trades As: Austrex) Elders International Australia Limited South East Asian Livestock Services
Corn / Corn Grits / Corn Bran	Cagayan Corn Products Corporation Cauayan Grains Central Sisiman Farmers Multi-Purpose Cooperative

	Cosko Export & Import Inc.
	Jeton Marketing
	Leonardo Pua Trading
	Leyte Circle Trading
	Nan's Marketing Corporation
	NG Salvador
	Southern Mindanao Commodities Inc.
Hogs	Fiber & Agro Systems Technology, Inc.
	Cavite Pig City
	Monterey Farms
	Pig Improvement Company
	Woodland Farms Corporation
Indian Buffalo Meat	Allanasons Limited
	Hind Agro Industries
Rice Bran	Central Sisiman Farmers Multi-Purpose Cooperative
	Munib Marketing
	Lucky Grains Rice Mill
	Nan's Marketing Corporation
	Northern Star Rice Mill, Incorporated
	ZCB Traders
Soybean and soybean meals	Ag Processing Inc.
	Louis Dreyfus Asia Pte Ltd.
	Paritas
	Simon Enterprises
Cassava / Tapioca Residue Pellets	Heindrich Trading Corporation
Spring / Soft Wheat	Canadian Wheat Board
	Columbia Grains International, Inc.
	Toyota Tsyusho
	Toepfer International - Asia Pte. Ltd
PACKAGING BUSINESS	
Aluminum cans	Alcoa Australia Rolled Products Pty Limited
	Hydro Aluminum Deustchland Gmbh
	Macro International Corporation
	Sumitomo Corporation

HDPE Resins	Heindrich Trading Corporation JG Summit Petrochemical Corporation Polyethylene Malaysia Sdn Bhd Samsung Total Petrochemicals Seen Heng Lee Enterprises Avah Johan Sdn. Bhd Exxon Mobil Asia Pacific
Paper (CM)	Milestone Paper Products, Inc. PT Pakerin Intrapack Trading (Muda Holdings)
Paper (KL)	Daiei Papers (USA) Corp Price & Pierce International Inc. Visy Pulp And Paper Pty. Ltd. Carter Holt Harvey Kwok Fung Powerflute Mondi CMG
PET Resins	Far Eastern Textile Ltd. KP Chemical Corp. Marubeni Philippines Corporation Taiya Corporation
Silica Sand	Mitsubishi Corp. Woordward Japan, Inc. Tokai Kogyo Co. Inc.
Soda Ash	Arvin International Connell Bros. Company Pilipinas, Inc. Dahua Group (Hong Kong) Limited Shandong Ocean Chemicals
Tin Free Steel	Heindrich Trading Corporation Macro-Lite Korea Corp. Metal One Corporation Mitsui & Co., Ltd.

Dependency upon a single customer or a few customers

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

Transactions with and /or dependence on related parties

The Company and certain related parties, in the normal course of business, purchase products and services from one another. Please see Note 27 of the Consolidated Financial Statements.

Registered Trademarks/Patents, Etc.

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

Government Approval

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

Government Regulation

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

Research & Development

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

	2006	2005	2004
Research and Development	P 117	P 151	P 334
Percentage to Net Income	1%	2%	4%

Human Resources and Labor Matters

As of December 31, 2006, the Group has about 27,349 employees. The Group has 116 existing collective bargaining agreements ("CBA") as of December 2005. Of the 116 CBAs, 9 expired in 2006, 6 of which have been concluded, 3 are still under negotiation, 1 union was dissolved, 67 unions will be transferred to CCBPI (new owner) on February 23, 2007, while 21 and 19 are expiring in 2007 and 2008, respectively.

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

Major Business Risk/s

The major business risks facing the Company are as follows:

a) Competitor Risks

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

b) Catastrophic and Environmental Risks

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

c) Political Risks

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

d) Regulatory Risks

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

e) Social and Cultural Risks

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

f) Sourcing Risks / Price Risks

Alternative sources of raw materials are used in the Company's operations to avoid and manage risks on unstable supply and higher costs. This is true for most businesses that have foreign denominated raw material requirements.

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

g) Financial Market and Financial Management Risks

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

Cash flows and financial risks are managed to provide adequate liquidity to the Company. Accounts receivables and inventory are monitored to ensure liquidity.

Item 2. Properties

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

The Company and its significant subsidiaries, GSMI and CCBPI,[5] have no principal properties that are subject to a lien or mortgage. There are no imminent acquisitions of any material property that cannot be funded by working capital of the Company or its significant subsidiaries.

Item 3. Legal Proceedings

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

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

There are no matters which were submitted to a vote of the Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2006.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

The Company's common equity is traded in the Philippine Stock Exchange.

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

	2005[6]				**2006**			
	Class A		**Class B**		**Class A**		**Class B**	
	High	Low	High	Low	High	Low	High	Low
1st	59.06	56.00	84.50	74.98	65.00	58.50	89.50	76.50
2nd	60.00	56.00	94.50	81.00	65.00	59.00	84.00	68.00
3rd	70.00	59.00	101.00	91.50	66.00	62.50	76.00	70.00
4th	65.50	64.00	92.50	82.50	67.50	63.50	77.50	70.00

[5] *Please refer to footnote 2 on the divestment of the Company's equity interest in CCBPI in February 2007.*
[6] *Closing prices are adjusted to reflect the retroactive effect of the 1:10 stock rights of the Company.*

The closing prices as of February 28, 2007,, are as follows:

Class "A" Common ₱ 64.00
Class "B" Common ₱ 75.00

The approximate number of shareholders as of February 28, 2007 is 45,236. Common shares outstanding as of February 28, 2007 are 1,915,973,488 for Class "A" shares and 1,232,294,111 for Class "B" shares. The number of Treasury Shares as of February 28, 2007 is 54,662,760 for Class "A" common shares and 10,812,611 for Class "B" common shares.

The top 20 stockholders as of February 28, 2007 are as follows:

Rank	Name of Stockholders	Class "A"	Class "B"	Total No. of Shares	% of Total O/S
1	Kirin Brewery Co., Ltd.	0	628,640,175	628,640,175	19.97%
2	SM Investments Corporation	339,349,120	0	339,349,120	10.78%
3	PCD Nominee Corporation (Filipino)[7]	260,336,339	42,951,974	303,288,313	9.63%
4	ASC Investors, Inc.	144,673,424	22,809,671	167,483,095	5.32%
5	Social Security System	140,286,264	51,110	140,337,374	4.46%
6	PCD Nominee Corporation (Non-Filipino)	0	120,241,887	120,241,887	3.82%
7	Primavera Farms, Inc.	94,738,250	13,426,216	108,164,466	3.44%
8	ARC Investors, Inc.	12,160,662	93,528,698	105,689,360	3.36%
9	Toda Holdings, Inc.	74,880,174	0	74,880,174	2.38%
10	Black Stallion Ranch, Inc.	63,158,769	8,950,856	72,109,625	2.29%
11	Misty Mountains Agricultural Corp.	63,158,769	8,950,856	72,109,625	2.29%
12	Pastoral Farms, Inc.	63,158,769	8,950,856	72,109,625	2.29%
13	Te Deum Resources, Inc.	58,483,000	4,823	58,487,823	1.86%
14	Rock Steel Resources, Inc.	4,138,792	54,098,611	58,237,403	1.85%
15	Meadow-Lark Plantations, Inc.	47,369,039	6,713,177	54,082,216	1.72%
16	Silver-Leaf Plantations, Inc.	47,369,061	6,713,153	54,082,214	1.72%
17	San Miguel Officer Corps., Inc.	35,719,434	18,143,601	53,863,035	1.71%
18	Roxas Shares, Inc.	7,032,718	45,782,476	52,815,194	1.68%
19	AP Holdings, Inc.	33,592,251	1,077,154	34,669,405	1.10%
20	Valhalla Properties Limited, Inc.	13,700,183	17,711,665	31,411,848	1.00%

Cash dividends declared per share amounted to P1.40 in 2006 and 2005.

Description of the following securities of the Company may be found in the indicated Notes to the 2006 audited Consolidated Financial Statements, attached herein as **Annex "D"**:

[7] *Registered owner of shares held by participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry system of handling securities in the Philippines. None of the holders of the Company's common shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's common shares.*

Long-term Debt	Note 18
Stockholders' Equity	Note 20
Share-Based transactions	Note 33

There were no securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code.

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

(A) Management Discussion and Analysis

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

(B) Information on Independent Accountant and Other Related Matters

The accounting firm of Manabat Sanagustin & Company (formerly Laya Mananghaya & Co.) served as the Company's external auditors for the last fiscal year. The Board of Directors will again nominate Manabat Sanagustin & Company as the Company's external auditors for this fiscal year.

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

Sycip Gorres & Velayo (SGV) was the Company's external auditors for fiscal year 2005. The change in the external auditors of the Company from SGV to Manabat Sanagustin & Company during the 2006 annual stockholders' meeting of the Company is in accordance with its policy of rotating its external auditors.

Fees for the services rendered by the external auditor to the Company for the last (2) fiscal years are as follows:

(in millions, approximate)

	Audit Fees	Tax Fees	All Other Fees
2005	P11.5	-	P5.4
2006	P30.0	-	-

All Other Fees in 2005 were for trainings provided in connection with the transition to the new accounting standards.

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

Item 7. Financial Statements

The Audited Consolidated Financial Statements and Statement of Management's Responsibility are attached as **Annex "D"** hereto with the Supplementary Schedules attached as **Annex "E"** hereto. The auditors' PTR, name of certifying partner and address are attached as **Annex "D-1"** hereto.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

Eduardo M. Cojuangco, Jr., Filipino, 71, is the Chairman and Chief Executive Officer of the Company, a position he has held since July 7, 1998. He also holds the following positions: Chairman and Chief Executive Officer of Ginebra San Miguel, Inc.; and Chairman of San Miguel Pure Foods Company, Inc. He is also the Chairman of ECJ & Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc., and a Director of Cainaman Farms, Inc.

Ramon S. Ang, Filipino, 53, is the Vice Chairman (since January 28, 1999), President and Chief Operating Officer (since March 6, 2002) of the Company. He also holds the following positions: Chairman of San Miguel Properties, Inc., The Purefoods-Hormel Company, Inc., Anchor Insurance Brokerage Corporation, San Miguel Brewery Hong Kong Limited (Hong Kong), National Foods Limited (Australia), Del Monte Pacific Limited (BVI) and Del Monte Philippines, Inc.; and a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also the Chairman of Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., Atea Tierra Corporation and Cyber Bay Corporation.

Estelito P. Mendoza, Filipino, 76, has been a Director of the Company since April 21, 1998 and for the years 1991 to 1993. He also holds the following positions: Chairman of Prestige Travel, Inc.; and a Director of Philippine Airlines, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office. He is also a former Chairman of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank.

Iñigo Zobel, Filipino, 50, has been a Director of the Company since May 5, 1999; and a Member of the Company's Executive Committee, Executive Compensation Committee and Nominations and Hearing Committee. He is also a Director of Ginebra San Miguel, Inc., San Miguel Pure Foods Company, Inc. and San Miguel Properties, Inc. He also holds the following positions: President and Chief Executive Officer of E. Zobel, Inc., President of Ayala International España, Diamond Star Agro Products, Inc., Calatagan Golf Club, Inc. and Hacienda Bigaa, Inc.; and a Director of Calatagan Resort, Inc., Calatagan Gulf Realty, Inc., and Mermac, Inc.

Winston F. Garcia, Filipino, 48, has been a Director of the Company since February 1, 2001; and a Member of the Company's Audit Committee. Atty. Garcia is the President and General Manager of the Government Service Insurance System and Vice Chairman of its Board of Trustees. He also holds the following positions: Chairman of the National Reinsurance Corporation, GSIS Mutual Fund, Inc., PCIB Securities, Inc. and Equitable Savings Bank; Vice Chairman of Equitable PCI Bank, Equitable Card Network, Inc. and Philippine Social Security Association; a Director of Asean Social Security Association, Philippine National Construction Corporation, Philippine Health Insurance Corporation, EBC Investments, Inc., PCI Capital Corporation and Asean Forum, Inc.; and a Member of the International Insurance Society, Inc. and International Social Security Association. Atty. Garcia is a practicing lawyer since 1983.

Corazon C. Santos-de la Paz*,* Filipino, 65, has been a Director of the Company since October 25, 2001; and the Chairman of the Company's Audit Committee; and a Member of the Company's Executive Compensation Committee. Ms. de la Paz is the President and Chief Executive Officer of the Social Security System. She also holds the following positions: Chairman of Equitable PCI Bank; and a Director of Philippine Long Distance Telephone Company, Ayala Land, Inc., Ionics, Inc., Republic Glass Holdings Corporation, Philex Mining Corporation, Philex Gold, Inc., PCI Leasing and Finance, Inc., PCI Capital Corporation, Equitable Card Network, Inc., EBC Investments, Inc., Equitable Savings Bank, Philex Mining Corporation, Philex Gold, Inc., Republic Glass Holdings, Philippine Health Insurance Corporation and the University of the East. She was previously the President of International Social Security Association (2004-2007).

Menardo R. Jimenez, Filipino, 74, has been a Director of the Company since February 27, 2002. He is also a Director of San Miguel Pure Foods Company, Inc., Cosmos Bottling Corporation, Coca-Cola Bottlers Philippines, Inc. and Magnolia, Inc. His other positions include: President and Chief Executive Officer of Albay-Agro Industrial Development Corporation; Chairman and President of Majent Management and Development Corporation, Majent Agro Industrial Corporation, M. A. Jimenez Enterprises, Inc., Pac Rim Realty Development Corporation, Television International Corporation, Alta Tierra Resources, Inc. and Fibers Trading, Inc.; Chairman of Cable Entertainment Corporation, Majent Foundation, Inc., Marathon Building Technologies, Inc. and Meedson Properties Corporation; and a Director of First Metro Investment Corporation, Cunickel Mining Corporation, Electronic Realty Associates, Inc., Mabuhay Philippines Satellite Corporation, Franchise One Corporation, CBTL Holdings, Inc., CCC Insurance Corporation and Pan-Phil Aqua Culture Corporation.

Pacifico M. Fajardo, Filipino, 63, has been a Director of the Company since November 4, 2004 and for the years 2002 to 2004. He also holds the following positions: Chairman and President of Harvestgold Shipping, Transport and Trading Corporation and P.M. Fajardo Youth Development and Scholarship Foundation, Inc.; Chairman of RICNOR Farms, Inc.; and a Member of the Board of Regents of the Nueva Ecija University of Science and Technology. He previously served as Congressman of the Third District of Nueva Ecija (1992-2001), City Mayor (1988-1992) and Officer-in-Charge/City Mayor (1986) of Palayan City, Nueva Ecija, and Administrator of the Light Rail Transit Authority (2004).

Leo S. Alvez, Filipino, 64, has been a Director of the Company since February 27, 2002. He is also a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. Ret. Major General Alvez is a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001), Vice Commander of the Philippine Army (1998), and Division Commander of the 7th Infantry Division (1996-1998).

Yoshinori Isozaki, Japanese, 53, has been a Director of the Company since April 20, 2004. He is also the General Manager, Corporate Planning Department of Kirin Holdings Company Limited. He is a former Deputy General Manager, Media Section, Corporate Communication Department of Kirin Brewery Company Limited (2001) and General Manager of Hotel Hopinn of the Kirin Hotels Development Company Limited (1998).

Kazuhiro Sato, Japanese, 59, has been a Director of the Company since May 17, 2005. He is also the Executive Vice President of Kirin Brewery Company Limited. His work experience in Kirin Brewery Company Limited includes: Managing Director (2004); Executive Officer and General Manager of Finance and Accounting Department (2003); Director of Finance and Accounting Department (2002); and General Manager of Finance and Accounting Department (2000).

Henry Sy, Jr., Filipino, 53, has been a Director of the Company since January 29, 2004. He also holds the following positions: Vice Chairman of SM Investments Corporation, SM Development Corporation and Highlands Prime Inc.; and a Director of SM Prime Holdings, Inc. and China Banking Corporation.

Egmidio de Silva Jose, Filipino, 60, has been a Director of the Company since April 20, 2004. He also holds the following positions: President of Valerie Products Manufacturing, Inc., Sanoh Fulton (Philippines), Inc., VA Components, Inc., Optimum Securities Corporation, Kyoei Kogyo (Philippines) Corporation and ESJ Properties. He is also a Director of Hanano Philippines Corporation, Asahi Cast Philippines, Inc., Metal Press Assembly and Jupiter Logistics Philippines.

Silvestre H. Bello III, Filipino, 62, has been a Director of the Company since October 2, 2006. He is the Chief Executive Officer and General Manager of the Philippine Reclamation Authority (since 2006) and a partner at the Yulo and Bello Law Offices (since 2001). Mr. Bello is a former Chief Executive Officer and President of PNOC-Development and Management Corporation (2004-2005); and Chairman of the GRP Panel for Talks with the CCP-NPA-NDF (2001-2004).

Munechika Yokomizo, Japanese, 48, is a nominee for Director of the Company. He is a former President and Representative Director of Kirin Mc Danone Waters Company Limited (2002); and Manager, Corporate Planning Department (2001) and Manager, Divisional Planning Department, Sales Division (1998), Kirin Beverage Corporation.

Koichi Matsuzawa, Japanese, 58, is a nominee for Director of the Company. His previous work experience with Kirin Brewery Company Limited includes: Managing Director (2006); Managing Executive Officer and General Manager (2005), Executive Officer and General Manager (2004), and General Manager (2003), Production and Quality Control Department, Production Division; and General Manager, Hokuriku Plant (2002). He was also a former Managing Director of Kirin Europe GmbH (1996).

Tsukahara Kazuhiro, Japanese, 49, is a Director of the Company since March 1, 2007. He previous work experience includes: President of Kirin Brewery of America LLC (2004); and Branch Manager, Aomori Sales Branch (2001), Section Manager, Public Relations Department (1998) and Branch Manager, Yamanashi Sales Branch (1994), Kirin Brewery Company Limited.

Ferdinand K. Constantino, Filipino, 55, is the Senior Vice President, Chief Finance Officer and Treasurer of the Company since January 1, 2001. He also holds the following positions: President of Anchor Insurance Brokerage Corporation; and a Director of San Miguel Properties, Inc., San Miguel Brewery Hong Kong Limited (Hong Kong), Magnolia, Inc., San Miguel Foods, Inc. and Del Monte Pacific Limited (BVI). Mr. Constantino previously served the Company as Chief Finance Officer of the San Miguel Beer Division (1999-2005).

Francis H. Jardeleza, Filipino, 57, is the Corporate Secretary (since April 2, 2001) and Senior Vice-President and General Counsel (since 1996) of the Company. He is also the Corporate Secretary of Ginebra San Miguel, Inc., San Miguel Pure Foods Company, Inc., San Miguel Properties, Inc. and The Purefoods-Hormel Company, Inc.; Chairman of SMC Stock Transfer Service Corporation; and a Director of Del Monte Pacific Limited (BVI).

Carlos Antonio M. Berba, 42, is the President of the San Miguel Beer Division of the Company (since 2006). He previously served the Company as Vice President, CFO for International Beer Operations and Director for Business Planning and Information Management, San Miguel Beer Division (2002-2006). Mr. Berba was formerly the Chief Finance Officer of Baxter Healthcare Philippines (2001-2002) and First Vice President of All AsiaCapital Managers, Inc. (2000-2001).

Francisco S. Alejo III, Filipino, 58, is the President (since May 20, 2005) and a Director (since May 22, 2001) of San Miguel Pure Foods Company, Inc. He also holds the following positions: Chairman and Chief Executive Officer of Monterey Foods Corporation; President of The Purefoods-Hormel Company, Inc., Magnolia, Inc., San Miguel Foods, Inc. and San Miguel Super Coffeemix Co., Inc.; and Chairman and President of Sugarland Corporation and Star Dari, Inc.

Ferdinand A. Tumpalan, Filipino, 46, is the President and Chairman of San Miguel Packaging Specialists, Inc. (since September 16, 2005), and a Director of San Miguel Yamamura Asia Corporation, Rightpak International Corporation and SMC Yamamura Fuso Molds Corporation. He was a former President of the Company's Packaging Products Division (2005).

Roberto N. Huang, Filipino, 58, is the President of San Miguel Beverages, Inc. and a Director of San Miguel Pure Foods Company, Inc. and Ginebra San Miguel, Inc. His previous work experience in the Company includes the following: Senior Vice President, Corporate Sales (2002-2003); Vice President and Director, Corporate Sales (2001-2002); and Vice President, Sales and Marketing Manager, San Miguel Beer Division (1999-2001).

Gerardo C. Payumo, Filipino, 49, is the President of Ginebra San Miguel, Inc. (since August 9, 2006). He was a former Senior Vice President and Director of the Corporate Procurement Unit of San Miguel Corporation (1998-2006).

A list of the key executives of the Company is attached hereto as **Annex "G"**.

Term of Office

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

Independent Directors

The independent directors of the Company are as follows:

1. Iñigo Zobel
2. Winston F. Garcia
3. Corazon C. Santos-de la Paz

Significant Employees

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

Family Relationships

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

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers, underwriters or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment, (c) order, judgment or decree, or (d) violation of a securities or commodities law, for the past five (5) years up to the latest date, that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item. 10 Executive Compensation

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

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers[8]	2007 (estimated)	P 121.0 Million	P 51.9 Million	P 34.9 Million	P 207.8 Million
	2006	P 120.6 Million	P 56.5 Million	P 34.0 Million	P 211.1 Million
	2005	P 117.4 Million	P 48.1 Million	P 31.9 Million	P 197.4 Million
All other officers and directors as a group unnamed	2007 (estimated)	P 398.6 Million	P 114.1 Million	P 140.2 Million	P 652.9 Million
	2006	P 502.2 Million	P 122.3 Million	P 183.4 Million	P 807.9 Million
	2005	P 394.5 Million	P172.1 Million	P 141.5 Million	P 708.1 Million
Total	2007 (estimated)	P 519.6 Million	P 166.0 Million	P 175.1 Million	P 860.7 Million
	2006	P 622.8 Million	P 178.8 Million	P 217.4 Million	P 1,019.0 Million
	2005	P 511.9 Million	P 220.2 Million	P 173.4 Million	P 905.5 Million

Section 10 of the Amended By-Laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on

[8] *The Chief Executive Officer and senior executive officers of the Company for 2007 are as follows: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Francisco S. Alejo III, Roberto N. Huang, Ferdinand A. Tumpalan, Gerardo C. Payumo and Carlos Antonio M. Berba; for 2006 : Eduardo M. Cojuangco, Jr., Ramon S. Ang, Faustino F. Galang, Ferdinand K. Constantino, Francis H. Jardeleza, Francisco S. Alejo III, Roberto N. Huang, Ferdinand A. Tumpalan and Gerardo C. Payumo; and for 2005: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Faustino F. Galang, Enrique A. Gomez, Jr. (retired on January 31, 2006), Ferdinand K. Constantino, Francis H. Jardeleza, Roberto N. Huang, Danilo C. Navarro (retired in August 2006) and Ferdinand A. Tumpalan.*

buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper.

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

On November 10, 2005, the Company approved the grant of stock options to 1,096 executives and middle managers of about 4.43 million shares based on the closing price of the Company's shares, computed in accordance with the LTIP. The Company also approved the grant of options to 1,007 executives and middle managers in 2004 of about 5.11 million shares, likewise computed in accordance with the LTIP. No options were granted for 2006. Options to purchase 6.19, 2.81 and 1.41 million shares in 2006, 2005 and 2004, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 1.08, 1.53 and 0.55 million shares in 2006, 2005 and 2004, respectively. The price is adjusted for any stock dividend declaration.

In 2006, a total of 4,402 shares were exercised by certain above-named key officers[9] at an exercise price of 39.24[10] with market price of 39.24[11] at the date of the grant. Market price of the shares at the time of exercise is 65.69.[12]

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

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of the Company's voting securities as of December 31, 2006 were as follows:

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[9] *Ferdinand A. Tumpalan for options granted on 1998-2005.*

[10] *Weighted average of exercise prices of Common Class "A" and Common Class "B" shares. Exercise price refers to purchase price of option, which is based on the market price at the time of grant, computed in accordance with LTIP. In the event of a merger, consolidation, reorganization, recapitalization, reclassification of stock, stock dividend, stock split or other change in the corporate structure or capitalization affecting the Company's shares, reasonable adjustments shall be made as warranted in the aggregate number and kind of shares for which options may be granted, the number and kind of shares and the price per share subject to the outstanding options and the method of exercise of options under the LTIP. None of the above events occurred in 2006.*

[11] *Weighted average market prices of Common Class A and Common Class B shares on the date of the grant.*

[12] *Weighted average market prices of Common Class A and Common Class B shares on the date of exercise.*

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Class "A" Common	CIIF Companies[13] c/o 16/F, UCPB Building, Makati City	N.A.	Filipino	446,452,536	23.95%
Class "B" Common				307,395,776	
Class "A" Common	ECJ Companies[14] c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	N.A.	Filipino	473,332,727	17.37%
Class "B" Common				73,334,357	
Class "B" Common	Kirin Brewery Co., Ltd.[15] 10-1 Shinkawa, 2-Chome, Chuo-Ku, Tokyo, Japan	N.A.	Japanese	628,640,175	19.97%

[13] *ASC Investors, Inc., ARC Investors, Inc., Anglo Ventures Corporation, AP Holdings, Inc., Fernandez Holdings, Inc., First Meridian Development, Inc., Randy Allied Ventures, Inc., Rock Steel Resources, Inc., Roxas Shares, Inc., San Miguel Officers Corps., Inc., Soriano Shares, Inc., Te Deum Resources, Inc., Toda Holdings, Inc. and Valhalla Properties Limited, Inc. None of these companies owns more than 5% of the Company's voting securities except ASC Investors, Inc. which has 144,673,424 Class "A" common shares and 22,809,671 Class "B" common shares or a total of 167,483,095 common shares equivalent to 5.32% of the Company's voting securities as of December 31, 2006. The administrator of the CIIF Companies is the United Coconut Planters Bank and the Chairman of the Board or its President or the designate of the Chairman is authorized to vote in person or by proxy the shares registered in the name of the CIIF Companies.*

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

[15] *The shares owned by Kirin Brewery Co., Ltd. are voted, in person or by proxy, by its authorized designate.*

Class "A" Common	SM Investments Corporation[16] Rm. 426, Makati Stock Exchange Building, Ayala Ave., Makati	N.A.	Filipino	339,349,120	10.78%
Class "A" Common	Government Service Insurance System[17] Rm. 410, 4/F, GSIS Building, Aroceros, Manila	N.A.	Filipino	195,702,625	6.33%
Class "B" Common				3,646,854	
Class "A" Common	Social Security System[18] East Avenue, Diliman, Quezon City	N.A.	Filipino	174,487,526	5.60%
Class "B" Common				1,696,539	
Class "A" Common	Others[19]	Please see footnote 7. The Company has no record of beneficial owners of shares lodged with the PCD.	Filipino and Non-Filipino	286,392,733	16.01%
Class "B" Common				217,514,361	

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, key officers of the Company, and nominees for election as director, as of December 31, 2006:

Title of Class	Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares
		Class A	Class B		
Common	Eduardo M. Cojuangco, Jr.	292,388	0	Filipino	292,388(r)
Common	Ramon S. Ang	6,050	0	Filipino	6,050(r)
Common	Estelito P. Mendoza	31,972	0	Filipino	31,972 (r)
Common	Iñigo Zobel	6,655	0	Filipino	6,655 (r)
Common	Winston F. Garcia	6,050	0	Filipino	6,050 (r)
Common	Corazon S. de la Paz	5,001	0	Filipino	5,001 (r)
Common	Menardo R. Jimenez	5,000	0	Filipino	5,000 (r)
Common	Pacifico M. Fajardo	5,000	0	Filipino	5,000 (r)

[16] *The shares owned by SM Investments Corporation are voted, in person or by proxy, by its authorized designate.*

[17] *Includes shares lodged with the Philippine Central Depository, Inc. (PCD). The shares owned by GSIS are voted, in person or by proxy, by its authorized designate.*

[18] *Includes shares lodged with the PCD. The shares owned by the Social Security System are voted, in person or by proxy, by its authorized designate.*

[19] *These include shares lodged with the PCD and the other registered stockholders of the Company. None of these stockholders has shares registered in their names equivalent to more than* 5% *of the voting securities of the Company.*

Common	Leo S. Alvez	14,326	0	Filipino	14,326 (r)
Common	Egmidio de Silva Jose	5,500	0	Filipino	5,500 (r)
Common	Hitoshi Oshima[20]	0	5,500	Japanese	5,500 (r)
Common	Yoshinori Isozaki	0	5,500	Japanese	5,500 (r)
Common	Henry Sy, Jr.	5,500	0	Filipino	5,500 (r)
Common	Kazuhiro Sato	0	5,500	Japanese	5,500 (r)
Common	Silvestre H. Bello III	5,000	0	Filipino	5,000 (r)
Common	Ferdinand K. Constantino	89,160	0	Filipino	89,160 (r)
Common	Francis H. Jardeleza	50,001	90,000	Filipino	140,001 (r)
Common	Francisco S. Alejo III	10,000	76,900	Filipino	86,900 (r)
Common	Roberto N. Huang	12,430	2,750	Filipino	15,180 (r)
Common	Gerardo C. Payumo	20,348	20,000	Filipino	40,348 (r)
Common	Carlos Antonio M. Berba	1,045	0	Filipino	1,045(r)

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of December 31, 2006 is 777,576 shares or approximately 0.0247% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2006 is 2,477,145 shares or approximately 0.0787% of the Company's outstanding capital stock.

Changes in Control

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

Item 12. Certain Relationships and Related Transactions

See Note 27 (Related Party Disclosures) of the Notes to the Consolidated Financial Statements.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual of Corporate Governance. The Compliance Officer has certified that there is such level of compliance for 2006.

The Company considers its Manual of Corporate Governance to be in line with leading practices on good corporate governance, and as such, is in full compliance.

There are no deviations from the Company's Manual of Corporate Governance.

[20] *Resigned as Director on March 1, 2007.*

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

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

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

(b) Reports on Form 17-C

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April ____, 2007.

APR 13 2007

By:

FERDINAND K. CONSTANTINO
Chief Finance Officer

BELLA O. NAVARRA
Comptrollership Manager/
Principal Accounting Officer

FRANCIS H. JARDELEZA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 13 2007, affiants exhibiting to me his Community Tax Certificates, as follows:

NAME	COM. TAX CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Francis H. Jardeleza	20064626	January 16, 2007	Quezon City
Ferdinand K. Constantino	18189534	February 23, 2007	Pasig
Bella O. Navarra	22180704	February 22, 2007	Mandaluyong

Doc. No. 293
Page No. 60
Book No. VI
Series of 2007.

MA. CELESTE J. LEGASPI
Commission No. 0260
Notary Public for Mandaluyong City
Until Dec. 31, 2007
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 47611
PTR No. 1191234 ; 01/08/07 ; Mandaluyong City
IBP No. 694890 ; 12/19/06 ; Kalookan City

OUR BRANDS, PRODUCTS & SERVICES

BEVERAGE

Beer
San Miguel Pale Pilsen
San Miguel Super Dry
San Mig Light
San Mig Strong Ice
Red Horse
Gold Eagle
Cerveza Negra
San Miguel Pale Pilsen Draft
San Mig Light Draft
San Miguel Draft Beer
San Miguel Dark Beer
Kuda Putih
Blue Ice
Lowenbrau
Valor
Valor Light
Double Happiness Beer
Guang's Draft
Guang's Pineapple Beer
Dragon
Blue Star
Anker Beer
Batavia
James Boag's Premium Lager
James Boag's Premium Light
Boag's Draught
Boag's Light Draught
Boag's Classic Bitter
Boag's Honey Porter
Boag's St. George
Boag's XXX Ale
Boag's Strongarm

Distilled spirits
Ginebra San Miguel
Ginebra San Miguel Lite
Ginebra San Miguel Premium Gin
G.S.M. Blue
Gran Matador Brandy
Gran Matador Brandy Solera Gran Reserva
Vino Kulafu
Tondeña Premium Rum
Tondeña Manila Rum
Añejo Rum
Antonov Vodka
St. George Premium Whisky
Don Enrique Mixkila Spirit

Flavored Alcoholic Beverage
Erg

Non-Alcoholic Malt Beverages

Cali
Sodaku
Soda Ice Apple, Orange, Tamarind

FOOD & AGRI

AGRO INDUSTRIAL

INTEGRATED AGRO INDUSTRIAL

MEATS

Monterey Meatshop

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

Gannado Meat Products

- Pork and Beef Meats

Monty's (Monterey Food-To-Go)

- Pork BBQ – Ready to Eat

POULTRY

Wholes

- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Purefoods Supermanok (Fresh Chilled & Frozen)

Magnolia Chicken Cut-ups (Fresh Chilled and Frozen)
Magnolia Chicken Giblets

Magnolia Chicken Station Products

- Convenient Cuts
- Cook-Easy Line

FEEDS

SMMI Animal & Aquatic Feeds

- B-MEG Hog, Layer, Broiler, Duck, Quail, Tilapia, and Bangus Feeds
- Bonanza Hog Pellets
- PureBlend Hog, Layer, Duck, and Quail Feeds
- Jumbo Hog Mash
- B-MEG Derby Ace Premium Game Fowl Feeds
- B-MEG Prize Catch Floating Fish Feeds
- B-MEG Aquaration Fish Feeds
- B-MEG CE-90 Shrimp Feeds
- B-MEG Concentrates and Pre-mixes

San Miguel Animal Health Care

- Antibacterials
- Supplements
- Dewormers
- Disinfectants

MILLING

FLOUR

Hard Wheat Flour

- Emperor
- King
- Monarch
- Count
- Pacific

Soft Wheat Flour

- Queen Soft Flour
- Countess
- Red Dragon

Specialty Flour

- Baron All-Purpose Flour
- Princess Cake Flour
- Golden Wheat Whole Wheat Flour (Coarse & Fine)

Customized Flour

- Harina de Pan de Sal
- Royal Premium Noodle Flour
- Prince Noodle Flour
- Prince Wrapper Flour
- Emperor Hi-Gluten Flour
- Soft Roll Flour
- Coating & Batter Mix
- Nutri Flour

Premixes

- Pancake & Waffle Mix
- Brownie Mix
- Cookie Mix
- Muffin Mix
- Siopao Mix
- Doughnut Mix
- Yu-tiao Flour (Bicho Bicho Mix)

Bakery Ingredients

- Zuprim Bread Improver
- Bake Best Baking Powder

COCONUT OIL

Coconut Oil

- Crude Coconut Oil
- Semi-processed Oil
- Refined Coconut Oil
- Coco Fatty Acid Distillate

Other Vegetable Oils

Palm Oil

- Crude Palm Oil
- RBD Palm Oil
- RBD Palm Olein
- RBD Palm Stearin

- Hydrogenated Palm Stearin
- Palm Fatty Acid Distillate

Soybean Oil

- Degummed Soybean Oil
- RBD Soybean Oil

Cake and Pellets

- Copra Expeller Cakes
- Copra Solvent Extraction Pellets
- Palm Kernel Cake

BRANDED AND VALUE ADDED BUSINESS

VALUE ADDED MEATS

REFRIGERATED MEATS

Hotdogs

- Purefoods Tender Juicy Hotdogs
- Purefoods Beefies hotdogs
- Moby hotdogs
- Magnolia Low Fat Chickendog
- Purefoods Chick 'N Tasty Chicken Hotdog (Regular, Cheese, Footlong)
- Pure Delight Chicken Hotdog (Regular & Footlong)
- Vida Hotdog (Regular, Cheese, Footlong, Balls, Chickendog)
- Purefoods German Franks, Beef Franks and Cheese Franks

Sliced Hams

- Purefoods
- Vida

Whole Hams

- Purefoods Fiesta Ham
- Purefoods Jamon de Bola
- Purefoods Chicken Ham
- Purefoods Chinese Ham
- Purefoods Brick Ham
- Purefoods Pear Shaped Ham
- Jamon Royale

Bacons

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

Native & Specialty Lines

- Purefoods ready-to-cook products

Ready-to-Cook Line – Magnolia

Convenience Line

- Magnolia Chicken Classics

Institutional Products

- Magnolia Rotisserie Chicken

Battered, Breaded & Fried
- Magnolia & Purefoods Chicken products

Street Food Line
- Vida products

Gourmet Meat
- Purefoods
- Hormel

Ready-to-Cook Line– Monterey
- Monterey Altanghap, Filipino Favorites & Oriental Lines

Snack Line
- Monterey

Burger Line
- Purefoods Hamburger products
- Vida Hamburger & Cheeseburger
- Monterey Hamburger

Magnolia Chicken Station Products

Cook Easy Products

CANNED GROCERY PRODUCTS
Pure Foods
- Purefoods Corned Beef
- Purefoods Chunkee Corned Beef
- Purefoods Carne Norte
- Purefoods Luncheon Meat
- Purefoods Chinese Luncheon Meat
- Other Purefoods branded *de lata* products

Gusto products

Hormel products

DAIRY, OILS & FATS

DAIRY
Milk
- Magnolia Chocolait & Fresh Milk
- Dari Crème Yum Chocolate
- Dari Crème Yum Sweetened Full Cream Milk

Bulk Ice Cream
- Classic & Gold Label

Frozen Delights
- Potong, Spinner, Pop-a-Cup, Rainbow Bar, Party Cup

Jelly Snacks and Desserts

- JellYace product line
- Magnolia Best Fruits Jam
- Magnolia Creamy Delights

Export RTD Juice
- Suncatch

BUTTER, MARGARINE & CHEESE
Butter
- Magnolia Gold and Magnolia Gold Lite
- Magnolia Dairy Blend
- Magnolia Spreadable

Refrigerated Margarine
- Dari Crème and Dari Crème Lite
- Buttercup
- Baker's Best

Non-Refrigerated Margarine
- Star Margarine
- Delicious Margarine

Butter Margarine Food Service
- Primex Shortening
- Magnolia Shortening, Flavor-It, Whip N' Top & Magnolia Non-ref Margarine
- Flakes Pastry Margarine
- Delicious Shortening

Cheese
- Magnolia Cheezee
- Daily Quezo
- Magnolia Quickmelt
- Magnolia Cheddar
- Magnolia Cream Cheese
- Magnolia Cheese Food Service
- Magnolia Real Mayonnaise (food service)

Specialty Cheese
- King Island Cheese
- Australian Gold

SPECIALTY OILS
- Magnolia Nutri-Oil Pure Coconut & Palm Vegetable Oil
- Purebake Shortening
- Frying Fats
- Blended Oils

FOOD SERVICE (Great Food Solutions)

Branded Food Service Products

PROCESSED MEATS/POULTRY
- Primo D' Italia™ product line
- Sizzzlers™ product line
- Deli Ready™ product line
- Tender Cuts™ product line

- SPAM® Chubs and Slices
- Purefoods™ Foodservice product line
- Purefoods™ Foodservice Meatballs, Chickenballs, Burgerballs and Corned Beef Balls
- Magnolia® Pritong Manok
- Purefoods™ Corned Beef in Chubs - 1 kg
- Purefoods™ Square Spiced Ham
- Purefoods™ Breakfast Sausages
- Purefoods Corned Beef Pandesal

BUTTER, MARGARINE, CHEESE and OILS in Institutional Sizes
- Magnolia Cheese (block, grated and sliced formats)
- Magnolia Gold Butter
- Baker's Best Margarine
- Dairy Crème Margarine
- Non-refrigerated Margarine
- Primex Shortening
- Magnolia® Nutri-Oil Palm Olein

CONFECTIONARY
- Magnolia Choco & Strawberry Syrups
- Magnolia Coffee Jelly

FLOUR and PREMIXES

Customized Products for Food Service

SMPF COMMISSARY PRODUCTS
- Beef, Pork and Chicken Patties
- Breaded, Battered and Fried products
- Ready-to-Eat – "Cook Express"
  1. Fully-cooked entrees
  2. Shelf-stable salsa
  3. Siomai

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

EMERGING BUSINESSES

CONDIMENTS
- Purefoods Supremo Cane Vinegar – 100% Naturally Fermented (White)

PREMIXES
- Magnolia Pancake Plus with syrup sachet
- Magnolia Pancake & Waffle Mix

COFFEE
- San Mig Coffee Regular 3-in-1 Coffeemix – Original, Mild, Strong & Extra Strong
- San Mig Coffee Sugar Free 3-in-1 Coffeemix – Original, Mild, Strong & Extra Strong

- San Mig Coffee Premium Instant Coffee
- Grandeur Premium 3-in-1 Coffeemix – Original, Hazelnut, Italian & Mocha

SMMI PRODUCTS AND SERVICES
- E-Aji DipSnax
- Product Customization
- Recipe Development
- Technical Training in Baking

DISTRIBUTION
- San Miguel Food Shop
- Monterey Neighborhood Meat Shop
- Purefoods Market Shop
- Magnolia Chicken Stations

NATIONAL FOODS LIMITED

MILK
- Pura Light Start
- Pura Boost
- Pura Classic
- Pura Full Cream Milk
- Pura Tone
- Farmers Union Iced Coffee
- Masters
- Big M
- Vitasoy

FRESH DAIRY
- Yoplait
- Yoplait Lite
- Yoplait No Fat
- Yoplait Original
- Yoplait Yoplus
- Yoplait Petit Miam
- Baby Yoplait
- Yoplait Go-Gurt
- Yoplait Lipsmackers
- Yoplait Heart Active
- Yoplait Le Rice
- Yoplait Vigueur
- Farmers Union
- Fruche
- Divine Classic
- YoGo
- YoGo Mix
- YoGo Swirl
- Fruche
- Fruche Layers
- Fruche Frousse
- Pura Cream

CHEESE AND GOURMET FOODS
- King Island Dairy

- South Cape
- Farmers Union
- Clover Creek
- Tilba Club
- Timboon Farmhouse Cheese
- Superior Gold
- Tasmanian Heritage
- Mersey Valley
- Australian Gold
- Heidi Farm
- Cheese of the World

JUICE

Fruit Juice

- Berri
- Australian Fresh
- Super Juice
- Daily Juice
- Mildura Sunrise
- Prima
- Sunny Boy
- Just Juice
- Zooper Dooper
- Squieeze

Water & Cordial & Water Ice

- Summit
- Kyneton Springs
- Quelch

PACKAGING

Glass

Containers
Glass*Lite* bottles (trademarked)
Molds

Metal

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

Plastics

Crates
Bread and Food Trays
Pallets

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

TUFFMat Plastic Flooring (trademarked)
Poultry flooring
Buckets and Pails
Caps and handles

Paper
Corrugated Carton Boxes
HardiBOX Reinforced Cartons (trademarked)
EZ Tear and RipTOP cartons (trademarked)
Gastord Anti-Corrosive Cartons
Mill Run Sheets
Partitions and Pads
Corrugated Trays
Corrugated Paper Pallets and Bulk Bins
Cartondola Point-of-Purchase Displays
Paperboard

Composites
Flexibles
Plastic films
Industrial laminates
Woven bags

PET
PET Preforms
PET Bottles

Services
Graphic Design
Contract Packaging
Trading
Crate and Pallet Leasing
PET Bottle Filling
PET Recycling Services
Packaging Development Consultation
Performance Knowledge & Training
Packaging research
Package Testing

ANNEX "B"

San Miguel Corporation and Subsidiaries
List of Collective Bargaining Agreements

SAN MIGUEL CORPORATION

1. Ilaw at Buklod ng Manggagawa (IBM) - SMC Chapter
2. SMC Employees Union (SMCEU) - PTGWO
3. San Miguel Bacolod Brewery Employees Union-Independent
4. Phil. Agricultural, Commercial and Industrial Workers Union
5. San Fernando Complex Monthly-Paid Emp. Union IBM No. 48
6. New San Miguel Corporation Sales Force Union
7. Ilaw at Buklod ng Manggagawa (IBM) Local No. 42 -San Fernando Beer Bottling Plant Chapter
8. Ilaw at Buklod ng Manggagawa (IBM)-Mandaue Chapter
9. New SMC Sales Force Union - Cebu
10. Samahang Manggagawa ng San Miguel Beer - Southern Philippines Federation of Labor (SPFL-Davao)
11. Central Visayas Provincial Sales Force

ANCHOR INSURANCE BROKERAGE CORPORATION

12. AIBC Employees Independent Union - FFW

MINDANAO CORRUGATED FIBREBOARD INC.

13. Mincorr Independent Workers Union (MIWU)

PREMIUM PACKAGING INTERNATIONAL INC.

14. IBM - Primepak Chapter
15. IBM-85, Primepak Chapter

RIGHTPAK INTERNATIONAL CORPORATION

16. Independent Rightpak Employees Union

SAN MIGUEL RENGO PACKAGING CORPORATION

17. San Miguel Rengo Employees Labor Union - AWATU

SAN MIGUEL YAMAMURA BALL CORPORATION

18. Kristiyanong Organisasyon ng Manggagawa sa San Miguel Yamamura Ball Corporation (Kristong Manggagawa-SMYBC) - Inc.

SMC YAMAMURA FUSO MOLDS CORPORATION

19. SMC Yamamura Fuso Molds Monthlies Union - PTGWO

SMC SHIPPING AND LIGHTERAGE CORPORATION

20. SMC Wharf Shipping & Lighterage Independent Union
21. Ilaw at Buklod ng Manggagawa (IBM) Mandaue Chapter

ANNEX "B"

GINEBRA SAN MIGUEL INC.

21 Nagkakaisang Manggagawa ng LTDI-CIO-ALU

22 La Tondeña Distillers Inc. Workers Union - Independent

23 CIO-ALU Distileria Bago Employees Union Chapter

24 Nagkakaisang Lakas Manggagawa ng LTDI (Cabuyao Plant) - Independent Union

MAGNOLIA INC.

25 Progressive Workers' Union (PWU) IBM Local 47

26 PDPC Employees Union IBM Local 85

SUGARLAND CORPORATION

27 Jellyace Workers Union-Tupas

MONTEREY FOODS CORPORATION

28 Bukluran ng Manggagawa sa Monterey-Ilaw at Buklod ng Manggagawa (BMM-IBM) IBM Local 69

29 Monterey Farms Senior Employees Union-Independent

30 Purefoods Sta. Maria Farm Workers Union - (PFSMPFWU-PULO)-Ind.

31 Bukluran ng Manggagawa sa Monterey-Ilaw at Buklod ng Manggagawa (BMM-IBM) Monterey Meat Plt. Loc. 70

32 SMPF Monterey Angat Farm Workers Union, PULO Loc 19

THE PUREFOODS-HORMEL COMPANY INC.

33 Purefoods-Hormel Company Administrative Marketing Employees Union (PHCAMEU)

34 Nagkakaisang Samahang Manggagawang Purefoods-Hormel Rank and File (NAGSAMA-PHC-PULO)-Independent

SAN MIGUEL FOODS INC.

35 Kapisanan ng mga Manggagawa sa Purefoods (KAMPU) - Independent

36 Magnolia Poultry Farm Employees Labor Union (MAPFELU) - IBM Local No. 67

37 SMFI Employees Union (SMFIEU)-PTGWO

38 Magnolia Poultry Employees Union-PTGWO

39 Iwag sa Baroganan sa Mamumuo (IBM) sa MPPP-Cebu

40 SMFI-Magnolia Poultry Processing Plant Workers Union

41 Magnolia Poultry Processing Plant Monthly Employees Union (MPPPMEU)

42 Purefoods Corporation Flour Mill Employees Union (PFMEU) - Independent

43 The Confederation of Filipino Workers - PureFoods Hatchery Chapter (CFW)

ANNEX "B"

COCA-COLA BEVERAGE GROUP

1 Manila/Antipolo Monthlies Union
2 Manila/Antipolo Sales Force Union
3 Meycauayan Dailies Union
4 Meycauayan Monthlies Union
5 Meycauayan Sales Force Union
6 Calasiao Dailies Union
7 Calasiao Monthlies Union
8 Calasiao Sales Force Union
9 Carlatan Baguio Sales Force Union
10 Carlatan Dailies Union
11 Carlatan Monthlies Union
12 Carlatan Sales Force Union
13 Ilagan Dailies Union
14 Ilagan Monthlies Union
15 Ilagan Sales Force Union
16 Ilocos Dailies Union
17 Ilocos Monthlies Union
18 Ilocos Sales Force Union
19 San Fernando Dailies & Plant Delivery Personnel Union
20 San Fernando Monthlies Union
21 San Fernando Sales Force Union
22 Calamba (KMM) - Monthlies/Dailies/Sales Force Union
23 Calamba Monthlies/Dailies (IBM-FLUC) Union
24 Canlubang Dailies Union
25 Naga Monthlies/Dailies/Sales Force Union
26 Sta Rosa 1 Monthlies/Dailies Union
27 Cagayan Monthlies/Dailies Union
28 Cagayan Sales Force Union
29 Davao Monthlies/Dailies (SAMACOKE) Union
30 Davao Sales - Bajada & Ulas Union
31 Davao Sales - Bislig Union
32 Davao Sales - Digos Union
33 Davao Sales - Kidapawan Union
34 Davao Sales - Mati Union
35 Davao Sales - Panabo Union
36 Davao Sales - San Francisco Union
37 Davao Sales - Tagum Union
38 Davao Sales - Tandag Union
39 Gen Santos Sales - Cotabato Union
40 Gen Santos Sales - Marbel Union
41 Gen Santos Sales - Midsayap Union
42 Gen Santos Sales - Plant Union

43 Gen Santos Sales - Tacurong Union
44 Gen. Santos Monthlies/Dailies Union
45 Zamboanga Monthlies/Dailies Union
46 Zamboanga Sales Force Union
47 Bacolod Monthlies/Dailies Union
48 Bacolod Sales Force Union
49 Bacolod Supervisors Union
50 Cebu Monthlies & Dailies Union
51 Cebu Sales Force Union
52 Cebu Supervisors Union
53 Iloilo Monthlies/Dailies/Sales Force Union
54 Iloilo Sales Force Union
55 Tacloban Monthlies/Dailies Union
56 Tacloban Sales Force Union
57 Tagbilaran Monthlies/Dailies/Sales Force Union

COSMOS BOTTLING CORPORATION

58 Cosmos Supervisory (Luzon) Union
59 GMA Rank and File Union (Malabon, San Pedro, San Fernando, Cauayan)
60 San Jacinto Monthlies/Dailies/Sales Force Union
61 Cosmos Bacolod Pop Rank and File Workers Union
62 Cosmos Iloilo Jaz Rank and File Workers Union
63 Cosmos Cebu Rank and File Workers Union
64 Cosmos Davao Rank and File Workers Union

PHILIPPINE BEVERAGE PARTNERS INC.

65 SBC Imus / Navotas
66 Wilkins Gen Trias
67 Cebu Mos/Dailies RTD

Description of Property **ANNEX "C"**

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
Beverage				
1	San Miguel Corporation – Brewing			
	Polo Brewery	Marulas McArthur High-way Valenzuela City	Owned	Good
	San Fernando Brewery	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Mandaue Brewery	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	Owned	Good
	Bacolod Brewery	Sta. Fe, Bacolod City	Owned	Good
	Davao Brewery	Darong, Sta. Cruz, Davao del Sur	Owned	Good
	Warehouse – Supply Center			
	GMA – West	Pureza S. O, ; Pureza, Sta Mesa, Mla	Owned	Good
	GMA – West	Sta. Ana Carreon St. Sta Ana	Owned	Good
	GMA – South	Taguig S. O. ; Veterans Cmpd. Bldg. 1 A Taguig	Closed	
	GMA – South	Pananaque S. O, ; Bernabe Subd. Sucat Paranaque	Owned	Good
	GMA – Central	Cubao S. O. ; 20th Ave., Cubao Q. C.	Owned	Good
	GMA – Central	Congressional S. O.. Congressional Ave. Quezon City	Closed	
	GMA – East	Taytay S. O. ; East Road, Tatay, Rizal	Owned	Good
	GMA – East	Pasig S.O. ; Mercedes Ave., Pasig	Rented	Good
	GMA – N. West	Caloocan S.O. ; Asistio., Bo. Biglang Awa, Quezon City	Owned	Good
	GMA – N. West	Tondo S. O. ; Honorio Lopez St., Tondo Manila	Owned	Good
	GMA – North	Valenzuela S. O. ; Plastic City	Rented	Good
	GMA – North	Novaliches S.O. ; Bo. Kaligayahan, Quirino Highway	Rented	Good
	CNLA – NCL	Dagupan S.O. ; Carangiaan Dist., Dagupan City	Owned	Good
	CNLA – ECL	Tarlac S. O. ; San Rafael, Tarlac, Tarlac	Owned (Closed)	Good
	CNLA – NCL	Carmen S.O.; Carmen East, Rosales, Pangasinan	Owned	Good
	GMA – Bulacan	San Isidro S.O.; Gapan-Olongapo Rd.,Pob. S. Isidro,N.E.	Owned	Good
	CNLA – ECL	Cabanatuan S.O.; Maharlika Rd.,Bitas, Cabanatuan	Rented	Good
	CNLA – ECL	Guiguinto S.O.Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good
	CNLA – ECL	Angeles S.O.; S. Jacinto St., S.Angelo Subd.Angeles City	Owned	Good
	CNLA – Ilocos	San Nicolas S.O., #22 Bgy. Catuguing, San Nicolas Ilocos Norte	Rented – Owned by CCBPI	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	CNLA – WCL	Olongapo S.O.; Old Cabalan, Olongapo City	Rented	Good
	CNLA – Cordillera	Carlatan S.O.; Madayegdeg, San Fernando,La Union	Owned	Good
	CNLA – Cordillera	Baguio S.O.; Irisan, Baguio City	Owned	Good
	CNLA – Ilocos	Candon Whse, Tablac, Candon, Ilocos Sur - Leased to Dealer	Owned	Good
	CNLA – Cag. Valley	Cauayan S.O.; Nat'l Highway, S.Fermin, Cauayan; Isabela	Owned	Good
	CNLA – Cag. Valley	Santiago S.O.; Mabini, Santiago, Isabela	Owned	Good
	CNLA – Cag. Valley	Solano S.O.; Sillawan St., Poblacion, Solano, Nueva Vizcaya	Owned (closed)	Good
	CNLA – Cag. Valley	Lal-lo S.O., Sta. Maria, Lal-lo, Cagayan	Owned	Good
	SLA – Laguna	Canlubang S.O.; Industrial Site, Canlubang; Laguna	Owned	Good
	SLA – Laguna	San Pedro S.O.; Nat'l Highway, Mabini St.,Laguna	Rented	Good
	SLA – Laguna	Sta. Cruz S.O.; Bgy. Pagsawitan, Sta. Cruz; Laguna	Rented	Good
	SLA – Quezon	Lucena S.O. ; Bgy. Iyam, Lucena City	Owned	Good
	SLA – Quezon	Gumaca S.O.; Natl. Hi-way,Villa Bota, Quezon	Owned	Good
	SLA – Batangas	Batangas S.O.; Bo. Balagtas, Batangas City	Owned	Good
	SLA – Batangas	Balayan Whse.; Bo. Lanatan, Balayan Batangas (Leased to dealer)	Lot Rented, Bldg. Constructed by SMC	Good
	SLA – Batangas	Lipa S.O.; Ayala Hi-way, Lipa City, Batangas (Leased to dealer)	Owned	Good
	SLA – Cavite	Bacoor S.O.; BINHEPCO Cmpd,Tirona Hi-way, Cavite	Rented	Good
	SLA – Cavite	Dasmarinas S. O.	Rented	Good
	SLA – STIP	Puerto Princesa S.O.	Owned	Good
	SLA – STIP	San Jose, Occidental Mindoro	Owned	Good
	SLA – SBicol	Bulan S.O.	Rented	Good
	SLA – SBicol	Cataingan S.O.	Rented	Good
	SLA – NBicol	Daet S.O.	Closed last Feb 28	
	SLA – NBicol	Naga S.O.; Concepcion Grande, Naga City	Owned	Good
	SLA – SBicol	Legaspi S.O.; Binanuwahan St., Legaspi City	Lot Owned by CCBG, Bldg. Constructed by SMC	Good
	SLA – SBicol	Masbate S.O.; Matungao,Tugbo, Masbate	Rented	Good
	Visayas – CVNSO	Mandaue S.O.; Mandaue Complex, Mandaue City	Owned	Good

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Visayas – CVSSO	Cebu S.O.; M.C. Briones St., Cebu	closed	
Visayas – CVSSO	Carcar S.O.; Valladolid, Carcar, Cebu	closed	
Visayas – CVSSO	Tagbilaran S.O.; CPG Ave., Tagbilaran, Bohol	Rented	Good
Visayas – EVSO	Tacloban S.O.Fatima Vill., Tacloban City, Leyte	Owned	Good
Visayas – EVSO	Ormoc S.O.; Old Hermosilla Drive, Ormoc City	closed	
Visayas – Panay	Pavia-MBA S.O.; Muelle Loney, Iloilo	Rented	Good
Visayas – Panay	Numancia S.O.; Camansi Norte, Numancia ; Aklan	Owned	Good
Visayas – Panay	Roxas S.O.; Bo. Libas, Roxas City	Owned	Good
Visayas – WV Metro	Iloilo S.O.; Muelle Loney, Iloilo	Owned	Good
Visayas – WV Metro	Bacolod S.O.; Bacolod Brewery, Bacolod	Owned	Good
Visayas – Negros	Sum-Ag Warehouse; Bgy. Sum-Ag, Bacolod City	Owned	Good
Visayas – Negros	Himamaylan S.O.; Himamaylan, Negros Occidental	Owned	Good
Visayas – Negros	Dumaguete S.O.; W.Rovira Rd.,Pulantubig,Dumaguete City	Rented	Good
Mind – Caraga	Butuan S.O.; Bgy. Port Poyohoy, Butuan City	Owned	Good
Mind – Caraga	Tandag S.O., Bungtod, Tandag, Surigao del Sur (Leased to Deales)	Owned	Good
Mind – Caraga	San Francisco S.O., San Francisco, Agusan del Sur	Rented	Good
Mind – Cotabato Prov	Gen. Santos S.O.; Lagao Road, South Cotabato (Leased to Dealer)	Owned	Good
Mind – Cotabato Prov	Marbel, Koronadal City (Leased to Dealer)	Owned	Good
Mind – Cotabato Prov	Banga S.O., National Highway, Banga	Rented	Good
Mind – Davao Prov	Davao S.O.; Ulas, Davao City	Owned	Good
Mind – Davao Prov	Tagum S.O.; National Highway,Tagum City (Leased to Dealer)	Owned	Good
Mind – Davao Prov	Panabo S.O., Hi-way, Panabo City	Rented	Good
Mind – Davao Prov	Sto. Tomas Hi-way, Sto. Tomas	Rented	Good
Mind – North Mindanao	Opol S.O.; Opol, Cagayan de Oro City	Owned	Good
Mind – North West	Iligan S.O.; Sta. Filomena, Iligan City	Rented	Good
Mind – North West	Ozamis S.O.; Elim Compound, Lam-an,Ozamis City	Rented	Good
Mind – North West	Dipolog S.O., Sta. Filomena, Dipolog City	Rented	Good
Mind – Cenmin	Digos, Rizal St., Digos City (Leased to Dealer)	Owned	Good
Mind – Zambo-Sulu	Liloy S.O.; Poblacion Liloy,Zamboanga del Norte	Rented	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Mind – Zambo-Sulu	Zamboanga S.O.; Baliwasan Drive, Zamboanga City	Owned	Good
2	San Miguel Brewery Hong Kong Ltd.	Yuen Long Industrial Estate, New Territories, Hong Kong	Owned	Good
3	Guangzhou San Miguel Brewery Company Ltd.	63 Xizeng Road, Xicun, Guangzhou, PRC	Rented	Good
4	San Miguel (Baoding) Brewery Company Ltd.	Jiangcheng Road, Baoding City, Hebei Province, PRC	Owned	Good
5	San Miguel (Guangdong) Brewery Co., Ltd.	Renmin Road, Longjang Town, Shunde, Guandong, PRC	Owned	Good
6	PT Delta Djakarta Tbk	Inspeksi Tarum Barat, Bekasi Timur, Indonesia	Owned	Good
7	San Miguel Brewery Vietnam Company Ltd.	Suoi Hiep Hamlet, Dien Khanh Dist., Khanh Hoa Province, Vietnam	Owned	Good
	San Miguel Beer (Thailand) Limited	89 Moo 2 Tivanon Road, Tambol Bann-Mai, Amphur, Muang, Pathumthani, Thailand 12000	Owned	Good
8	J. Boag & Sons Limited	21 Shields Street, Launceston, Tasmania, Australia	Owned	Good
9	Coca-cola Bottlers Philippines, Inc.			
	Metro Manila			
	Canlubang	Silangan Industrial Estate, Canlubang, Calamba, Laguna	Owned	Good
	Meycauayan	Muralla Industrial Park, Bo. Perez, Libtong, Meycauayan, Bulacan	Owned	Good
	Naga	157 Concepcion Pequeña, Naga City	Owned	Good
	Sta. Rosa I	Bo. Pulong Sta. Cruz Sta. Rosa, Laguna	Owned	Good
	Sta. Rosa II	Bo. Pulong Sta. Cruz Sta. Rosa, Laguna	Owned	Good
	North Luzon			
	Calasiao	National Hi-way, Bued, Calasiao, Pangasinan	Owned	Good
	Carlatan	Pico Road, La Trinidad, Carlatan, San Fernando City, La Union	Owned	Good
	Ilagan	Brgy. Ginatan, Ilagan, Isabela	Owned	Good
	Ilocos	Brgy. Catuguing, San Nicolas, Ilocos Norte	Owned	Good
	San Fernando	Brgy. Baliti, San Fernando, Pampanga	Owned	Good
	Visayas			
	Bacolod	National Hi-way Brgy. Mansilingan, Bacolod City	Owned	Good
	Cebu	MC Briones St., Mandaue City, Cebu	Owned	Good
	Iloilo	Brgy. Ungka, Pavia, Iloilo	Owned	Good
	Tacloban	Fatima Village, San Jose, Tacloban City	Owned	Good
	Tagbilaran	154 CPG Avenue North, Cogon District, Tagbilaran City, Bohol	Owned	Good
	Mindanao			

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Cagayan	CM Recto Avenue, Lapasan, Cagayan de Oro	Owned	Good
Davao	Mc Arthur Hi-way, Ulas, Davao City	Owned	Good
General Santos	Bula Road, General Santos City	Owned	Good
Zamboanga	Tetuan Hi-way, Zamboanga City	Owned	Good
Philippine Beverage Partners, Inc.			Good
Plants:			
Batangas	West Banjo, Tanauan, Batangas	Owned	Good
Navotas	137 Josefa Llanes Escoda Ext., San Rafael, Navotas Manila	Owned	Good
Cavite / Imus	122 NIA Rd, Buhay na Tubig, Imus, Cavite	Owned	Good
Cavite	Gateway Business Park, Bo. Javalera, General Trias, Cavite	Owned	Good
Cebu	A.S. Fortuna St., Bgy. Banilad, Mandaue City, Cebu	Machines – Owned Land & Bldg. – rented	Good
Iloilo	National Road, Jibaoan, Fabia, Iloilo City	Owned	Good
Kanlaon	Bo. Cubag-Cubag, Bgy. Iligan, Bago City	Owned	Good
Warehouses:			
Cebu – SMC SL	Ouano Wharf, Mandaue, Cebu City	Warehouse - Rented	Good
Cebu - BMEG	Ouano Wharf, Mandaue, Cebu City	Warehouse - Rented	Good
Cebu – SMC Mega Warehouse	SMC Complex Highway, Mandaue, Cebu City	Warehouse - Rented	Good
Sta. Mesa	822 Bagumbayan St., Bacood, Sta. Mesa, Manila	Warehouse - owned Land & Office Bldg- Rented	Good
Sta. Ana	Old Panaderos, Sta. Ana, Manila	Warehouse - Rented	Good
Taguig	17 Veterans Road Philvedec Industrial Estate, Veterans Center, Taguig	Warehouse - Rented	Good
San Fernando	Block 44 Lot 1-10 Manarang Road, Essel Park Subdivision, Telabastagan San Fernando Pampanga	Warehouse - Rented	Good
Cabuyao	Silangan Industrial Estate, Terelay Phase Bo. Pittland Cabuyao	Warehouse - Rented	Good
Imus -	#122 NIA Road Buhay na Tubig Imus, Cavite	Warehouse - Rented	Good
Tanyag	Montoc Compound, Tanyag Bicutan	Warehouse - Rented	Good
Cosmos Bottling Corporation			
Plants :			

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Malabon	Malabon, Metro Manila	Building & equipment owned. Land owned by CBCLHI.	
	Valenzuela	Marulas,Valenzuela, Metro Manila	Building & equipment owned. Land owned by CBCLHI.	
	Meycauayan Plant	Meycauayan, Bulacan	Building & equipment owned. Land rented.	P 463,840.00 per month. (renewable yearly)
	San Pedro	Landayan, San Pedro, Laguna	Building & equipment owned. Land owned by CBCLHI.	
	San Fernando	San Isidro, San Fernando, Pampanga	Building & equipment owned. Land rented.	P 581,856.00 per month. (renewable yearly)
	Cauayan	Cauayan, Isabela	Building & equipment owned. Land rented.	P 110,562.00 per month. (renewable yearly)
	Canlubang	Canlubang, Laguna	Building & equipment owned. Land owned by CBCLHI.	
	San Jacinto	San Jacinto, Pangasinan	Equipment owned. Building and Land rented	P974,971.36 per month. (Expires 2008)
	Davao	Bago-Aplaya, Talomo, Davao	Building & equipment owned. Land owned by CBCLHI.	
	Consolacion, Cebu	Consolacion, Cebu	Building & equipment owned. Land rented.	P 105,006.00 per month. (renewable yearly)
	Mandaue City, Cebu	Mandaue City, Cebu	Building & equipment owned. Land owned by CBCLHI	

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Pahanocoy, Bacolod City	Pahanocoy, Bacolod City	Building & equipment owned. Land owned by CBCLHI	
	Alijis, Bacolod City	Alijis, Bacolod City	Building & equipment owned. Land owned by CBCLHI	
	Warehouses:			
	Zabarte, Caloocan	Zabarte, Caloocan	Building & equipment owned. Land rented.	P 125,000.00 per month. (renewable yearly)
	Plaridel	Plaridel, Bulacan	Building owned. Land owned by CBCLHI.	
	Parang, Marikina	Parang, Marikina	Building & equipment owned. Land rented.	P 19,309.00 per month. (renewable yearly)
	Bacoor, Cavite	Bacoor, Cavite	Building & equipment owned. Land rented.	P 80,000.00 per month. (renewable yearly)
	Balayan, Batangas	Balayan, Batangas	Building owned. Land owned by CBCLHI.	
	Ilaya, Batangas	Ilaya, Batangas	Building & equipment owned. Land rented.	P 37,630.00 per month. (renewable yearly)
	San Pablo, Laguna	San Pablo, Laguna	Building & equipment owned. Land rented.	P 27,000.00 per month. (renewable yearly)
	Lingayen, Pangasinan	Lingayen, Pangasinan	Building owned. Land owned by CBCLHI.	
	Talavera, Nueva Ecija	Talavera, Nueva Ecija	Building & equipment owned. Land rented.	P 16,836.00 per month. (renewable yearly)
	Villasis, Pangasinan	Villasis, Pangasinan	Building owned. Land owned by CBCLHI.	
	Tarlac	Tarlac, Tarlac City	Building owned. Land owned by CBCLHI.	

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Pilar, Bataan	Pilar, Bataan	Building owned. Land owned by CBCLHI.	
	Subic, Olongapo	Subic, Olongapo	Building & equipment owned. Land rented.	P 13,216.00 per month. (renewable yearly)
	Meycauayan	Meycauayan, Bulacan	CCBPI Facilities	Share in variable expenses
	Baliuag	Baliuag, Bulacan	CCBPI Facilities	Share in variable expenses
	Gov. Pascual	Governor Pascual, Malabon	CCBPI facilities.	Share in variable expenses.
	Baesa, Quirino, Q.C.	Baesa, Quirino, Q.C.	Rented	P 424,031.27 per month. (renewable monthly)
	Roces, Quezon City	Roces, Quezon City	Rented	P 280,757.81per month. Expires 2006
	Binagonan	Binagonan, Rizal	Rented	P 28,101.99per month. Expires 2006
	Pasig	Kalawaan, Pasig City	CCBPI facilities	Share in variable expenses.
	Otis	Otis, Pandacan, Manila City	CCBPI facilities	Share in variable expenses.
	Sucat	#8358 Dr. A. Santos Ave., Valley 1, Sucat, Parañaque	Rented	P 297,098.21 per month Renewable monthly.
	Tunasan (RMT)	Tunasan, Muntinlupa City	Rented	P 269,880.75 per month Renewable monthly.
	Gumaca	Gumaca, Quezon	CCBPI Facilities	Share in variable expenses.

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Lucena	Lucena City	CCBPI Facilities	Share in variable expenses.
	Cauayan	Cauayan, Isabela	CCBPI Facilities	Share in variable expenses.
10	La Tondeña Distillers, Inc.			
	Ginebra San Miguel, Inc			
	Canlubang	Canlubang Industrial Park, Cabuyao, Laguna	Owned	Good
	Lucena	Bgy. Gulang-gulang, Lucena, Quezon	Owned	Good
	Sta. Barbara	Bgy. Tebag, Sta. Barbara, Pangasinan	Owned	Good
	Cebu	Subang Daku, Mandaue City, Cebu	Owned	Good
Packaging				
1	SAN MIGUEL PACKAGING SPECIALISTS, INC.			
	SMPSI Primepak Glass Plant	Bo. Halayhay, Tanza, Cavite	SMPSI Owned	Good
	SMPSI Rightpak Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMPSI Metal Container Plant	Bgy. San Francisco de Malabon, Gen. Trias, 4107 Cavite	SMPSI Owned	Good
	SMPSI Cebu Bev. Packaging Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMPSI Davao Bev. Packaging Plant	SMC Complex, Darong, Sta. Cruz, Davao City	SMC Owned	Good
	SMPSI San Fernando Bev. Packaging Plant	Barangay Maimpis, City of San Fernando, Pampanga (Gate 2, SMC Pet Plant)	SMPSI Owned	Good
	SMPSI Canlubang PET & Caps Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMPSI Manila Glass Plant	Muelle dela Industria St., Binondo Manila	SMC Owned	Good
	SMPSI Manila Plastics Plant	Tomas Claudio St., Beata, Pandacan, Manila	SMC Owned	Good
	SMPSI MCLP Canlubang	Silang Canlubang Industrial Park, Canlubang Laguna	SMC Owned	Good
	SMPSI MCLP San Fernando	SMC San Fernando Complex, Quebiauan, San Fernando City	SMC Owned	Good
	SMPSI Mandaue Glass Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMPSI MCLP Mandaue	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMPSI Mandaue Plastics Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
2	San Miguel Yamamura Asia Corporation	Km 12, Aguinaldo Highway, Imus, Cavite	Owned	Good
3	San Miguel Yamamura Fuso Molds Corp.	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
4	San Miguel Rengo Packaging Corporation	Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Good
5	Mindanao Corrugated Fibreboard Inc.	Km 12 Sasa, Davao City	Owned	Good
6	Mandaue Power Plant	SMC Mandaue Comples, Hi-way, Mandaue City, Cebu	SMC Owned	Good
7	Zhaoqing San Miguel Glass Company Ltd.	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC	Land Use Rights	Good
8	Foshan San Miguel Packaging Company Ltd.	9 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good
9	PT San Miguel Sampoerna Packaging Industries Ltd.	Jalan Jababeka V 42-43, Kawasan Industri Jababeka, Cikarang, Bekasi 17530, Indonesia	Land Use Rights	Good
10	San Miguel Yamamura Haiphong Glass Company Ltd.	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good
11	San Miguel Phu Tho Packaging Company Ltd.	152 Lac Long St., District 11, Ho Chi Minh City, Vietnam	Land Use Rights	Good
12	San Miguel Plastics Films Sdn. Bhd.	No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia.	Land Lease Rights	Good
13	San Miguel Packaging and Printing Sdn Bhd. - Converting plant - Duplex plant	 Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Salangor Darul Ehsan, Malaysia Lot 9, Jalan Perusahaan Empat, Tapak Perindustrian P.K.N.S., 68100Batu Caves, Selangor Darul Ehsan, Malaysia	 Owned Rented	 Good Good
14	San Miguel Woven Products Sdn. Bhd.	Lot 9 and 10, Ayer Keroh Industrial Estate, Jalan Usuha 4, 75450 Melaka, Malaysia	Land Lease Rights	Good
15	Packaging Research Centre Sdn. Bhd.	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan,Malaysia	Owned	Good
16	San Miguel Woven Products Sdn. Bhd.	Lot 9 and 10, Ayer Keroh Industrial Estate, Jalan Usuha 4, 75450 Melaka, Malaysia	Land Lease Rights	Good
17	Packaging Research Centre Sdn. Bhd.	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan,Malaysia	Owned	Good
Foods				
1	San Miguel Purefoods (Vietnam) Co., Ltd.	Cau Sat Hamlet, Lai Hung Village, Ben Cat District, Binh Duong Province, Vietnam	Bldg. - Owned Land - Rented	Good
2	Tien Giang Sales Office	Phuoc Hoa Hamlet, Phuoc Thanh Village, Chau Thanh District, Tien Giang Province, Vietnam	Warehouse and Land Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
3	Dong Nai Sales Office	39/2 An Hoa Hamlet, Tay Hoa Village, Trang Bom District, Dong Nai Province, Vietnam	Warehouse and Land Rented	Good
4	Can Tho Sales Office	60 High Way 1, Ba Lang Ward, Cai Rang Distric, Can Tho Province, Vietnam	Warehouse and Land Rented	Good
5	Long An Sales Office	73 High Way 1A, 1 Hamlet, My Yen Village, Ben Luc District, Long An Province, Vietnam	Warehouse and Land Rented	Good
6	Lam Dong Sales Office	1023, Tran Phu Road, Loc Tien Ward, Bao Loc Lam Dong Province, Vietnam	Warehouse and Land Rented	Good
7	San Miguel Pure Foods Company Inc. and Subsidiaries			
	JMT Corporate Condominium Building	ADB Avenue, Ortigas Center, Pasig City	Owned	Good
	Feeds & Poultry Iloilo Office	Melliza St., Iloilo City	Owned	Good
	Feeds & Poultry General Santos Office	Bo. Calumpang, General Santos City	Owned	Good
	Processed Meats Marikina Plant	Bo. San Roque, Marikina City	Owned	Good
	Processed Meats Cavite Plant	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good
	Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good
	Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good
	Pampanga Poultry Dressing Plant	SMC Complex, Bo. Quebiawan, San Fernando, Pampanga	Owned	Good
	Cabuyao Poultry Dressing Plant	Cabuyao, Laguna	Owned	Idle
	Cebu Poultry Dressing Plant	Brgy. Canduman, Mandaue City	Owned	Good
	Davao Poultry Dressing Plant	Toril, Sirawan, Davao City	Owned	Good
	Feeds Spend Drying Plant	San Fernando, Pampanga	Owned	Good
	Laguna Feedmill	Brgy. Malitlit, Sta. Rosa, Laguna	Owned	Good
	Tarlac Feedmill	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good
	B-Meg Pangasinan Plant	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Lot Owned by Ginebra San Miguel, Inc.	Good
	General Santos Feedmill	Bo. Calumpang, Gen. Santos City	Owned	Good
	Isabela Feedmill	Bo. Soyung, Echague, Isabela	Owned	Good
	Bataan Feedmill	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Owned	Good
	Feeds Spent Grain Drying Plant	SMC Complex, Highway, Mandaue City	Owned	Good
	Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Rented Lot	Good
	Bukidnon Feedmill	Milmar Cpmd., Impalutao, Impasug-ong, Bukidnon	Owned	Good
	Magnolia Plant	Bo. De Fuego Governor's Drive, Gen. Trias, Cavite	Owned	Good

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Processed Meats Indonesia Plant	Jl. Raya Bogor Km. 37 Sukamaju, Sukmajaya, Indonesia	Owned	Good
Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good
Poultry Breeding Farm	San Rafael, San Pablo City	Owned	Idle
Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta, Maria, Bulacan	Owned	Good
Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good
Calauan Experimental Farms	SMC Cmpd., Brgy. Mabacan, Calauan, Laguna	Owned	Good
Processed Meats Fairview Cold Storage	Consul St., cor Carmel St., District 2, North Fairview, Quezon City	Owned	Good
Jellyace Snack Food Manufacturing Plant	Pines cor Reliance St., Brgy. Highway Hills, Mandaluyong City	Lot Owned by San Miguel Properties, Inc.	Good
Great Food Solutions Commissary	North Bay Blvd., Navotas, Metro Manila	Rented	Good
DMC – Urban Property Developers, Inc.	JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Rented	Good
TDR Inc.	JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Rented	Good
San Miguel Properties Inc.	EL Tower, Makati City	Rented	Good
SM Keppel Land Inc.	Basement, The Podium, ADB Avenue, Ortigas Center, Pasig City	Rented	Good
Magnolia Head Office	SMFG Cmpd., Legaspi cor Eagle St., Ugong, Pasig City	Lot Owned by San Miguel Corporation	Good
Poultry San Jacinto	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
Poultry Santiago	Brgy. Rizal, Santiago City, Isabela	Rented	Good
Poultry Subic	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
Poultry VAO Office	Emmanuel SJB Dev't., San Isidro, Cabuyao, Laguna	Rented	Good
Poultry Laguna Office	3F, Sta. Cecilia Bus. Center, Parian, Calamba City	Rented	Good
Poultry Lucena	Brgy. Bocohan, Lucena City	Rented	Good
Poultry Tiaong	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
Poultry San Jose	Brgy. Aya, San Jose, Batangas	Rented	Good
Poultry Albay	Brgy. Anislag, Daraga, Albay	Rented	Good
Poultry Palawan	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good
Poultry Bohol	Albur Dressing Plant, Eastern Poblacion, Alburquerque, Bohol	Rented	Good
Poultry Bacolod	Daalco IV Bldg., Singcang, Araneta St., Bacolod City	Rented	Good
Poultry Dumaguete	Magatas, Sibulan, Negros Oriental	Rented	Good
Poultry Tacloban	Wab Traders Corp., Brgy. Abucay, Tacloban City	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Poultry Cebu	6th Flr. Cleotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good
	Poultry Ormoc	Door 4, 2nd Flr., Tan Bldg., Lilia Ave., Cogon, Ormoc	Rented	Good
	Poultry Davao	Coaco Road, Sasa, Davao City	Rented	Good
	Poultry Zamboanga	Guiwan Highway, Zamboanga City	Rented	Good
	Poultry Cagayan de Oro	Dacudao Cmpd, Corrales Ext. Cagayan de Oro City	Rented	Good
	Poultry Ozamis	Mailen, Clarin, Misamis Occidental	Rented	Good
	Poultry Butuan	Km 9, Tag-ibo, Butuan City	Rented	Good
	Feeds Cebu Office	1st Flr, GSMI Bldg., Subangdaku, Mandaue City, Cebu	Rented	Good
	Bacolod Feeds Sales Office	JA Building, San Patrico, Banago, Bacolod City	Rented	Good
	Feeds Cagayan de Oro Sales Office	S&C Building, Mitimco, Baloy, Cagayan de Oro	Rented	Good
	Feeds Butuan Sales Office	Brgy. 23, Langihan Road, Butuan City	Rented	Good
	Feeds Ozamis Sales Office	Elim Cmpd, Lam-an, Ozamis City	Rented	Good
	Flour Libis Warehouse	No. 13 Economia St., Bagumbayan, Libis, Q. C.	Rented	Good
	Flour Bulacan Warehouse	Sta. Rita, Guiginto, Bulacan	Rented	Good
	Prifoods Corporation (Snacks)	Brgy. Paciano, Calamba, Laguna	Rented	Good
	Tacoma (Feeds)	Port Area, Manila	Rented	Good
	Metro Asia (Feeds)	Pasig City	Rented	Good
	Mabuhay (Feeds)	Tondo, Manila	Rented	Good
	PNOC (Feeds)	Bauan, Batangas	Rented	Good
	Nawaco (Feeds)	Port Area, Manila	Rented	Good
	KOBE (Feeds)	Santiago, Isabela	Rented	Good
	NFA Isabela Warehouse (Feeds)	N. Phil. Grains Cmpx, Echague, Isabela	Rented	Good
	Lucky 103 Realty Corp. (Feeds)	Pulilan, Bulacan	Rented	Good
	Bamcor Warehouse (Feeds)	Brgy. Taboc, San Juan, La Union	Rented	Good
	Fieldman Warehouse (Feeds)	Brgy. Poblacion, Bacnotan, La Union	Rented	Good
	Goldon Agritech (Feeds)	Payokpok, Bauang, La Union	Rented	Good
	BPA Warehouse (Feeds)	Calumbaya, La Union	Rented	Good
	MCAR Warehouse (Feeds)	Bacnotan, La Union	Rented	Good
	Paragas Warehouse (Feeds)	Babasit, Manaoag, Pangasinan	Rented	Good
	Alejo Sim (Feeds)	Pangasinan	Rented	Good
	Pozorrubio (Feeds)	Pangasinan	Rented	Good
	William Sim (Feeds)	Urdaneta, Pangasinan	Rented	Good
	PKS Shipping (Feeds)	Looc, Mandaue City, Cebu	Rented	Good
	SMC SL (Feeds)	Looc, Mandaue City, Cebu	Rented	Good
	Rocksun Warehouse (Feeds)	Marasbaras, Tacloban City	Rented	Good
	Bacolod Warehouse B (Feeds)	JA Building, San Patricio, Banago, Bacolod City	Rented	Good
	Muelle, Loney Warehouse (Feeds)	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good
	SIAIAN Warehouse (Feeds)	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good
	BUHAYCO (Feeds)	Puntod, Cagayan de Oro City	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	KIMWA Warehouse (Feeds)	KIMWA Const. & Dev't Corp Baloy, Cagayan de Oro City	Rented	Good
	MITIMCO Warehouse (Feeds)	Mitimco Compound, Baloy, Cagayan de Oro City	Rented	Good
	CATIMCO Warehouse (Feeds)	Puntod, Cagayan de Oro City	Rented	Good
	BUDEX (Feeds)	Bangcud, Malaybalay	Rented	Good
	Western Feedmill Warehouse (Feeds)	Coaco Road, Sasa, Davao City	Rented	Good
	Southern Philippine Coco Charcoal Green Warehouse (Feeds)	Coaco Road, Sasa, Davao City	Rented	Good
	Bandung Office (PT SMPF Indonesia)	Jl Sukarno Hatta No 606 Bandung	Rented	Good
	Surabaya Office (PT SMPF Indonesia)	Perumahan Karah Indah II, J10 No 19 Surabaya	Rented	Good
	PT Adib (PT SMPF Indonesia)	Jl Jambangan Baru Selatan No 1, Surabaya	Rented	Good
	Yogyakarta Office (PT SMPF Indonesia)	Jl Pandegasari No 999, Kaliurang KM 5.5 Yogyakarta	Rented	Good
	Joko P. (PT SMPF Indonesia)	Jl Pandega Padma DPI/6D Yogyakarta	Rented	Good
	Bali Office (PT SMPF Indonesia)	Jl Mertasari No 61 Sidakarya – Denpasar - Bali	Rented	Good
	Medan Office (PT SMPF Indonesia)	Jl. Mesari No. 61, Sidakarya, Medan	Rented	Good
	Makasar Office (PT SMPF Indonesia)	Jl. Anggrek I Block EA No 17, Perumahan Tamalanrea Indah, Makassar, Sulsel	Rented	Good
	Staples Food Corporation (Poultry)	Navotas, Metro Manila	Rented	Good
	Diaz Dressing Plant (Poultry)	Km. 104, Brgy. Tabuating, San Leonardo, Nueva Ecija	Rented	Good
	Kenwood Construction (Poultry)	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Lolim's Dressing Plant (Poultry)	Brgy. Rabon, Rosario, La Union	Rented	Good
	Reitoh Cold Storage, Inc. (Poultry)	Km. 30 Amante St., San Pedro, Laguna	Rented	Good
	Johanna's Chicken Proc. Center (Poultry)	Brgy. Bocohan, Lucena City	Rented	Good
	IP3 (Poultry)	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Cariño & Sons Agri-Dev't Inc. (Poultry)	Brgy. Aya, San Jose, Batangas	Rented	Good
	Gallintina Ind Corp (Poultry)	GIC Compound, Brgy. Tagbong Pili, Camarines Sur	Rented	Good
	Palmas Agri Bus Inc. (Poultry)	Brgy. Anislag, Daraga, Albay	Rented	Good
	Silangan Poultry Farms (Poultry)	San Jose, Lipa City	Rented	Good
	MKC Poultry Dressing Plant (Poultry)	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good
	Ormoc (Poultry)	Sitio Canmingming, Brgy. Valencia, Ormoc City	Rented	Good
	Poultry Bacolod (1)	Singko de Nyubembre St., Silay City, Negros Occidental	Rented	Good
	Poultry Bacolod (2)	Km 6 St., Tangub, Bacolod	Rented	Good
	First Farmers Foods Corp. (Poultry)	Brgy. Dos Hermanos, Talisay City, Neg. Occidental	Rented	Good
	Haig Conmingo Frozen Foods (Poultry)	Palapala, Bacolod City	Rented	Good
	Orient Cold Storage (Poultry)	Iloilo Fishing Port, Tanza, Iloilo City	Rented	Good
	Oceanlight Prawn Ventures (Poultry)	Bacolod, Negros Occidental	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Poultry Dumaguete	Magatas, Sibulan, Negros Occidental	Rented	Good
	Poultry Iloilo	Iloilo Fishing Port, Tanza, Iloilo City	Rented	Good
	Alpine & Ice Plant Cold Storage (Poultry)	Brgy. Umapad, Mandaue City, Cebu	Rented	Good
	Mincool (Poultry)	Dacudao Cmpd., Corrales Ext., Cagayan de Oro City	Rented	Good
	WMC Cold Storage (Poultry)	Cugman, Cagayan de Oro City	Rented	Good
	ZAVI (Poultry)	Boalan, Zamboanga City	Rented	Good
	ECA Cold Storage (Poultry)	Tambler, General Santos City		
	Davao Fresh Foods Corporation (Poultry)	Km. 20 Los Amigos, Tugbok, Davao City	Rented	Good
	Sirawan Ice Plant (Poultry)	Brgy. Toril, Sirawan, Davao City	Rented	Good
	Polar Bear Corporation (Poultry)	Davao Fishing Port Complex, Toril, Davao City	Rented	Good
	Green Pine Dressing Plant (Poultry)	Km 9., Tag-ibo, Butuan City	Rented	Good
	St. Jude Dressing Plant (Poultry)	Mohon, Tagoloan, Misamis Oriental	Rented	Good
	Cryo (1) (Poultry)	Mohon, Tagoloan, Misamis Oriental	Rented	Good
	Cryo (2) (Poultry)	Poblacion Alubijid, Misamis Oriental	Rented	Good
	Elim Dressing Plant (Poultry)	Mialen Clarin, Misamis Occidental	Rented	Good
	Lubogan Hatchery (Poultyr)	Crossing Bayabas, Lubogan, Toril, Davao City	Rented	Good
	PMC Logistics (Purefoods-Hormel)	Marcos Highway, Barrio Mayamot, Antipolo City	Rented	Good
	Estrella Ice Plant (Purefoods-Hormel)	Valenzuela, Bulacan	Rented	Good
	Royal Cargo Combined Logistic (Purefoods-Hormel)	Sta. Acqueda Ave., Pascor Drive, Parañaque City	Rented	Good
	Vifel Ice Plant and Cold Storage (Purefoods-Hormel)	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Magnolia Cebu	Oro Verde Cmpd., Hernan Cortes St., Kasambangan, Banilad, Cebu City	Lot Owned by San Miguel Corporation	Good
	Magnolia Cebu	SMC Complex, Hi-Way, Mandaue City	Lot Owned by San Miguel Corporation	Good
	Subic (Food Shop)	Dream Plaza, National Highway, Bo. Matain, Subic, Zambales	Rented	Good
	Las Piñas (Food Shop)	Enriquez Business Center, Real St., Alabang-Zapote Road, Pamplona 3, Las Piñas	Rented	Good
	Alabang (Food Shop)	No. 384 East Service Road, Alabang, Muntinlupa City	Rented	Good
	Masinag (Food Shop)	No. 178 Marcos Highway, near cor. Sumulong Highway, Masinag-Mayamot, Antipolo City	Rented	Good
	Baliuag (Food Shop)	B. S. Aquino Ave., Bagong Nayon, Baliuag, Bulacan	Rented	Good
	Paco Paz (Food Shop)	1510-12 Paz St., near cor. Perdigon St., Paco, Manila	Rented	Good
	Edsa Central (Food Shop)	GF 106 & 107 Edsa Central Pavilion, Mandaluyong City	Rented	Good

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Retiro (Food Shop)	474-486 N. S. Amoranto Ave., Sta. Mesa Heights, Q. C.	Rented	Good
Pres. Avenue (Food Shop)	L19 B1 President's Ave. cor. Adelfa St., Tahanan Village, Parañaque City	Rented	Good
JP Rizal (Food Shop)	Ground Floor, Filben Bldg., 779-781 JP Rizal Ave., Makati City	Rented	Good
Caniogan (Food Shop)	Emmanuel Bldg., 155-157 Dr. Sixto Antonio Ave., Caniogan, Pasig City	Rented	Good
Lagro (Food Shop)	Ground Floor Roncal Bldg., Quirino Highway near cor. Ascension St., Pasong Putik, Lagro Quezon City	Rented	Good
Parang (Food Shop)	Lot 2-B, Block 9, Gen. N. C. Molina St., cor. E. Rodriguez St., Parang, Marikina City	Rented	Good
Commonwealth (Food Shop)	313 Commonwealth Ave., near cor. Tandang Sora Ave., Culiat, Quezon City	Rented	Good
San Andres (Food Shop)	964 San Andres St., cor. San Marcelino St., Brgy. 724, Zone 79, Dist. of Malate, Manila	Rented	Good
Quirino (Food Shop)	RG Buenavista Plaza., 82 Quirino Ave., Baclaran, Parañaque City	Rented	Good
Anza (Food Shop)	8300 Anza St., Makati Ave., Makati City	Rented	Good
Countryside (Food Shop)	Ground Floor, RCJ Bldg., Ortigas Ave. cor. Countryside Ave., Brgy. Sta. Lucia, Pasig City	Rented	Good
San Pablo (Food Shop)	Ex-Manila Bank Bldg., Rizal Ave. cor. Brion St., Brgy. Poblacion, San Pablo City	Rented	Good
Sangandaan (Food Shop)	1584 A. Mabini St., Sangandaan, Caloocan City	Rented	Good
Dolores (Food Shop)	McArthur Hway cor. Gapan-Olongapo Rd., Brgy. Dolores, San Fernando City, Pampanga	Rented	Good
Evangelista (Food Shop)	1653 Evangelista cor. Hen. J. Belarmino Sts., Brgy. Bangkal, Makati City	Rented	Good
Morcilla (Food Shop)	Hen. B. Morcilla cor P. Herrera Sts., Brgy. Poblacion, Pateros, Metro Manila	Rented	Good
Legarda (Food Shop)	2243 Legarda St., cor. M. De Los Santos St., Manila	Rented	Good
Caloocan (Food Shop)	Unit R1-R2, One Kalayaan Place, Samson Road, Victory Liner Cmpd., Caloocan City	Rented	Good
UST (Food Shop)	Space 13 Level 1 & Space 25B Leve2, UST-Multi-Deck Parking, Leon Ma. Guerrero Drive, UST Manila	Rented	Good
CM Recto (Food Shop)	Ground Floor, Sogo Hotel, Claro M. Recto cor. Coromina St., Quiapo, Manila	Rented	Good
Novaliches (Food Shop)	248 Gen. Luis St., Novaliches Proper, Novaliches, Quezon City	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Molino (Food Shop)	Lot 5541-A-3G Molino Road, Molino III, Bacoor, Cavite	Rented	Good
	Redemptorist (Food Shop)	83 Redemptorist Rd., Baclaran, Parañaque City	Rented	Good
	Trabajo Market (Food Shop)	M. Dela Fuente cor S. H. Loyola Sts., Sampaloc, Manila	Rented	Good
	Kalayaan (Food Shop)	9608 Kalayaan Ave. near cor. Anastacio St., Brgy. Guadalupe Nuevo, Makati City	Rented	Good
	Ruby (Food Shop)	Ground Floor. Agustin I Bldg., Ruby St., near cor. Julia Vargas St., Ortigas Center, Pasig City	Rented	Good
	Macalacat (Food Shop)	Mc Arthur Highway, Mabalacat, Brgy. Tabun, Pampanga	Rented	Good
	Lipa (Food Shop)	MVL Center, J. P. Laurel, Nat'l Highway, Brgy. Tambo, Lipa, Batangas City	Rented	Good
	San Pedro (Food Shop)	B22 L8 D' Great Building, Juan Ave. cor. Amorsolo St., Chrysanthenum Village, Brgy. San Vicente, San Pedro, Laguna	Rented	Good
	San Mig Café (Great Food Solutions)	Ground Floor., SMPC Bldg., St. Francis St., Mandaluyong City	Rented	Good
	Great Food Solutions Cebu Depot	SMC SL Compound, M. Ceniza St., Ouano Wharf, Brgy. Looc, Mandaue City, Cebu	Rented	Good
	Great Food Solutions Bacolod Depot	Zone 2 Calong Calong, Airport Subd., Bacolod City	Rented	Good
	Great Food Solutions Iloilo Depot	Fishing Port, Tanza, Iloilo City	Rented	Good
	Great Food Solutions Cagayan de Oro Depot	Door 4 Alwana Business Park, Cugman, Cagayan de Oro City	Rented	Good
	Great Food Solutions Davao Depot	Km. 6 Amon Building, Lanang, Davao City	Rented	Good
8	Monterey			
	Meat Plant	Bo. Langcaan, Dasmariñas, Cavite	Owned	
	Hog Farms / Cattle Farms			Good
	Cavite Farm	Bo. San Francisco, General Trias, Cavite	Land SMPI-Owned	
	Alfonso Farm	Buck Estate, Alfonso, Cavite	Owned	Good
	Calamias Farm	Calamias, Ibaan, Batangas	Owned	Good
	Quilo Farm	Quilo, Ibaan, Batangas	Owned	Good
	Isabela Farm	Bo. San Lius, Cauayan, Isabela	Owned	Good
	Lipa Farm	Lipa, Batangas	Owned	Good
	Polomolok Farm 1	Silway 8, Polomolok, South Cotabato	Owned	Good
	Polomolok Farm 2	Silway 8, Polomolok, South Cotabato	Land -SMPI owned	Good
	Sta. Maria Farm	Bo. Guyong, Sta. Maria, Bulacan	Owned	Good
	Angat Farm	Bo. Pulong Yantok Angat, Bulacan	Owned	Good
9	San Miguel Campocarne Corporation	General Trias, Cavite	Owned	Good
10	San Miguel Corporation - Agribusiness			Good
	Iligan Coconut Oil Mill	Sta. Filomena, Iligan City	Owned	

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	National Foods			
11	King's Creameries			
	King's Creameries (S) Pte Ltd	No.51 Quality Road, Jurong Industrial Estate, Singapore 618813	Office and Warehouse Land – lease Building-owned	Good
	King's Creameries (M) Sdn Bhd	No.7 Jalan Api-Api 26/1, Seksyen 26 40400 Shah Alam, Selangor, Malaysia	1 Storey Factory/ Office/Coldroom Land & building - owned	Good
	King's Creameries (M) Sdn Bhd	No.12 and 12A Jalan TP7/5 Sime UEP Industrial Area, 40400 Shah Alam, Selangor, Malaysia	Warehouse and Accounts Office - Rented	Good
	King's Dairies (M) Sdn Bhd	No.10 and 12 Jalan TP7/4, Sime UEP Industrial Area, 40400 Shah Alam, Selangor, Malaysia	Warehouse and Sales Office - Rented	Good
	King's Dairies (M) Sdn Bhd	No.12 Jalan TP7/8, Sime UEP Industrial Area, 40400 Shah Alam, Selangor Malaysia	Warehouse - Rented	Good
	Treat's Dairies (S) Sdn Bhd	Lot 1008 Jalan Tenun, Bintawa Industrial Estate, P.O.Box 1561, 93732 Kuching	Factory/Office/ Coldroom Land - lease Building - owned	Good
12	Berri			
	Plant 1	Lytton (Queensland)	Owned	Good
	Plant 2	Smithfield (New South Wales – Sydney)	Owned	Good
	Plant 3	Berri (South Australia)	Owned	Good
	Plant 4	Leeton (New South Wales)	Owned	Good
13	National Foods			
	Milk Plants			
	Plant 1	Crestmead	Owned	Good
	Plant 2	Penrith	Owned	Good
	Plant 3	Chelsea Heights	Owned	Good
	Plant 4	Cobden	Owned	Good
	Plant 5	Salisbury	Owned	Good
	Plant 6	Bentley	Owned	Good
	Plant 7	Lenah Valley	Owned	Good
	Cheese Plants			
	Plant 1	Murray Bridge	Owned	Good
	Plant 2	Timboon	Owned	Good
	Plant 3	King Island	Owned	Good
	Plant 4	Burnie, Tasmania	Owned	Good
	Dairy Food Plants			
	Plant 1	Morwell	Owned	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Plant 2	Palmerston North, New Zealand	Owned	Good
	Soy Beverage Plant	Wodonga (49% associate)	Owned	Good
	Others			
1	San Miguel Properties, Inc.			
	The Legacy	Las Piñas, Metro Manila	Owned	Good
	Bel Aldea	Bo. de Fuego, Gen. Trias, Cavite	Owned	Good
	Maravilla	Bo.de Fuego, Gen. Trias, Cavite	Owned	Good
	Office spaces	The Enterprise Center, Ayala Avenue, Makati, (Kuok)	Owned	Good
	Office spaces	Ayala Ave corner Makati Ave. LV Locsin Bldg., Makati	Owned	Good
	Office spaces	PET Plans Tower, EDSA Guadlaupe, Makati (formerly EL Tower)	Owned	Good
	Office spaces	San Miguel Properties Centre, Mandaluyong	Owned	Good
	Office building, land	San Miguel Avenue, Mandaluyong	Owned	Good
	Industrial plant, land	Reliance Street, Mandalyong	Owned	Good
	Industrial plant, land	Aurora Avenue, Quezon City	Owned	Good
	Land	Meralco Avenue, Pasig	Owned	Good
	Land	Filinvest Corporate City, Alabang, Muntinlupa	Owned	Good
	Land	Brgy. Majada, Canlubang, Laguna	Owned	Good
	Land	Bo. de Fuego, Gen. Trias, Cavite	Owned	Good
	Land	Bgy. Mabacao, Maragondon, Cavite	Owned	Good
	Land	Bgy. Arbol, Lubao, Pampanga	Owned	Good
	Land	Asid, Masbate	Owned	Good
	Land	Basak, Lapu lapu, Cebu	Owned	Good
	Land	Tagabuli, & Darong Sta. Cruz, Davao del Sur (2 separate properties)	Owned	Good
	Land	Bgy. Matinao, Polomolok, South Cotabato	Owned	Good
	Legacy Homes, Inc.			
	Villa de Calamba	Calamba, Laguna	Owned	Good
	Primavera Hills	Liloan, Cebu	Owned	Good
	Buenavista Homes	Jugan, Cebu	Owned	Good
	Excel Unified Land Resources Corp.			
	Wedge Woods	Silang, Cavite	Owned	Good
	Bright Ventures Realty, Inc.			
	Land	Mabini St., Addition Hills, San Juan	Owned	Good
	Bel-Aldea Realty, Inc.			
	Residential House & Lot	Ipo St., G. Silahis, La Loma, Quezon City	Owned	Good
	Highriser Group, Inc.			
	Warehouse, land	Arnaiz Ave. (Pasay Road) , Makati City	Owned	Good

ANNEX "D"

COVER SHEET

PW-277

S.E.C. Registration Number

SAN MIGUEL CORPORATION AND SUBSIDIARIES

(Company's Full Name)

No. 40 San Miguel Avenue Mandaluyong City, Philippines

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

Bella O. Navarra	632-3000
Contact Person	Company Telephone Number

12	31	AAFS		
Month	*Day*	FORM TYPE	*Month*	*Day*
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders — Domestic — Foreign

To be accomplished by SEC Personnel concerned

File Number — LCU

Document I.D. — Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006
(With Comparative Figures for 2005 and 2004)

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S REPONSIBILITY FOR FINANCIAL STATEMENTS

The management of San Miguel Corporation is responsible for all information and representations contained in the financial statements for the years ended December 31, 2006 and 2005. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has examined the financial statements of the Company in accordance with auditing standards generally accepted in the Philippines and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

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

RAMON S. ANG
President and Chief Operating Officer

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

Manabat Sanagustin & Co.
Certified Public Accountants
(Formerly Laya Mananghaya & Co.)
22/F, Philamlife Tower, 8767 Paseo de Roxas
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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-1
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of San Miguel Corporation and its Subsidiaries which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of San Miguel Corporation and Subsidiaries as of December 31, 2005 were audited by other auditors whose report dated March 3, 2006, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Manabat Sanagustin & Co.
certified public accountants,
a professional partnership established
under Philippine law, is a member of the
KPMG network of independent member
firms affiliated with KPMG International, a
Swiss cooperative.

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KPMG

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Corporation and its Subsidiaries as of December 31, 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO.

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-1
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2004
Issued July 14, 2004; Valid until July 13, 2007
PTR No. 0325120 J
Issued January 18, 2007 at Makati City

April 12, 2007
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2006
(With Comparative Figures for 2005)
(In Millions)

	Note	**2006**	2005
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 35*	**P24,280**	P20,876
Trade and other receivables - net	*4, 7, 35*	**43,275**	43,767
Inventories - net	*4, 8*	**42,627**	40,693
Current portion of biological assets - net	*4, 12*	**3,570**	3,557
Prepaid expenses and other current assets	*34, 35*	**5,234**	4,953
Total Current Assets		**118,986**	113,846
Noncurrent Assets			
Investments and advances - net	*9, 34, 35*	**5,989**	7,305
Property, plant and equipment - net	*4, 10*	**97,986**	94,603
Investment properties - net	*11*	**1,744**	1,661
Biological assets - net of current portion	*12*	**1,260**	1,154
Goodwill - net	*4, 9, 13*	**72,899**	69,615
Other intangible assets - net	*4, 13*	**28,115**	28,329
Deferred tax assets	*4, 19*	**6,653**	6,128
Other noncurrent assets - net	*14, 34, 35*	**15,952**	15,891
Total Noncurrent Assets		**230,598**	224,686
		P349,584	P338,532
LIABILITIES AND EQUITY			
Current Liabilities			
Drafts and loans payable	*15, 34, 35*	**P42,354**	P32,879
Accounts payable and accrued expenses	*16,17, 34, 35*	**39,321**	40,277
Income and other taxes payable	*19*	**3,016**	2,472
Dividends payable	*30*	**318**	1,389
Redeemable preferred shares - net of issuance costs	*17, 34*	**-**	6,895
Current maturities of long-term debt - net of debt issuance costs	*18, 34, 35*	**11,007**	7,754
Total Current Liabilities		**96,016**	91,666

Forward

	Note	**2006**	2005
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issuance costs	*18, 34, 35*	**P84,908**	P94,158
Deferred tax liabilities	*19*	**13,974**	13,633
Other noncurrent liabilities	*28, 34*	**2,157**	971
Total Noncurrent Liabilities		**101,039**	108,762
Equity	*18, 20, 30, 33*		
Equity Attributable to Equity Holders of the Company			
Capital stock		**16,067**	16,031
Additional paid-in capital		**30,211**	29,647
Revaluation increment		**18**	18
Cumulative translation adjustments	*20*	**4,577**	5,619
Retained earnings:			
Appropriated for expansion projects		**6,036**	6,087
Unappropriated		**78,011**	70,695
Treasury stock		**(4,053)**	(4,053)
		130,867	124,044
Minority Interest		**21,662**	14,060
Total Equity		**152,529**	138,104
		P349,584	P338,532

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Figures for 2005 and 2004)
(In Millions, Except Per Share Data)

	Note	**2006**	2005	2004
SALES		**P249,650**	P226,737	P174,703
COST OF SALES	*21*	**172,834**	161,206	121,726
GROSS PROFIT		**76,816**	65,531	52,977
SELLING AND ADMINISTRATIVE EXPENSES	*22*	**(56,258)**	(48,066)	(35,469)
INTEREST EXPENSE AND FINANCING CHARGES	*15, 17, 18, 25*	**(10,762)**	(11,822)	(3,607)
INTEREST INCOME		**2,994**	2,775	1,212
FOREIGN EXCHANGE GAIN - Net		**2,817**	2,159	302
EQUITY IN NET EARNINGS OF ASSOCIATES	*9*	**170**	89	146
OTHER INCOME (CHARGES) - Net	*26*	**(515)**	737	(869)
INCOME BEFORE INCOME TAX		**15,262**	11,403	14,692
PROVISION FOR INCOME TAX	*19*	**5,092**	2,430	4,695
NET INCOME		**P10,170**	P8,973	P9,997
Attributable to:				
Equity holders of the Company		**P10,566**	P9,031	P8,859
Minority interest		**(396)**	(58)	1,138
		P10,170	P8,973	P9,997
Basic Earnings Per Share, attributable to equity holders of the Company	*31*	**P3.36**	P2.95	P3.11

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Figures for 2005 and 2004)
(In Millions)

	Note	**2006**	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P15,262**	P11,403	P14,692
Adjustments for:				
Depreciation, amortization and others - net		**11,875**	13,087	11,003
Interest expense and financing charges	*25*	**10,762**	11,822	3,607
Interest income		**(2,994)**	(2,775)	(1,212)
Equity in net earnings of associates	*9*	**(170)**	(89)	(146)
Gain on sale of investments and property and equipment	*26*	**(272)**	(63)	(70)
Operating income before working capital changes		**34,463**	33,385	27,874
Changes in noncash current assets, certain current liabilities and others	*32*	**419**	(15,019)	(9,989)
Cash generated from operations		**34,882**	18,366	17,885
Interest paid		**(12,698)**	(9,194)	(2,848)
Income taxes paid		**(4,895)**	(5,747)	(5,496)
Net cash flows from operating activities		**17,289**	3,425	9,541
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash acquired	*9*	**(4,981)**	(87,912)	(5,851)
Addition to investments and advances		**(3)**	(5,566)	(1,731)
Additions to property, plant and equipment	*10*	**(12,593)**	(11,901)	(16,855)
Decrease (increase) in other noncurrent assets		**(4,931)**	5,824	(6,508)
Proceeds from sale of investments and property and equipment		**2,741**	2,857	186
Interest received		**3,015**	2,787	1,197
Dividends received		**73**	-	44
Net cash flows used in investing activities		**(16,679)**	(93,911)	(29,518)

Forward

	Note	**2006**	2005	2004
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**P232,386**	P221,404	P68,914
Long-term borrowings		**17,354**	71,741	22,904
Payments of:				
Short-term borrowings		**(222,865)**	(213,576)	(60,667)
Long-term borrowings		**(19,892)**	(8,498)	(1,959)
Reissuance of treasury shares	*20*	**-**	17,799	-
Cash dividends paid	*30*	**(4,369)**	(4,267)	(4,061)
Issuances of capital stock	*20, 33*	**600**	487	237
Dividends paid to minority shareholders		**(157)**	(280)	(220)
Increase in minority interest		**480**	46	-
Net cash flows provided by financing activities		**3,537**	84,856	25,148
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(743)**	(494)	3
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,404**	(6,124)	5,174
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**20,876**	27,000	21,826
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P24,280**	P20,876	P27,000

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Figures for 2005 and 2004)
(In Millions)

	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Minority Interest	Total Equity
At January 1, 2006		**P16,031**	**P29,647**	**P18**	**P5,619**	**P6,087**	**P70,695**	**(P4,053)**	**P124,044**	**P14,060**	**P138,104**
Changes in the fair value of cash flow hedges, net of tax		**-**	-	**-**	**18**	-	-	-	**18**	-	**18**
Net effect of translation adjustments		**-**	-	**-**	**(1,060)**	-	-	-	**(1,060)**	-	**(1,060)**
Net income		**-**	-	**-**	-	-	**10,566**	-	**10,566**	**(396)**	**10,170**
Total income and expense for the year		**-**	-	**-**	**(1,042)**	-	**10,566**	-	**9,524**	**(396)**	**9,128**
Issuances	*33*	**36**	**376**	**-**	-	-	-	-	**412**	-	**412**
Stock options	*33*	-	**188**	-	-	-	-	-	**188**	-	**188**
Addition in minority interest , dividends and others		-	-	-	-	-	-	-	-	-	-
Appropriations - net	*20*	**-**	-	**-**	-	**(51)**	**51**	-	-	**7,998**	**7,998**
Cash dividends	*30*	**-**	-	**-**	-	-	**(3,301)**	-	**(3,301)**	-	**(3,301)**
At December 31, 2006		**P16,067**	**P30,211**	**P18**	**P4,577**	**P6,036**	**P78,011**	**(P4,053)**	**P130,867**	**P21,662**	**P152,529**

Forward

	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Minority Interest	Total Equity
At January 1, 2005, as restated		P15,982	P27,902	P18	P15,102	P5,787	P66,175	(P20,724)	P110,242	P17,344	P127,586
Effect of change in accounting for financial instruments		-	-	-	-	-	180	-	180	(12)	168
At January 1, 2005, as adjusted		15,982	27,902	18	15,102	5,787	66,355	(20,724)	110,422	17,332	127,754
Changes in fair value of cash flow hedges, net of tax		-	-	-	(82)	-	-	-	(82)	-	(82)
Net effect of translation adjustments	*19*	-	-	-	(9,401)	-	-	-	(9,401)	-	(9,401)
Net income		-	-	-	-	-	9,031	-	9,031	(58)	8,973
Total income and expense for the year		-	-	-	(9,483)	-	9,031	-	(452)	(58)	(510)
Issuances	*33*	49	438	-	-	-	-	-	487	-	487
Stock option	*33*	-	179	-	-	-	-	-	179	-	179
Reissuance of treasury shares	*20*	-	1,128	-	-	-	-	16,671	17,799	-	17,799
Reduction in minority interest , dividends and others		-	-	-	-	-	-	-	-	(3,214)	(3,214)
Appropriations - net	*20*	-	-	-	-	300	(300)	-	-	-	-
Cash dividends	*30*	-	-	-	-	-	(4,391)	-	(4,391)	-	(4,391)
At December 31, 2005		P16,031	P29,647	P18	P5,619	P6,087	P70,695	(P4,053)	P124,044	P14,060	P138,104

Forward

	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total	Minority Interest	Total Equity
At January 1, 2004		P15,959	P27,600	P -	P13,772	P5,325	P61,762	(P20,724)	P103,694	P13,529	P117,223
Net effect of translation adjustments	*19*	-	-	-	1,330	-	-	-	1,330	-	1,330
Net income		-	-	-	-	-	8,859	-	8,859	1,138	9,997
Total income and expense for the year		-	-	-	1,330	-	8,859	-	10,189	1,138	11,327
Issuances	*33*	23	214	-	-	-	-	-	237	-	237
Stock options	*33*	-	88	-	-	-	-	-	88	-	88
Addition in minority interest, dividends and others		-	-	-	-	-	-	-	-	2,677	2,677
Revaluation increment from business combination		-	-	18	-	-	-	-	18	-	18
Appropriations - net	*20*	-	-	-	-	462	(462)	-	-	-	-
Cash dividends	*30*	-	-	-	-	-	(3,984)	-	(3,984)	-	(3,984)
At December 31, 2004		P15,982	P27,902	P18	P15,102	P5,787	P66,175	(P20,724)	P110,242	P17,344	P127,586

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

San Miguel Corporation (the "Company") is incorporated in the Philippines. The consolidated financial statements of the Company as at and for the year ended December 31, 2006 comprise the financial statements of the Company and its Subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed in the Philippine Stock Exchange. The Group is primarily engaged in the production, processing and marketing of beverage, food and packaging products. The Group is also engaged in the management and development of real estate properties. The registered office address of the Company is No. 40 San Miguel Avenue, Mandaluyong City.

San Miguel Corporation is the ultimate parent company of the Group.

The consolidated financial statements as at and for the year ended December 31, 2006 were authorized for issue by the Board of Directors (BOD) on April 12, 2007.

2. Basis of Preparation

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

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- agricultural produce are measured at fair value less estimated point-of-sale costs.

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

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including interpretations, issued by the Financial Reporting Standards Council.

Basis of Consolidation

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

	Percentage of Ownership	Country of Incorporation
Beverage Business:		
San Miguel Brewing International Ltd. and subsidiaries [including San Miguel Brewery Hong Kong Limited, PT Delta Djakarta Tbk and San Miguel Beer (Thailand) Ltd.[(a)]]	100.00	British Virgin Islands (BVI)
J. Boag & Son Limited[(b)]	100.00	Australia
Ginebra San Miguel, Inc. (GSMI) and subsidiaries [including Ginebra San Miguel International, Ltd.(GSMIL)]	79.62	Philippines
Coca-Cola Bottlers Philippines, Inc. (CCBPI) and subsidiaries [including Philippine Beverage Partners Inc. (PhilBev), Philippine Bottlers, Inc., Cosmos Bottling Corporation (CBC), Luzviminda Land Holdings, Inc., Marangal Properties, Inc. and Philbev Realty, Inc.][(b)]	65.00	Philippines
Food Business:		
San Miguel Foods and Beverage International Limited (SMFBIL) and subsidiaries [including San Miguel Pure Foods Investment (BVI) Limited (SMPFI) and San Miguel Pure Foods (Vn) Co. Ltd (SMPFVN)]	100.00	BVI
San Miguel Foods Australia Holdings Pty Ltd. (SMFAH) and subsidiaries[(b)] [including National Foods Limited (NFL)[(d)], King's Creameries (S) Pte. Ltd. (King's)[(c)] and Berri Ltd. (Berri)[(e)]]	100.00	Australia
Star Dari, Inc. (SDI)[(b)]	100.00	Philippines
San Miguel Pure Foods Company, Inc. (SMPFC) and subsidiaries [including San Miguel Foods, Inc. (SMFI) and subsidiary (San Miguel Mills, Inc. [SMMI]), The Purefoods-Hormel Company, Inc., Magnolia Inc. (Magnolia), San Miguel Super Coffeemix Co., Inc. (SMSCCI), RealSnacks Mfg. Corp. (RealSnacks)[(f)] and P.T. San Miguel Pure Foods Indonesia Ltd. (PTSMPFI)[(g)]][(b)]	99.83[(h)]	Philippines
Monterey Foods Corporation (MFC)[(b)]	98.14	Philippines
Packaging Business:		
San Miguel Packaging International Limited (SMPIL) and subsidiaries [including San Miguel Yamamura Haiphong Glass Co., Ltd[(b)], Zhaoqing San Miguel Glass Co., Ltd., San Miguel Packaging & Printing Sdn. Bhd[(b)], San Miguel Woven Products Sdn. Bhd.[(b)], San Miguel Packaging Research		

Forward

	Percentage of Ownership	Country of Incorporation
Center Sdn. Bhd.[(b)] and San Miguel Plastic Films Sdn. Bhd.[(b)]]	100.00	BVI
San Miguel Packaging Specialists, Inc. (SMPSI) [including subsidiaries which were merged in 2006, Premium Packaging International, Inc.(Primepak), Rightpak International Corporation (Rightpak) and San Miguel Yamamura Ball Corporation (SMYBC)]	100.00	Philippines
Mindanao Corrugated Fibreboard, Inc. (Mincorr)[(b)]	73.33	Philippines
San Miguel Rengo Packaging Corporation (SMRPC)[(b)]	70.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC)	60.00	Philippines
SMC Yamamura Fuso Molds Corporation (SMYFMC)[(b)]	60.00	Philippines
Real Estate Business:		
Seaside Industrial Estate, Inc.[(f)]	100.00	Philippines
San Miguel Properties, Inc. (SMPI) and subsidiaries[(b)]	99.68	Philippines
Others:		
ArchEn Technologies, Inc.	100.00	Philippines
Challenger Aero Air Corp.	100.00	Philippines
San Miguel Energy Corporation	100.00	Philippines
San Miguel Logistics Asia Corporation and subsidiaries[(b)]	100.00	Philippines
SMC Stock Transfer Service Corporation	100.00	Philippines
SMITS, Inc.[(b)]	100.00	Philippines
SM Bulk Water Company Inc.	100.00	Philippines
Pacific Central Properties, Inc.	100.00	Philippines
Philippine Breweries Corporation (PBC)	99.52	Philippines
SMC Shipping and Lighterage Corporation (SMCSLC)	70.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC)[(b)]	58.33	Philippines

(a) Consolidated effective April 16, 2004.
(b) The financial statements of this subsidiary were audited by other auditors.
(c) Consolidated to SMFBIL effective March 18, 2005 and to SMFAH effective October 1, 2006.
(d) Consolidated effective June 10, 2005.
(e) Consolidated effective November 5, 2004.
(f) Not yet operating as of December 31, 2006.
(g) Consolidated effective March 25, 2004.
(h) In 2005, the Company's percentage of ownership in SMPFC was 99.75%.

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

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

Minority interest represent the interests not held by the Group in GSMI, CCBPI, King's, SMPFC, MFC, Mincorr, SMRPC, SMYAC, SMYFMC, SMPI, PBC, SMCSLC and AIBC in 2006 and 2005, including interest not held by the Group in SMPFI in 2006.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation (Notes 11 and 22).

Adoption of New Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council, (the successor body to the Accounting Standards Council), approved the adoption of new standards, amendments to standards, and interpretations.

Amendments to Standards and Interpretation Adopted in 2006
Starting January 1, 2006, the Group adopted the following new and amended PAS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC):

- Amendment to PAS 19, *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures,* provides an option for recognizing actuarial gains and losses in full in the period in which they occur, outside profit or loss. The amendment also (a) specifies how group entities should account for defined benefit group plans in their separate or individual financial statements and (b) requires entities to provide additional disclosures. The adoption did not have a recognition or measurement impact as the Group chose not to apply the new option offered to recognize actuarial gains or losses outside of the consolidated statements of income.

- Amendment to PAS 21, *Effects of Changes in Foreign Exchange Rates,* states that all exchange differences arising from a nonmonetary item that forms part of the Company's net investment in foreign operations are recognized in a separate component of equity in the financial statements regardless of the currency in which the monetary item is denominated.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Cash Flow Hedge Accounting of Forecast Intragroup Transactions,* permits the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction and that the foreign currency risk will affect the consolidated statements of income. As the Group has no such transactions, the amendment did not have an effect on the consolidated financial statements.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - The Fair Value Option,* limits the fair value option to those financial instruments that meet the following conditions: where such designation eliminates or significantly reduces an accounting mismatch, when a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and when an instrument contains an embedded derivative that meets particular conditions. The Group had not previously used this option. Hence, the amendment did not have an effect on the consolidated financial statements.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts,* requires the issuer of a financial guarantee contract to measure the contract: initially at fair value and subsequently at the higher of (a) the amount determined in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with PAS 18, *Revenue.* However, if specified criteria are met, the issuer may use the fair value option in PAS 39. As the Group has no such transactions, the amendment did not have an effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease* provides guidance for determining whether an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments, is or contains, a lease that should be accounted for in accordance with PAS 17, *Leases*.

The adoption of the above amendments to PAS and Philippine interpretation from IFRIC did not have a material effect on the consolidated financial statements.

New Standards, Amendment to Standard and Interpretations Not Yet Adopted
The following are the new standards, amendment to standard and interpretations which are not yet effective for the year ended December 31, 2006, and have not been applied in preparing these consolidated financial statements:

- PFRS 7, *Financial Instruments: Disclosures,* requires extensive disclosures about the significance of financial instruments relative to an entity's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. The revised disclosures from the amendments will be included in the consolidated financial statements when the amendments are adopted in 2007.

- PFRS 8, *Operating Segments,* requires an entity to adopt the "management approach" to reporting segment information. This will be effective January 1, 2009 and will replace PAS 14, *Segment Reporting*. It is required for adoption only by entities whose debt or equity instruments are publicly traded, or are in the process of filing with the Philippine Securities and Exchange Commission (SEC) for the purposes of issuing any class of instruments in a public market. The Company will assess the impact of this standard to its current manner of reporting segment information when it adopts the standard on January 1, 2009.

- Amendment to PAS 1, *Presentation of Financial Statements - Capital Disclosures,* requires additional disclosures regarding the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. These new disclosures will be included in the Group's financial statements when the standard is adopted in 2007.

- IFRIC 8, *Scope of PFRS 2 Share-based Payment,* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. The interpretation will have no impact on the financial position of the Group.

- IFRIC 9, *Reassessment of Embedded Derivatives,* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract to be made only when there are changes to the contract that significantly modifies the cash flows. This becomes effective for financial years beginning on or after June 1, 2006. The Group assessed that the adoption of these interpretation will have no significant impact on its consolidated financial statements.

- IFRIC 10, *Interim Financial Reporting and Impairment,* prohibits the reversal of impairment losses on goodwill and available-for-sale investments recognized in interim financial reports even if the impairment is no longer present at the balance sheet date. This interpretation has no significant impact on the consolidated financial statements.

- IFRIC 11, *IFRS 2 - Group and Treasury Share Transactions,* describes how to apply PFRS 2, *Share-based Payment* to share-based payment arrangements involving an entity's own equity instruments and share-based payment arrangements of subsidiaries involving equity instruments of its parent company. This interpretation will be effective January 1, 2008. The Company will assess the impact of this standard upon adoption.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, available-for-sale (AFS) investments, FVPL financial assets, and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques includes net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

Financial Assets

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gain or losses on investments held for trading are recognized in the consolidated statements of income.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group accounts for its derivative transactions (including embedded derivatives) under this category with fair value changes being reported directly to profit or loss, except when the derivative is treated as an effective accounting hedge, in which the fair value change is deferred in equity under "Cumulative translation adjustments" account.

The Group has no investments classified as financial assets at FVPL.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group's trade and other receivables are included in this category (Note 7).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group's HTM investments matured in 2006 (Note 9).

AFS. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are reported in the equity section of the consolidated balance sheets until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the consolidated statements of income. Interest earned on holding AFS investments are recognized in the consolidated statements of income using effective interest rate.

The Group's investments in equity securities included under "Investments and Advances" are classified under this category.

Financial Liabilities

Financial Liability at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Company elects to designate a financial liability under this category.

Included in this category are the Group's derivative financial instruments with negative fair values that are not accounted for under cash flow hedge accounting (Note 35).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Group's drafts and loans payable, accounts payable and long-term debt.

Debt Issuance Costs

Debt issuance costs are shown as deduction for the related debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivatives and Hedge Accounting

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the consolidated statements of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

As of December 31, 2006, the Group has no outstanding derivatives accounted for as fair value hedges.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are included in the consolidated statements of changes in equity under "Cumulative translation adjustments" account. The ineffective portion is immediately recognized in the consolidated statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash-flow hedges, gains and losses initially recognized in equity are transferred from equity to net income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in the consolidated statements of income.

As of December 31, 2006, the Group has outstanding commodity and currency options, currency forwards, currency and interest rate swaps designated as effective cash flow hedges.

Net Investment Hedge. As of December 31, 2006, the Group has no hedge of a net investment in a foreign operation.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to net profit or loss during the year incurred.

Embedded Derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group assesses at balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statements of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Investments. For AFS investments, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In case of equity investment classified as AFS, this would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is removed from equity and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income. Increases in fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is based on the same criteria as loans and receivables and HTM financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset. If, in the subsequent year, the fair value of a debt instrument can be objectively related to an asset occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial assets to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheets.

Inventories
Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value. Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods and goods in process	-	cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method;
Materials and supplies	-	at cost using the moving-average method.

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

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

Containers (i.e., returnable bottles and shells) are stated at deposit value. The excess of the acquisition cost of the containers over their deposit value is presented under "Deferred containers" account included under "Other noncurrent assets" account in the consolidated balance sheets and is amortized over the estimated useful lives of two to twelve years.

Biological Assets and Agricultural Produce

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

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

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

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

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

Investments in Associates

The Group's investments in its associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investments in associates are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in net assets of the associates. Goodwill relating to the associates are included in the carrying amount of the investments and are not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investments in the associate. The consolidated statements of

income reflect the share in the results of operations of the associates. Where there has been a change recognized directly in the equity of associates, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

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

a. Goodwill relating to an associate is included in the carrying amount of investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profit or losses.

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

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

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interest in Joint Venture

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

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

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

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

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

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

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

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

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of income in the year the asset is derecognized.

Investment Properties

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

Depreciation on buildings is computed using the straight-line method over 5 to 50 years.

An investment property is derecognized when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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

Business Combinations and Goodwill

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

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

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

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

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PAS 14, *Segment Reporting.*

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

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

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

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

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

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

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

Impairment of Non-financial Asset with Definite Useful Life

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

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

Provisions

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

Revenue Recognition

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

Sales. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery.

Agricultural Produce. Revenue for agricultural produce is measured at fair value less cost to sell at point of harvest. Fair value is based on the most relevant market price at point of harvest.

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

Dividend. Income is recognized when the right to receive the payment is established.

Share-based Transactions

The cost of Long-term Incentive Plan for Stock Options (LTIP) is measured by reference to the option fair value at the date when the options are granted. The fair value is determined using Black-Scholes option-pricing model. In valuing LTIP transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company. The cost of Employee Stock Purchase Plan (ESPP) is measured by reference to the market price at the time of the grant less subscription price.

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

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

Leases

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

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

Borrowing Costs

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

Research and Development Costs

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

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

Retirement Costs

The Company and majority of its subsidiaries have funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. Retirement costs are actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

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

The past service cost, if any, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the plan, past service cost is recognized immediately.

The net retirement liability, included under "Other Noncurrent Liabilities" account in the consolidated balance sheets is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

Foreign Currency Transactions and Translations

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

The functional currency of the Group's foreign operations is United States dollar. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are included in the consolidated statements of changes in equity under "Cumulative translation adjustments" account. On disposal of a foreign entity, the accumulated exchange differences are recognized in the consolidated statements of income as a component of the gain or loss on disposal.

Taxes

Current tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance sheet date.

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized, except:

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

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

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income.

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

Sales tax. Revenues, expenses and assets are recognized net of the amount of sales tax, except:

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheets.

Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of the shares issuable to employees and executives under the Company's ESPP and LTIP, respectively, which are assumed to be exercised at the date of grant.

Where the EPS effect of the assumed conversion of shares issuable to employees and executives under the Company's stock purchase and option plans would be anti-dilutive, diluted EPS is not presented.

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes.

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

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

Rent expense charged to operations amounted to P2,970, P2,188 and P1,661 in 2006, 2005 and 2004, respectively (Notes 21 and 22).

Functional Currency. The Group has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Company operates.

Estimates

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

Allowances for Doubtful Accounts. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience.

The allowance for doubtful accounts amounted to P4,558 and P4,512 as of December 31, 2006 and 2005, respectively (Note 7). The carrying value of trade and other receivables amounted to P43,275 and P43,767 as of December 31, 2006 and 2005, respectively (Note 7).

Allowance for Inventory Losses. The Group provides allowance for inventories whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The allowance for inventory losses amounted to P1,740 and P1,640 as of December 31, 2006 and 2005, respectively. The carrying value of inventories amounted to P42,627 and P40,693 as of December 31, 2006 and 2005, respectively (Note 8).

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

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

Accumulated depreciation and amortization of investment properties and property, plant and equipment amounted to P74,064 and P74,053 as of December 31, 2006 and 2005, respectively. Property, plant and equipment, net of accumulated depreciation and amortization amounted to P101,266 and P98,232 as of December 31, 2006 and 2005, respectively. Investment properties net of accumulated depreciation amounted to P2,124 and P1,950 as of December 31, 2006 and 2005, respectively (Notes 10 and 11).

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

Intangible assets with finite useful life amounted to P1,925 and P1,659 as of December 31, 2006 and 2005, respectively (Note 13).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets amounted to P6,653 and P6,128 as of December 31, 2006 and 2005, respectively (Note 19).

Impairment of Non-financial Assets. Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, investment properties, biological assets and other intangible assets with definite useful lives when certain impairment indicators are present. For intangible assets with indefinite useful lives, impairment testing is performed on an annual basis. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Accumulated impairment losses amounted to P3,660 and P3,918 as of December 31, 2006 and 2005, respectively. The aggregate amount of investments and advances, property, plant and equipment, investment properties, biological assets, goodwill and other intangible assets amounted to P211,563 and P206,224 as of December 31, 2006 and 2005, respectively (Notes 9, 10, 11, 12 and 13).

Retirement Cost and Other Retirement Benefits. The determination of the Group's obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 29 to the consolidated financial statements and include discount rate, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Net retirement liability and net unrecognized actuarial losses amounted to P562 and P1,840, respectively, as of December 31, 2006 and P486 and P407, respectively, as of December 31, 2005 (Note 29).

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

Unrealized fair value adjustments included in the cost of inventories as of December 31, 2006 and 2005 amounted to P15 (Note 8).

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

Fair value of financial assets and liabilities are discussed in Note 35.

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling property and equipment and other costs of restoring the leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2006 and 2005.

Contingencies. The Group currently has various tax assessments and legal claims. The Group's estimate of the probable costs for the assessments and claims and assessment of the resolution of these claims have been developed in consultation with in-house as well as outside counsel handling the prosecution and defense of these cases and is based on an analysis of potential results. The Group currently does not believe that these tax assessments and legal claims will have a material adverse effect on the consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 37).

5. Business and Geographical Segments

Business Segments

For management purposes, the Group is organized into three major business segments, i.e., beverage, food and packaging. These are also the basis of the Group in reporting its primary segment information.

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

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

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

Geographical Segments

The Group's major businesses primarily operate in the following geographical areas - Philippines, Australia, China, Indonesia, Vietnam and Thailand.

Segment Assets and Liabilities

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

Inter-segment Transactions

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

Financial information about business and geographical segments follow:

Business Segments

	Beverage			Food			Packaging			Others			Eliminations			Consolidated		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Sales																		
External sales	**P104,181**	P107,043	P107,950	**P134,715**	P111,016	P61,297	**P10,754**	P8,678	P5,456	**P -**	P -	P -	**P -**	P -	P -	**P249,650**	P226,737	P174,703
Inter-segment sales	**18**	-	-	**10**	5	22	**8,645**	11,420	11,684	-	-	-	**(8,673)**	(11,425)	(11,706)	-	-	-
Total sales	**P104,199**	P107,043	P107,950	**P134,725**	P111,021	P61,319	**P19,399**	P20,098	P17,140	**P -**	P -	P -	**(P8,673)**	(P11,425)	(P11,706)	**P249,650**	P226,737	P174,703
Interest expense and financing charges																**(P10,762)**	(P11,822)	(P3,607)
Interest income																**2,994**	2,775	1,212
Foreign exchange gain - net																**2,817**	2,159	302
Equity in net earnings of associates																**170**	89	146
Other income (charges) - net																**(515)**	737	(869)
Provision for income tax																**(5,092)**	(2,430)	(4,695)
Net income																**P10,170**	P8,973	P9,997
Attributable to:																		
Equity holders of the Company																**P10,566**	P9,031	P8,859
Minority interests																**(396)**	(58)	1,138
Net income																**P10,170**	P8,973	P9,997
Other Information																		
Segment assets	**P123,349**	P125,034	P122,979	**P76,159**	P75,785	P49,099	**P39,112**	P31,363	P25,753	**P108,638**	P116,454	P59,169	**(109,447)**	(P119,882)	(P48,662)	**P237,811**	P228,754	P208,338
Investments in and advances to associates	-	-	-	**5,936**	6,217	409	**419**	1,659	356	**40,529**	39,887	35,110	**(41,103)**	(41,470)	(35,218)	**5,781**	6,293	657
Goodwill, trademarks and brands																**99,089**	96,285	21,380
Other assets																**250**	1,072	3,691
Deferred tax assets																**6,653**	6,128	2,240
Consolidated total assets																**P349,584**	P338,532	P236,306
Segment liabilities	**P45,689**	P44,794	P49,284	**P96,336**	P156,158	P17,533	**P18,664**	P15,284	P13,912	**P73,866**	P80,988	P15,977	**(P195,498)**	(P260,059)	(P69,861)	**P39,057**	P37,165	P26,845
Drafts and loans payable																**42,354**	32,879	25,788
Long-term debt and redeemable preferred shares																**95,915**	108,807	42,376
Income and other taxes payable																**3,016**	2,472	3,429
Dividends payable and others																**2,739**	5,472	2,642
Deferred tax liabilities																**13,974**	13,633	7,640
Consolidated total liabilities																**P197,055**	P200,428	P108,720
Capital expenditures	**P4,134**	P6,333	P5,276	**P3,455**	P1,564	P6,492	**P4,089**	P2,772	P3,610	**P915**	P1,232	P1,477	**P -**	P -	P -	**P12,593**	P11,901	P16,855
Depreciation and amortization and impairment of property, plant and equipment	**3,665**	5,119	3,466	**2,049**	1,976	2,161	**1,337**	886	1,018	**460**	301	372	-	-	-	**7,511**	8,282	7,017
Noncash items other than depreciation and amortization	**3,442**	3,099	2,091	**257**	1,179	1,539	**54**	76	449	**611**	451	(93)	-	-	-	**4,364**	4,805	3,986

Geographical Segments

	Sales			Segment Assets			Capital Expenditures		
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004
Philippines	**P156,746**	P153,836	P151,676	**P156,142**	P151,833	P155,397	**P7,381**	P8,021	P10,584
Australia	**75,970**	54,152	7,361	**40,139**	35,468	12,251	**2,348**	110	171
China	**7,636**	7,942	7,598	**22,723**	23,339	25,268	**929**	302	76
Indonesia	**2,982**	3,216	2,901	**5,370**	5,319	3,471	**186**	1,721	565
Vietnam	**2,378**	2,416	2,175	**3,824**	3,657	2,681	**838**	278	202
Thailand	**378**	657	31	**6,663**	5,411	5,633	**856**	1,469	5,257
Others	**3,560**	4,518	2,961	**2,950**	3,727	3,637	**55**	-	-
	P249,650	P226,737	P174,703	**P237,811**	P228,754	P208,338	**P12,593**	P11,901	P16,855

6. Cash and Cash Equivalents

	2006	2005
Cash in banks and on hand	**P7,579**	P8,315
Short-term placements	**16,701**	12,561
	P24,280	P20,876

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

7. Trade and Other Receivables

	Note	**2006**	2005
Trade		**P39,284**	P41,396
Amounts owed by related parties	*27*	**393**	171
Others	*28, 33*	**8,156**	6,712
		47,833	48,279
Less allowance for doubtful accounts		**4,558**	4,512
		P43,275	P43,767

Trade receivables are non-interest bearing and are generally on 30 days term.

The Group has matured short-term placements with a local bank which was placed under receivership on April 26, 2000. The bank and its subsidiary have been merged with another commercial bank and resumed operation on September 3, 2001. Under the terms and conditions of the repayment plan, placements will be settled as follows:

i. Seventy-five percent will be converted into time deposits withdrawable within three years from public opening date as follows: 30% at the end of year 1, 30% at the end of year 2 and 40% by the end of year 3; and

ii. The remaining balance of 25% will be paid in equal amortizations on the fourth, fifth and sixth year from public opening date.

In accordance with the repayment terms, the Group has received a total payment of P127 in 2005. In 2006, which is year 5, the Group was not able to collect the amount due as at December 31, 2006. The Group is still negotiating with the bank regarding the collection of the amounts for years 5 and 6 and management anticipates that amount due in year 5 will be collected in the first quarter of 2007 and the amount due in year 6 will be collected as scheduled. The amount due in years 5 and 6 are included in other receivables. The current fair value of this financial asset was determined as a reasonable approximation of fair value.

8. Inventories

	2006	2005
Finished goods and goods in process - at cost, except for agricultural produce which were valued at net realizable value in 2006	**P13,122**	P13,116
Containers - at deposit value	**5,731**	5,304
Materials and supplies - at net realizable value	**23,774**	22,273
Total inventories at lower of cost and net realizable value	**P42,627**	P40,693

The cost of materials and supplies as of December 31, 2006 and 2005 amounted to P24,522 and P22,696, respectively.

Finished goods and goods in process include unrealized gain on fair valuation of agricultural produce amounting to P15 in 2006 and 2005. The fair value of agricultural produce, less point-of-sale cost, which formed part of finished goods inventory amounted to P126 and P100 as of December 31, 2006 and 2005, respectively, with corresponding cost at point-of-harvest amounting to P111 and P85, respectively.

9. Investments and Advances

Investments in Subsidiaries

The following are the developments relating to the Company's investments in subsidiaries in 2006, 2005 and 2004:

a. SMFBIL

In December 2006, the Company through SMFBIL sold to Hormel Netherlands B.V. 17,395,000 shares in SMPFI, representing 49% of the total outstanding and issued shares of SMPFI, for US$20.5. As a result of the transaction, SMFBIL now holds 18,105,000 shares in SMPFI, representing 51% of the total outstanding and issued shares of SMPFI. SMPFI owns 100% of SMPFVN, the hogs and feeds business undertaking in Vietnam.

b. SMPFC

In December 2005, the Company subscribed to an additional 13,879,434 shares of stock of SMPFC. The consideration paid by the Company amounting to P850 was recognized as deposit for future stock subscription, pending the SEC approval to the amendment of SMPFC's Articles of Incorporation to include a provision on the denial of preemptive rights to minority stockholders with respect to the issuance of shares of stock to the Company. The SEC approved the said amendment on February 9, 2006.

In December 2006, the BOD approved the transfer to SMPFC its share interest in SMFI, Magnolia and Monterey at respective book values as of September 30, 2006 totaling P4,591 effective January 1, 2007. In exchange, SMPFC will issue its equivalent shares valued at the latest traded price as of September 30, 2006 to the Company.

c. Magnolia

In November 2006, Magnolia and SDI executed a Deed of Assignment in favor of Magnolia, for the transfer of certain machinery and equipment with an appraised value of P19.8 as of November 27, 2006. In exchange, Magnolia will issue 11.1 million shares of its stock valued at net book value as of May 31, 2006. SDI then declared the said Magnolia shares as property dividend to the Company. The issuance of shares of stock to SDI and the declaration of the shares as property dividend to the Company is still pending approval with the SEC.

d. SMPFVN

In October 2006, the Company through SMPFVN entered into a Sale and Purchase Agreement (the "SPA") with Le Gourmet Company Limited ("Le Gourmet"), for the purchase of certain tangible assets, trademarks, processes and information, as well as the take over of the land use rights of Le Gourmet for the purchase price of US$2.1. These assets are used by Le Gourmet in relation to the processing and sale of its meat products in Vietnam. The completion of the transaction shall be subject to the terms and conditions specified in the SPA, including the relevant governmental approvals of the transaction in Vietnam. The transaction has not yet been completed to date.

e. SMYAC

On April 7, 2006, the SEC approved the P1,200 increase in capital of SMYAC. The Company and its Japanese partner, Nihon Yamamura Glass Company, Limited invested P720 and P480, respectively. The additional capital was used for the expansion of its glass plant in Imus, Cavite to keep up with the expected rise in demand of its glass exports.

f. SMPSI

In December 2005, subject to the approval of the SEC, the Company started the consolidation of its packaging business through SMPSI. The Company assigned to SMPSI the property, plant and equipment of its Packaging Division, in a tax-free asset-for-share arrangement, with fair value totaling P1,633 and its shares of stock in Primepak, Rightpak and SMYBC, in a tax-free equity-for-share basis, totaling P1,250. Advances of the Company to SMPSI amounting to P2,250 were converted to equity in October 2005.

Starting January 1, 2006, SMPSI assumed the operations of the Packaging Division of the Company, particularly the seven plants engaged in the businesses of metal closures and lithography, plastic crates and pallets, and glass manufacturing. Employees of the seven plants were formally transferred and recognized as employees of SMPSI on July 15, 2006.

On April 1, 2006, SMPSI also assumed the operations of SMC's contract packaging and trading business.

On May 3, 2006, the SEC approved the merger of Primepak, Rightpak, SMYBC and SMPSI effective June 1, 2006, with SMPSI as the surviving entity. The tax-free merger was confirmed by the Bureau of Internal Revenue. Consequently, in accordance with the terms of the plan of merger, all the assets and liabilities of Primepak, Rightpak and SMYBC as at June 1, 2006 were absorbed, at book values, by SMPSI. There was no issuance of shares by SMPSI pursuant to the tax-free merger since Primepak, Rightpak and SMYBC were wholly-owned subsidiaries of SMPSI at the time of the merger.

g. NFL

In June 2005, the Company, through SMFAH, a wholly owned subsidiary, acquired 95.77% stake in NFL for A$1,834 (P76,986) or A$6.4 per share. In July 2005, the remaining shares were acquired for A$81 (P3,399) or A$6.4 per share, making NFL a wholly owned subsidiary. Goodwill amounting to P51,703 was recognized upon acquisition.

On May 1, 2006, the Kings Island Company Ltd., a wholly-owned subsidiary of NFL, acquired 100% of the share capital of Lactos Pty Ltd. for A$129 (P5,079).

The fair value of the identifiable assets and liabilities of Lactos as of 2006 are as follows:

Cash and cash equivalents	P 1
Receivables and other current assets	820
Inventories	903
Property, plant and equipment	933
Other noncurrent assets	1,024
Accounts payable and accrued expenses	(993)
Other noncurrent liabilities	(207)
Net assets	2,481
Goodwill arising on acquisition	2,500
Total consideration	P4,981

In 2006, Lactos reported net income amounting to P60 from the date of its acquisition.

h. King's

In March 2005, the Company, through SMFBIL, acquired 76.38% stake in King's Creameries (S) Pte. Ltd., an ice cream business based in Malaysia and Singapore, for S$9.40 (P313). Goodwill amounting to P145 was recognized upon acquisition.

On October 1, 2006, SMFAH, a wholly owned subsidiary, acquired King's from SMFBIL, also a wholly owned subsidiary.

i. Berri

In August 2004, the Company, through SMFAH, a wholly owned subsidiary, acquired 50% stake in Berri for A$134.5 (P5,394). In November 2004, an additional 1% stake was acquired for A$2.7 (P120) giving the Company a total of 51% ownership. This enabled the Company to fully consolidate Berri starting November 2004.

In December 2005, the Company, through wholly owned subsidiary, National Foods Holdings Ltd., acquired the remaining outstanding shares of Berri for $170 (P6,622). Goodwill amounting to P3,769 was recognized upon acquisition.

j. SMMI

In September 2005, SMMI, a wholly owned subsidiary of SMFI, was incorporated with an initial capital of P0.25.

In December 2005, SMFI and SMMI executed a Deed of Assignment transferring certain assets and liabilities (at historical book value) of the former's Flour Division in exchange for the latter's shares effective January 1, 2006. The transfer of the net assets at historical book value amounting to P1,646 was the full payment for SMFI's subscription to 16.4 million common shares of SMMI issued out of the increase in its authorized capital stock.

As of December 31, 2006, SMMI's application for the increase in its authorized capital stock is still pending approval with the SEC.

k. San Miguel Packaging Companies in Malaysia

In November 2004, the Company, through its wholly owned subsidiary, SMPIL, transferred to an escrow account RM26.6 (P394), equivalent to 20% of the purchase price, for the acquisition of the packaging businesses of the Malaysian firm Guolene Packaging Industries Berhad.

In January 2005, SMPIL completed the acquisition with payment of RM106.8 (P1,556) for the remaining 80% of the purchase price. Pursuant to the terms of the relevant purchase agreements, SMPIL paid an additional amount of RM2.6 (P38) in April 2005 as an adjustment to the purchase price based on the results of a post-completion audit of the packaging businesses.

The total cost of investment was RM136.0 (P1,988). Goodwill amounting to P1,008 was recognized upon acquisition.

l. SMSCCI

In October 2004, SMPFC entered into a Joint Venture Agreement (JVA) with Singapore-based Super Coffeemix Manufacturing Ltd. for the establishment of SMSCCI, a joint venture company that will engage in the importation, packaging, manufacturing, marketing and distribution of coffee and coffee-related products in the Philippines and other countries in the Asian region. SMSCCI started commercial operations on April 1, 2005.

m. RealSnacks

In April 2004, the Company, through SMPFC, incorporated RealSnacks.

On April 19, 2006, the authorized capital stock was reduced and paid-up capital of P26 was returned to SMPFC. The reduction is a result of a management's decision to defer the commercial operation of RealSnacks.

As of December 31, 2006, RealSnacks has not yet started commercial operations.

n. CCBPI

On December 23, 2006, the Company together with its two wholly owned subsidiaries, San Miguel Beverages (L) PTE Limited (SMBPL) and San Miguel Holdings Limited (SMHL), (collectively referred to as the "Sellers") entered into a Share Purchase Agreement (SPA) with Coca-Cola South Asia Holdings, Inc. (the "Purchaser") for the sale of their combined 65% equity in CCBPI for a total consideration of US$590. The agreement provides that the closing of the sale transaction shall be subject to the completion of all the pre-closing conditions stipulated in the SPA. The closing date shall take place 3 business days after the satisfaction of all the pre-closing conditions or such other date that may be mutually agreed in writing by all Parties, provided that the closing date shall not be later than March 31, 2007 without the mutual written agreement of all Parties.

As of December 31, 2006, management was of the opinion that the sale of CCBPI shares is not highly probable given the uncertainty of the satisfaction of the pre-closing conditions stipulated in the SPA.

On February 20, 2007, SMBPL and SMHL sold to the Company their respective equity in CCBPI consisting of 726,291 common shares for P11,559 and 119,477 Class A preferred shares for P9,175, respectively.

On February 21, 2007, the Sellers entered into an Amendment to the SPA with the Purchaser amending certain provisions of the SPA executed on December 23, 2006. The amendments include, among others, a clarification that the closing accounts defined in the SPA shall mean the consolidated balance sheet of CCBPI as at February 23, 2007 and the requirement for the delivery, on closing date, by the Sellers to the Purchaser of certain documents.

On February 22, 2007, the Company and the Purchaser executed a Deed of Sale of Shares of Stock covering the Company's 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class A preferred shares for US$590. The payments to the Company are scheduled on various dates over a five year period subject to fulfillment of specific conditions attached to each and every payment due.

Summary of financial information for CCBPI, included in the consolidated financial statements, as of and for the year ended December 31, 2006 follows:

Current assets	P18,949
Noncurrent assets	27,019
Total assets	45,968
Current liabilities	13,567
Noncurrent liabilities	4,829
Total liabilities	18,396
Revenues	36,856
Expenses	38,651
Loss after tax	1,795
Minority interest:	
Equity	8,903
Net loss	626

Investments in and Advances to Associates and Other Investments

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

	Note	**2006**	2005
Investments in associates - at equity:			
Acquisition cost			
Balance at beginning of year		**P4,521**	P328
Additions		**-**	4,205
Disposals		**(25)**	(12)
Cumulative translation adjustment and others		**(177)**	-
		4,319	4,521
Accumulated equity in net earnings:			
Balance at beginning of year		**418**	329
Equity in net earnings during the year		**170**	89
Accumulated equity on investments disposed of and others		**(376)**	-
Balance at end of year		**212**	418
		4,531	4,939
Advances	*27*	**1,250**	1,354
Other investments	*34, 35*	**208**	1,012
		P5,989	P7,305

The carrying values of investments in associates are as follows:

	Percentage of Ownership	**2006**	2005
NutriAsia San Miguel Holdings Ltd. (NSMH)	42.22	**P3,719**	P4,035
KSA Realty Corporation (KSA)	29.38	**306**	481
Northpine Land, Inc. (Northpine) [formerly Jardine]	20.00	**205**	215
Vitasoy Australia Products Pty Ltd. (Vitasoy)	49.00	**300**	207
Philippine Nutrition Technologies, Inc.	50.00	**1**	1
		P4,531	P4,939

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

	2006	2005	2004
Current assets	**P12,266**	P1,911	P1,773
Current liabilities	**7,333**	1,146	829
Noncurrent assets	**19,129**	18,566	7,735
Noncurrent liabilities	**10,263**	3,550	2,503
Revenue	**14,647**	692	691
Net income	**593**	152	146

a. KSA

On August 5, 2005, KSA declared a 37.80% stock dividend, to be taken from its additional paid-in capital, to all its shareholders of record as of August 15, 2005 in the form of 500,000 Series "A" and 500,000 Series "B" redeemable preferred shares with a par value of P1,000 per share. The preferred shares were redeemed at par, amounting to P293,800, by KSA in 2006. The redemption resulted to a realized gain of P136. In addition, the Group received cash dividends from KSA amounting to P73 in 2006.

b. NSMH

In December 2005, the Company, through San Miguel Foods Asia Limited (SMFAL), together with NutriAsia, Inc., incorporated NSMH, which then holds 100% equity interest in Nutri Asia Pacific Limited (NPL). In January 2006, NPL acquired 84.5% of Del Monte Pacific Ltd., a Singapore-based listed company involved in the manufacturing of canned fruits, juice drinks, concentrates, tomato-based sauces and condiments. Total investment of the Company in NSMH as of December 31, 2005 amounted to US$76 (P4,035), representing the acquisition cost of 42.22% equity interest in NSMH (Note 36).

c. C.N.T. Wine and Liquor Company Limited (CNT)

On November 23, 2004, the Company, through GSMI, entered into a Share Purchase Agreement (SPA) with Thai Life Companies (Seller) for the purchase of 4 million shares, representing 40% ownership of the outstanding shares of CNT, a limited company organized under the laws of Thailand. The total consideration of Baht128.9 (P184.7) is based on the adjusted net assets value of CNT as of June 30, 2004. CNT possesses a license to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets in Thailand. CNT is currently constructing a production facility which is expected to be completed in 2007.

Also, on the same date, GSMI and the Seller entered into a Joint Venture Agreement (JVA). The JVA established the terms and conditions regarding the ownership and operation of CNT and the joint control rights, obligations and responsibilities of GSMI and the Seller, as stockholders, of the joint venture.

Subsequently, GSMI assigned its rights to purchase the 40% ownership of the outstanding shares of CNT to GSMIL, a company based in BVI. On December 15, 2004, all the closing conditions for the execution of the SPA were satisfied and the purchase was effected.

As of December 31, 2006, CNT has not yet started commercial operations.

d. Other investments include held-to-maturity investments as at December 31, 2005 amounting to P795, the fair value of which amounted to P802 as at such date.

Held-to-maturity investments pertain to the Company's investments in government bonds. As of December 31, 2005, the Company has an outstanding US$15 bond investment, which matured in November 2006. The bond carries an annual coupon rate of 5.625%.

Other investments also include available-for-sale assets as of December 31, 2006 and 2005 amounting to P208 and P217, respectively.

Investments in available-for-sale assets pertain to various investments in shares of stock carried at fair value.

10. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Gross carrying amount:										
December 31, 2004	P14,692	P24,854	P75,073	P5,200	P11,440	P4,177	P1,637	P613	P10,378	P148,064
Additions for the year	773	1,669	4,904	207	152	270	253	82	3,591	11,901
Disposals/reclassifications	(474)	(119)	(224)	(257)	(330)	(123)	(72)	-	(162)	(1,761)
Acquisition of subsidiaries	1,867	4,495	3,145	108	6,872	46	-	14	713	17,260
Currency translation adjustments	(742)	(853)	(1,045)	(53)	(494)	(33)	(19)	-	(106)	(3,345)
December 31, 2005	16,116	30,046	81,853	5,205	17,640	4,337	1,799	709	14,414	172,119
Additions for the year	500	2,824	9,629	320	1,387	243	129	116	(2,555)	12,593
Disposals/reclassifications	(7)	(1,228)	(4,858)	(462)	668	(288)	(1,045)	(25)	(1,344)	(8,589)
Acquisition of subsidiaries	17	207	639	52	-	4	-	-	14	933
Currency translation adjustments	(138)	(638)	(1,051)	(22)	(83)	(26)	(4)	-	34	(1,928)
December 31, 2006	**16,488**	**31,211**	**86,212**	**5,093**	**19,612**	**4,270**	**879**	**800**	**10,563**	**175,128**
Accumulated depreciation and amortization:										
December 31, 2004	1,419	5,631	41,187	4,175	7,747	3,657	1,433	521	-	65,770
Additions for the year	162	932	4,715	306	1,198	349	36	47	-	7,745
Disposals/reclassifications	(6)	(20)	(1,443)	(235)	(193)	(119)	(18)	-	-	(2,034)
Acquisition of subsidiaries	-	252	2,613	59	193	39	-	-	-	3,156
Currency translation adjustments	(27)	(101)	(279)	(22)	(310)	(21)	8	2	-	(750)
December 31, 2005	1,548	6,694	46,793	4,283	8,635	3,905	1,459	570	-	73,887
Additions for the year	206	1,032	4,266	218	1,293	204	187	32	-	7,438
Disposals/reclassifications	(87)	(796)	(3,913)	(463)	(54)	(307)	(933)	(320)	-	(6,873)
Currency translation adjustments	(6)	(147)	(395)	(16)	(7)	(18)	(1)	-	-	(590)
December 31, 2006	**1,661**	**6,783**	**46,751**	**4,022**	**9,867**	**3,784**	**712**	**282**	**-**	**73,862**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Accumulated impairment losses:										
December 31, 2004	P -	P324	P2,756	P -	P4	P8	P -	P -	P -	P3,092
Additions for the year	185	120	-	-	230	2	-	-	-	537
December 31, 2005	185	444	2,756	-	234	10	-	-	-	3,629
Additions for the year	-	(6)	79	-	-	-	-	-	-	73
Disposals/reclassifications	-	42	(70)	-	(350)	(1)	2	-	-	(377)
Currency translation adjustments	-	23	(55)	-	(13)	-	-	-	-	(45)
December 31, 2006	**185**	**503**	**2,710**	**-**	**(129)**	**9**	**2**	**-**	**-**	**3,280**
Net book value:										
December 31, 2005	P14,383	P22,908	P32,304	P922	P8,771	P422	P340	P139	P14,414	P94,603
December 31, 2006	**P14,582**	**P23,925**	**P36,750**	**P1,071**	**P9,874**	**P477**	**P165**	**P518**	**P10,563**	**P97,986**

Depreciation, amortization and impairment losses charged to operations amounted to P7,511, P8,282 and P7,017 in 2006, 2005 and 2004, respectively. These amounts include annual amortizations of capitalized interest amounting to P90, P122 and P125 in 2006, 2005 and 2004, respectively.

No interest was capitalized in 2006 and 2005.

11. Investment Properties

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

	Land and Land Improvements	Buildings and Improvements	Total
Cost:			
December 31, 2004	P1,677	P533	P2,210
Additions	52	2	54
Currency translation adjustments	(128)	(20)	(148)
December 31, 2005	1,601	515	2,116
Additions	129	87	216
Currency translation adjustments	22	(28)	(6)
December 31, 2006	**1,752**	**574**	**2,326**
Accumulated depreciation :			
December 31, 2004	16	137	153
Additions	10	7	17
Currency translation adjustments	-	(4)	(4)
December 31, 2005	26	140	166
Additions	24	18	42
Currency translation adjustments	-	(6)	(6)
December 31, 2006	**50**	**152**	**202**
Accumulated impairment losses :			
December 31, 2004	-	-	-
Additions	296	-	296
Currency translation adjustments	(7)	-	(7)
December 31, 2005	289	-	289
Additions	38	39	77
Currency translation adjustments	14	-	14
December 31, 2006	**341**	**39**	**380**
Net book value:			
December 31, 2005	P1,286	P375	P1,661
December 31, 2006	**P1,361**	**P383**	**P1,744**

The fair value of investment properties as of December 31, 2006 and 2005 amounted to P2,198 and P1,940, respectively, which were determined based on valuations performed by independent appraisers.

12. Biological Assets

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

	2006	2005
Current:		
Growing stocks	**P3,417**	P3,378
Goods in process	**153**	179
Total Current	**3,570**	3,557
Noncurrent breeding stocks - net	**1,260**	1,154
	P4,830	P4,711

The amortization of breeding stocks charged to operations amounted to P614 in 2006, P805 in 2005 and P830 in 2004.

Goods in process pertain to hatching eggs.

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

	2006	2005
Balance at beginning of year	**P4,711**	P4,621
Increase (decrease) due to:		
Purchases	**11,672**	21,307
Production	**11,533**	8,844
Mortality	**(84)**	(79)
Amortization	**(614)**	(805)
Sales	**(4,855)**	(1,970)
Harvest	**(17,515)**	(27,191)
Currency translation adjustments	**(27)**	(20)
Incremental gain on fair valuation	**9**	4
Balance at end of year	**P4,830**	P4,711

In 2006, the Group harvested approximately 277.9 million kgs. of grown broilers and 598,041 heads of marketable hogs and cattle , which had a fair value less estimated point-of-sale costs of P13,076 and P4,584, respectively, at the date of harvest.

13. Goodwill and Other Intangible Assets

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

	Note	**2006**	2005
Cost:			
Balance at beginning of year		**P73,014**	P19,084
Additions	*8*	**2,500**	54,799
Charged to other accounts		**1,489**	(216)
Currency translation adjustments		**(806)**	(653)
Balance at end of year		**76,197**	73,014
Accumulated amortization:			
Balance at beginning of year		**3,399**	3,157
Additions		**-**	28
Charged to other accounts		**-**	83
Currency translation adjustments		**(101)**	131
Balance at end of year		**3,298**	3,399
Net book value:		**P72,899**	P69,615

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

	Trademarks and Brands	Others	Total
Cost:			
December 31, 2004	P5,453	P1,853	P7,306
Additions	21,632	196	21,828
Disposals and reclassifications	-	176	176
Currency translation adjustments	(415)	5	(410)
December 31, 2005	26,670	2,230	28,900
Additions	1,002	421	1,423
Disposals and reclassifications	-	151	151
Currency translation adjustments	(1,482)	(90)	(1,572)
December 31, 2006	**26,190**	**2,712**	**28,902**
Accumulated amortization and impairment losses:			
December 31, 2004	-	311	311
Additions	-	201	201
Disposals and reclassifications	-	59	59
December 31, 2005	-	571	571
Additions	-	112	112
Disposals and reclassifications	-	134	134
Currency translation adjustments	-	(30)	(30)
December 31, 2006	**-**	**787**	**787**
Net book value:			
December 31, 2005	P26,670	P1,659	P28,329
December 31, 2006	**P26,190**	**P1,925**	**P28,115**

14. Other Noncurrent Assets

	Note	2006	2005
Deferred containers		**P11,613**	P12,182
Noncurrent receivables and deposits	*28, 33*	**903**	911
Others	*34*	**3,436**	2,798
		P15,952	P15,891

Derivative assets included under "Others" account amounted to P26 and P38 as of December 31, 2006 and 2005, respectively (Note 34).

15. Drafts and Loans Payable

Drafts and loans payable mainly represent unsecured peso and foreign currency-denominated amounts payable to local and foreign banks. Interest for peso-denominated loans range from 4.75% to 8%, 7% to 9% and 8% to 9% in 2006, 2005 and 2004, respectively. Interest rate for foreign currency-denominated loans was at 5.75%, 4% to 6% and 3% to 7% in 2006, 2005 and 2004, respectively.

16. Accounts Payable and Accrued Expenses

	Note	**2006**	2005
Trade	*27, 35*	**P20,474**	P17,856
Amounts owed to related parties		**592**	867
Non-trade		**11,751**	13,569
Others	*17, 34*	**6,504**	7,985
		P39,321	P40,277

Derivative liabilities included under "Others" account amounted to P177 and P57 as of December 31, 2006 and 2005, respectively (Note 35).

17. Redeemable Preferred Shares

Redeemable preferred shares represent Class "A" and Class "B" preferred shares of CCBPI. The preferred shares are cumulative, voting, convertible into common shares, redeemable and with liquidation preference. Dividends for Class "A" preferred shares are computed as a floating rate of the sum of the par value and any premium paid, plus any unpaid dividends and arrearages, while dividends for Class "B" preferred shares are computed as a floating rate on the Preferred B reference amount plus any unpaid dividends and arrearages. Dividends begin to accrue and shall be fully cumulative from January 29, 2003.

Both Class "A" and Class "B" preferred shares are mandatorily redeemable on March 31, 2007. The mandatory redemption feature of the preferred shares signifies a contractual obligation on the part of CCBPI to settle an obligation and therefore such preferred shares, should be classified as debt. CCBPI has the option to redeem the preferred shares subject to a notice period of at least 10 calendar days. The redemption option can be exercised after certain dates. As of December 31, 2006, CCBPI's redemption option on the preferred shares is exercisable.

The redemption price of Class "A" preferred shares is equivalent to the par value and any premium paid amounting to P3,152, plus any unpaid dividends and additional arrearages. The redemption price of Class "B" preferred shares is equivalent to the Preferred B reference amount of P3,765, plus the amount of any unpaid dividends and additional arrearages. On liquidation date, before any payment or distribution of the assets of CCBPI shall be made or set apart for other holders of CCBPI's capital stock, the Class "B" preferred shareholder shall be entitled to receive an amount equal to the Preferred B reference amount, plus the amount of any unpaid dividends and additional arrearages, then the Class "A" preferred shareholder shall be entitled to receive the par value and any premium paid, plus the amount of any unpaid dividends and additional arrearages.

Cumulative dividends in arrears as of December 31, 2006 and 2005 amounted to P1,172 and P896, respectively. The unpaid dividends are included under "Accounts payable and accrued expenses - others" account in the consolidated balance sheets.

On November 22, 2006, CCBPI's Board of Directors approved an amendment to its Articles of Incorporation to add a convertibility feature to CCBPI's Class "A" and "B" preferred shares. The Amended Articles of Incorporation of CCBPI was approved by the SEC on December 19, 2006. These preferred shares are convertible into common shares. The conversion price ratio and other terms of the conversion will be determined by the affirmative vote of a majority of the members of the Board of Directors present at a meeting during which a quorum is present, provided that such affirmative vote shall include the vote of at least one nominee director of the majority shareholder and at least one nominee director of the minority shareholder taking into consideration the terms for the issuance of preferred shares. Due to the convertibility feature, CCBPI's Redeemable Preferred Stock was reclassified as equity as of December 31, 2006.

The redeemable preferred shares are presented net of related unamortized issuance costs. Unamortized issuance costs related to the redeemable preferred shares amounted to P22 as of December 31, 2005.

18. Long-term Debt

	2006	2005
Company		
Unsecured term notes:		
Peso denominated:		
Fixed interest rate of 11.25%; maturing in 2009 [see (a) below]	**P3,110**	P3,105
Fixed interest rate of 7.75%; with maturities up to 2008 [see (b) below]	**2,853**	4,471
Floating interest rate based on Mart 1 plus an agreed margin; with maturities up to 2009 [see (a) below]	**870**	870
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus an agreed margin; with maturities up to 2010 in 2005 and 2011 in 2006 [see (c) below]	**43,492**	49,624
	P50,325	P58,070
Subsidiaries		
Unsecured term notes:		
Peso denominated:		
Floating interest rate based on 91-day Philippine treasury bill rate and Mart1 [see (d) below]	**4,476**	6,278
Foreign currency-denominated:		
Floating interest rate based on BBSY, SIBOR and HIBOR plus an agreed margin, with a portion swapped to fixed interest rate; with maturities up to 2012 [see (e) below]	**41,114**	37,564
	45,590	43,842
	95,915	101,912
Less current maturities	**11,007**	7,754
	P84,908	P94,158

a. The amount represents unsecured loans obtained by the Company from the P4,000 multi-tranche corporate notes facility to finance general corporate requirements. Of the amount, P3,125 is based on fixed interest rate and P875 has floating interest rate. Unamortized debt issuance cost related to these loans amounted to P19 and P25 as of December 31, 2006 and 2005, respectively.

b. The loan represents drawdowns by the Company from the P5,000 unsecured syndicated term loan facility agreement entered into in 2003. This facility is used to finance the construction of certain plants and facilities and the acquisition of certain machinery and equipment to be used for the manufacturing and recycling of PET bottles by SMPSI. As of December 31, 2006 and 2005, unamortized debt issuance cost related to this loan amounted to P16 and P37, respectively.

c. The amount represents drawdowns by the Company from a US$650 and US$300 unsecured term loan facility to partially pay-off the Bridge Facility which was used to acquire NFL and to finance general corporate requirements, respectively. In 2006, the Company refinanced the remaining balance of the US$300 unsecured term loan facility amounting to US$257 with a US$250 unsecured term loan facility. As of December 31, 2006 and 2005, unamortized debt issuance cost related to these loans amounted to P635 and P803, respectively.

d. Unamortized debt issuance cost related to these loans amounted to P17 and P59 as of December 31, 2006 and 2005, respectively.

e. Unamortized debt issuance cost related to these loans amounted to P109 and P132 as of December 31, 2006 and 2005, respectively.

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

As of December 31, 2006, the Group is in compliance with the covenants of the debt agreements.

The annual maturities of long-term debt (gross of P796 debt issuance cost) as of December 31, 2006 are as follows:

Year	Amount
2007	P11,271
2008	25,766
2009	18,271
2010	32,814
2011	8,589
	P96,711

Unamortized debt issuance cost of P264 pertains to current maturities.

19. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2006	2005
Allowance for doubtful accounts and decline in value of inventories	**P2,169**	P1,825
Net operating loss carryover (NOLCO)	**209**	272
Minimum corporate income tax (MCIT)	**97**	57
Fair market value adjustments on business combinations	**(686)**	(3,757)
Cumulative translation adjustments	**(751)**	(1,157)
Unrealized intercompany charges and others	**(1,145)**	(129)
Undistributed net earnings of foreign subsidiaries	**(7,214)**	(4,616)
	(P7,321)	(P7,505)

The above amounts are reported in the consolidated balance sheets as follows:

	2006	2005
Deferred tax assets	**P6,653**	P6,128
Deferred tax liabilities	**(13,974)**	(13,633)
	(P7,321)	(P7,505)

The undistributed earnings of foreign subsidiaries and cumulative translation adjustments for which deferred tax liabilities have not been recognized totaled P18,801 and P18,532 as of December 31, 2006 and 2005, respectively.

As of December 31, 2006, the NOLCO and MCIT of certain subsidiaries that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2004	December 31, 2007	P55	P16
2005	December 31, 2008	523	76
2006	December 31, 2009	20	5
		P598	P97

The components of the provision for income tax are shown below:

	2006	2005	2004
Current	**P5,243**	P2,944	P5,516
Deferred	**(151)**	(514)	(821)
	P5,092	P2,430	P4,695

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

	2006	2005	2004
Statutory income tax rate	**35.00%**	32.50%	32.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	**(6.87)**	(7.91)	(2.64)
Equity in net earnings of associates	**(0.39)**	(0.25)	(0.32)
Others, mainly income subjected to different tax rates and change in tax rate - net	**5.62**	(3.03)	2.91
Effective income tax rates	**33.36%**	21.31%	31.95%

20. Stockholders' Equity

a. On May 17, 2005, the stockholders of the Company approved the amendment of Article VII of the Articles of Incorporation providing for the reclassification of the authorized capital stock from 3,150 million Class "A" shares and 1,350 million Class "B" shares to 2,700 million Class "A" shares and 1,800 million Class "B" shares. The SEC approved the amendment on July 27, 2005.

b. The Company's authorized capital stock has a par value of P5.00 per share. Class "A" shares and Class "B" shares have the same rights and privileges. Only Philippine citizens or corporations or associations that are at least 60% owned by Filipino citizens can own Class "A" shares.

The movements in the number of issued shares of capital stock are as follows:

	2006	2005
Class "A"		
Balance at beginning of year	**1,965,575,160**	1,962,365,098
Issuances during the year	**4,804,867**	3,210,062
Balance at end of year	**1,970,380,027**	1,965,575,160

	2006	2005
Class "B"		
Balance at beginning of year	**1,240,687,701**	1,234,152,401
Issuances during the year	**2,352,972**	6,535,300
Balance at end of year	**1,243,040,673**	1,240,687,701

c. Treasury shares, totaling 65,475,371 Class "A" and "B" shares, are stated at acquisition cost.

Out of the total treasury shares, 25.45 million common shares (15.27 million Class "A" shares and 10.18 million Class "B" shares), with an acquisition cost of P481, [net of the cost of the one million shares paid to Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement executed by the Company with

the United Coconut Planters Bank and the Coconut Industry Investment Fund (CIIF) Holding Companies (Compromise Agreement) in connection with the purchase of the Company shares under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, have been the subject matters of cases pending before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan resolution requiring the Company to deliver the 25.45 million common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares.

On October 10, 2000, the Company filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than the Company, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government.

On April 17, 2001, the Supreme Court denied the motion for reconsideration. As of April 12, 2007, the Civil Case remains pending with the Sandiganbayan. The Company will litigate the validity of the Compromise Agreement and its ownership of the said shares in the Civil Case. In the meantime, the Company has available cash and shares of stock for the dividends payable on the treasury shares.

On September 19, 2003, the PCGG wrote the Company to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan resolution upheld by the Supreme Court. The Company referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering "with and without due compensation" scenarios, and applying different rates of return to the original amount paid by the Company. The financial advisor stated that if the Company is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2.1 billion; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that (a) the compromised shares had not been validly sequestered, (b) no timely direct action was filed to nullify the transaction, (c) no rescission can be effected without a return of consideration, (d) more importantly, requiring the Company to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which the Company is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that the Company has "legal and equitable grounds to challenge the enforcement" of the Sandiganbayan resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that the Company should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Case No. 033-F), the forfeiture case brought by the Philippine government involving the so-called CIIF block of the Company shares of stock of which the treasury shares are a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of the Company shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of the Company unanimously decided to (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of the Company and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which as of April 12, 2007, is still pending resolution.

d. The Company's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries and associates amounting to P40,299 and P33,565 in 2006 and 2005, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The Company's unappropriated retained earnings as of December 31, 2006 and 2005 is restricted in the amount of P4,053 representing the cost of shares held in treasury.

e. On February 10, 2005, the Company's BOD approved the terms and conditions of the 1 for 10 preemptive rights offering of approximately 173.4 million Class "A" and 111.2 million Class "B" common shares (the "Rights Shares") from treasury. The Rights Shares were issued at a price equivalent to 5% discount to the 20-day average trading price of the Company's shares for the period January 28, 2005 to February 24, 2005 per Rights Share (the "Rights Offer"). The Rights Offer commenced on March 10, 2005 and ended on March 31, 2005.

f. The BOD of the Company and certain subsidiaries approved additional appropriations during the year amounting to P5, P779 and P462 in 2006, 2005 and 2004, respectively, to finance future capital expenditure projects. Reversal of appropriations in 2006 and 2005 amounted to P56 and P479, respectively.

21. Cost of Sales

	Note	**2006**	2005	2004
Inventories		**P120,795**	P109,191	P80,821
Taxes and licenses		**18,730**	18,430	16,341
Personnel expenses	*24*	**9,374**	9,209	4,837
Depreciation, amortization and impairment losses	*23*	**8,216**	8,390	7,626
Communications, light and water		**5,540**	5,441	2,827
Repairs and maintenance		**5,181**	4,921	3,957
Fuel and oil		**3,239**	3,112	3,034
Rent		**1,168**	875	686
Others		**591**	1,637	1,597
		P172,834	P161,206	P121,726

22. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2006	2005	2004
Selling	**P38,020**	P29,514	P19,113
Administrative	**18,238**	18,552	16,356
	P56,258	P48,066	P35,469

Selling expenses consist of:

	Note	**2006**	2005	2004
Freight, trucking and handling		**P9,787**	P7,920	P2,544
Advertising and promotion		**9,012**	7,053	6,594
Personnel expenses	*24*	**8,873**	7,218	4,719
Repairs and maintenance		**3,547**	2,205	1,061
Rent		**1,479**	1,094	641
Communications, light and water		**1,392**	1,448	938
Depreciation, amortization and impairment losses	*23*	**1,223**	696	1,550
Supplies		**483**	350	343
Taxes and licenses		**326**	359	342
Professional fees		**299**	104	80
Others		**1,599**	1,067	301
		P38,020	P29,514	P19,113

Administrative expenses consist of:

	Note	**2006**	2005	2004
Personnel expenses	*24*	**P9,412**	P9,437	P7,768
Repairs and maintenance		**1,862**	1,982	1,580
Professional fees		**1,762**	1,235	1,257
Depreciation, amortization and impairment losses	*23*	**1,676**	3,058	1,071
Advertising and promotion		**931**	750	1,233
Communications, light and water		**821**	626	518
Taxes and licenses		**536**	625	499
Supplies		**500**	493	842
Rent		**323**	219	334
Others		**415**	127	1,254
		P18,238	P18,552	P16,356

23. Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses are distributed as follows:

	2006	2005	2004
Cost of sales:			
Property, plant and equipment	**P4,724**	P5,622	P4,574
Deferred containers, biological assets and others	**3,492**	2,768	3,052
	8,216	8,390	7,626
Selling and administrative expenses:			
Property, plant and equipment	**2,787**	2,660	2,443
Deferred containers and others	**112**	1,094	178
	2,899	3,754	2,621
	P11,115	P12,144	P10,247

24. Personnel Expenses

	Note	**2006**	2005	2004
Salaries and wages		**P19,086**	P16,386	P11,564
Retirement costs	*29*	**1,450**	1,760	1,130
Other employee benefits		**7,123**	7,718	4,630
		P27,659	P25,864	P17,324

The above amounts are distributed as follows:

	2006	2005	2004
Cost of sales	**P9,374**	P9,209	P4,837
Selling expenses	**8,873**	7,218	4,719
Administrative expenses	**9,412**	9,437	7,768
	P27,659	P25,864	P17,324

25. Interest Expense and Financing Charges

	2006	2005	2004
Interest expense	**P10,062**	P10,783	P3,454
Other financing charges	**700**	1,039	153
	P10,762	P11,822	P3,607

Dividends on redeemable preferred shares included under "Interest expense" account amounted to P332, P357 and P405 in 2006, 2005 and 2004, respectively.

Swap costs from a long-term cross currency swap included under "Interest expense" account amounted to P105, P42 and P24 in 2006, 2005 and 2004, respectively (Note 34).

Amortization of issuance costs in 2006 and 2005 included in "Other financing charges" account amounted to P478 and P205, respectively.

Interest expense from borrowings amounted to P9,625, P10,384 and P3,025 in 2006, 2005, and 2004, respectively, of which P2,588, P3,698 and P1,516 pertains to interest expense from short-term borrowings.

26. Other Income (Charges)

	2006	2005	2004
Gain on derivatives - net	**P83**	P1,029	P -
Gain on sale of investments and property and equipment	**272**	63	70
Restructuring costs and others	**(661)**	-	(568)
Others - net	**(209)**	(355)	(371)
	(P515)	P737	(P869)

27. Related Party Disclosures

a. CCBPI and its subsidiaries, PhilBev and CBC, purchase raw materials from The Coca-Cola Export Company (TCCEC), a wholly owned subsidiary of The Coca-Cola Company (TCCC), at market prices in the normal course of business. TCCC owns 35% of CCBPI.

The significant transactions of CCBPI, PhilBev and CBC with TCCEC include the following:

Year	Purchases of Raw Materials	Included under "Receivable" account	Included under "Payable" account
2006	P5,711	P393	P592
2005	6,136	171	867
2004	6,933	105	905

b. Advances to NSMH amounted to P1,250 and P1,354 as of December 31, 2006 and 2005 respectively (Note 36).

c. The compensation of key management personnel of the Group, by benefit type, follows:

	2006	2005	2004
Short-term employee benefits	**P237**	P226	P259
Retirement costs	**28**	41	48
Share-based payments	**39**	32	15
	P304	P299	P322

Some of the personnel performing key management functions in certain subsidiaries are employed by the Company. This is covered by a management agreement executed by and between the Company and the subsidiaries. The salaries and benefits of these personnel are billed to the subsidiaries through management fees, with details as follows:

	2006	2005	2004
Short-term employee benefits	**P271**	P180	P157
Retirement costs	**83**	7	8
Share-based payments	**22**	6	2
	P376	P193	P167

28. Leasing Agreements

Finance Leases

Leases as Lessee
The Group's finance leases concern office and factory equipment. There is no subleasing. Some leases provide the Group with the option to purchase the equipment at a beneficial price. As of December 31, 2006, the net carrying amount of leased office and factory equipment was P923.

Finance lease liabilities as of December 31, 2006 are payable as follows:

	Minimum lease payments	**Interest**	**Principal**
Within one year	**P172**	**P9**	**P163**
After one year but not more than five years	**533**	**81**	**452**
More than five years	**551**	**179**	**372**
	P1,256	**P269**	**P987**

Operating Leases

Leases as Lessor
The Group has entered into various property leases. These non-cancelable leases will expire up to year 2010. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

As of December 31, 2006, 2005 and 2004, the future minimum lease payments under non-cancelable operating leases are as follows:

	2006	2005	2004
Within one year	**P195**	P161	P227
After one year but not more than five years	**309**	418	579
	P504	P579	P806

Rent income recognized in the consolidated statements of income under "Other income (charges)" account in 2006, 2005 and 2004 amounted to P198, P165 and P186, respectively.

Leases as Lessee
The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of two to seven years. Some leases provide an option to renew the lease after that date and are being subjected to reviews to reflect market rentals.

As of December 31, 2006 and 2005, non-cancellable operating lease rentals are payable as follows:

	2006	2005
Within one year	**P 519**	P 531
After one year but not more than five years	**808**	850
More than five years	**103**	206
	P1,430	P1,587

29. Retirement Plans

The Company and majority of its subsidiaries have funded, noncontributory retirement plans covering all of their permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2006. Valuations are obtained on a periodic basis.

Retirement costs charged by the Company to operations amounted to P471, P736 and P463 in 2006, 2005 and 2004, respectively, inclusive or net of imputed interest, while those charged by the subsidiaries amounted to P979, P1,024 and P667 in 2006, 2005 and 2004, respectively. The Group's annual contribution to the retirement plans consists of payments covering the current service cost and amortization of past service liability.

The components of retirement cost recognized in the consolidated statements of income in 2006 and 2005 and the amounts recognized in the consolidated balance sheets as of December 31, 2006 and 2005 are as follows:

	2006	2005
Current service cost	**P548**	P528
Interest cost	**1,542**	1,906
Expected return on plan assets	**(1,256)**	(1,244)
Net actuarial loss	**124**	-
Effect of asset limit	**(60)**	-
Amortization of transitional liability	**552**	570
Net retirement cost	**P1,450**	P1,760
Actual return on plan assets	**P1,649**	P1,903

The retirement cost is recognized in the following line items in the consolidated statements of income:

	2006	2005
Cost of sales	**P 181**	P 123
Selling and administrative expenses	**1,269**	1,637
	P1,450	P1,760

The reconciliation of the assets and liabilities recognized in the consolidated balance sheets is as follows:

	2006	2005
Present value of defined benefit obligation	**P14,236**	P15,045
Fair value of plan assets	**10,241**	11,873
	3,995	3,172
Unrecognized actuarial losses	**(1,840)**	(407)
Unrecognized net transitional liability	**(1,650)**	(2,279)
Effect of asset limit	**57**	-
Net retirement liability	**P562**	P486

The movements in the liability for defined benefit obligation are as follows:

	2006	2005
Balance at beginning of year	**P15,045**	P13,617
Interest cost	**1,542**	1,906
Actuarial losses	**1,952**	1,066
Current service cost	**548**	528
Benefits paid	**(4,851)**	(2,072)
Balance at end of year	**P14,236**	P15,045

The movements in the fair value of the plan assets are as follows:

	2006	2005
Balance at beginning of year	**P11,873**	P10,768
Expected return	**1,256**	1,244
Contributions by employer	**1,570**	1,274
Benefits paid	**(4,851)**	(2,072)
Actuarial gains	**393**	659
Balance at end of year	**P10,241**	P11,873

Plan assets consist of the following:

	In Percentages	
	2006	2005
Stock trading portfolio	**47**	20
Fixed income portfolio	**53**	80

The plan assets include 18.7 and 8.2 million Class "A" shares and 23.9 and 6.3 million Class "B" shares of the Company with fair value amounting to P1,264 and P1,851 and P532 and P560 as of December 31, 2006 and 2005, respectively.

The overall expected rate of return is determined based on historical performance of investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2006	2005
Discount rate	**6 - 8.2**	9 - 14
Salary increase rate	**6**	6 - 7
Expected return on plan assets	**10**	10 - 12

The historical information of the amounts for the current and previous two annual periods is as follows:

	2006	2005	2004
Present value of the defined benefit obligation	**P14,236**	P15,045	P13,617
Fair value of plan assets	**10,241**	11,873	10,768
Deficit in the plan	**3,995**	3,172	2,849
Experience adjustments on plan liabilities	**(188)**	-	-
Experience adjustments on plan assets	**-**	-	-

The Group expects to pay P1,155 in contributions to defined benefit plans in 2007.

30. Cash Dividends

Cash dividends declared amounted to P1.05 per share and P1.40 per share in 2006 and 2005, respectively.

The Board of Directors in its meeting on March 1, 2007, approved a P0.35 per share cash dividends to stockholders of record as of March 16, 2007 payable on April 16, 2007.

31. Basic Earnings Per Share

Basic EPS is computed as follows:

	2006	2005	2004
Net income attributable to equity holders of the Company (a)	**P10,566**	P9,031	P8,859
Weighted average number of shares outstanding (in millions) (b)	**3,143**	3,065	2,845
Basic EPS (a/b)	**P3.36**	P2.95	P3.11

Shares issuable under the Company's stock purchase and option plans have no dilutive effect on basic EPS.

32. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets and certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases/decreases in the consolidated balance sheets):

	2006	2005	2004
Accounts payable and accrued expenses	**P6,586**	P2,957	P3,616
Trade and other receivables	**220**	1,526	(7,831)
Drafts and loans payable	**59**	(289)	(135)
Prepaid expenses and other current assets	**(335)**	184	38
Inventories	**(2,017)**	(5,083)	(7,234)
Income and other taxes payable and others	**(4,094)**	(14,314)	1,557
	P419	(P15,019)	(P9,989)

b. Acquisitions of subsidiaries (Note 9):

	2006	2005	2004
Cash and cash equivalents	**P1**	P816	P83
Trade and other receivables and other current assets - net	**820**	7,272	3,118
Inventories - net	**903**	3,515	1,537
Property, plant and equipment - net	**933**	14,104	3,775
Other noncurrent assets - net	**1,025**	24,675	2,360
Accounts payable, accrued expenses and other current liabilities	**(993)**	(8,107)	(3,537)
Short-term and long-term debt		(5,629)	(2,430)
Other noncurrent liabilities	**(207)**	(56)	-
Deferred tax liability on fair value adjustments	**-**	(6,619)	(157)
Minority interests - acquired	**-**	2,852	-
	2,482	32,823	4,749
Less minority interests - balance sheet	**-**	141	2,343
Net assets	**2,482**	32,682	2,406
Cash and cash equivalents	**(1)**	(816)	(83)
Goodwill in subsidiaries	**2,500**	56,625	3,655
Prior year investment/deposit	**-**	(579)	(127)
Net cash flows	**P4,981**	P87,912	P5,851

33. Share-Based Transactions

ESPP

Under the ESPP, 80.40 million shares (inclusive of stock dividends declared) of the Company's unissued shares have been reserved for the employees of the Group until 2009 (as amended and approved by the SEC in 2001 and 2003, respectively). A participating employee may acquire at least 100 shares of stock through payroll deductions.

On December 5, 2002, the Company's BOD approved amendments to the ESPP. Under the amended ESPP, all permanent Philippine-based employees of the Group, who have been employed for a continuous period of one (1) year prior to the subscription period will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. The amendments to the ESPP are prospective in application. Existing subscriptions shall not be entitled to the rights granted under the amendments. The amendments of the ESPP was approved by the SEC on February 20, 2003.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date. The current portion of subscriptions receivable as of December 31, 2006 and 2005 amounted to P165 and P139, respectively (included under "Trade and other receivables - others" account in the consolidated balance sheets, see Note 7). The noncurrent portion of P563 and P632 as of December 31, 2006 and 2005, respectively, is reported under "Noncurrent receivables and deposits" (included under "Other noncurrent assets" account in the consolidated balance sheets, see Note 14).

The number of subscribed shares under the ESPP as of December 31, 2006 are as follows:

	Class "A"	Class "B"	Total
Paid subscribed shares	33,052,072	7,664,170	40,716,242
Unpaid subscriptions	9,424,767	6,080,151	15,504,918
Total shares subscribed	42,476,839	13,744,321	56,221,160

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP.

The table below shows the number and weighted average exercise prices of grants:

	2006		2005	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
Class "A":				
Granted during year	**4,039,850**	**P53.89**	2,420,850	P51.74
Cancelled during year	**(89,650)**	**(52.64)**	(144,200)	(47.63)
Class "B":				
Granted during year	**2,368,050**	**64.99**	6,068,300	67.00
Cancelled during year	**(238,150)**	**(70.52)**	(135,000)	(56.49)

The average market price of the shares granted was P65.30 and P62.21 per share in 2006, and 2005, respectively, for Class "A" shares and P76.84 and P88.83 per share in 2006 and 2005, respectively, for Class "B" shares.

The average remaining contractual life of the ESPP was 1.28 year and 1.02 year as of December 31, 2006 and 2005, respectively, for Class "A" shares and 0.82 year and 1.19 years as of December 31, 2006 and 2005, respectively, for Class "B" shares.

LTIP

The Company also maintains LTIP for executives of the Group. The options are exercisable at the fair market value of the Company shares as of date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 54.25 million shares, inclusive of stock dividends declared, are reserved for the LTIP over its 10-year life. The LTIP is administered by the Executive Compensation Committee of the Company's BOD.

On November 10, 2005, the Company approved the grant of stock options to 1,096 executives consisting of 4.43 million shares based on the closing price of the Company's share, computed in accordance with the provisions of LTIP. Options to purchase 5.97 million shares and 2.81 million shares in 2006 and 2005, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 1.08 million shares and 1.53 million shares in 2006 and 2005, respectively.

The stock options granted under the LTIP cannot be assigned or transferred by a Participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the second year and the remaining option lot is fully vested on the third year.

Vested stock options may be exercised at any time, up to a maximum of eight (8) years from the date of grant. All unexercised stock options after this period are considered forfeited.

A summary of the status of the outstanding share stock options and the related weighted average exercise price under the LTIP is shown below:

	2006		2005	
	Number of Options	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price
Class "A":				
Balance at beginning of year	**8,313,402**	**P57.53**	6,988,042	P53.24
Granted during year	**-**	**-**	2,660,522	65.00
Exercised during year	**(854,667)**	**(54.55)**	(938,812)	(53.95)
Expired during year	**(541,687)**	**(34.71)**	(396,350)	(40.57)
Balance at end of year	**6,917,048**	**P59.69**	8,313,402	P57.53
Class "B":				
Balance at beginning of year	**4,267,317**	**P75.13**	3,666,173	P65.80
Granted during year	**-**	**-**	1,773,694	89.50
Exercised during year	**(223,072)**	**(64.73)**	(595,500)	(65.21)
Expired during year	**(380,283)**	**(49.83)**	(577,050)	(70.25)
Balance at end of year	**3,663,962**	**P78.39**	4,267,317	P75.13

The shares covered by the LTIP are offered for subscription to the participants for three (3) years from approval of the LTIP by the SEC.

The fair value of equity-settled share options granted is estimated as at the date of grant using Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used to measure the fair value of the shares granted in 2005 are as follows:

	Class "A"	Class "B"
Dividend yield	2.15%	1.56%
Expected volatility	60%	70%
Historical volatility	60%	70%
Risk-free interest rate	8.11% to 11.35%	11.35%
Expected life option	1 to 8 years	1 to 8 years
Weighted average share price	P65.00	P89.50

The weighted average fair value of options granted in 2005 was P33.10 for Class "A" shares and P54.43 for Class "B" shares.

The range of exercise prices for options outstanding was P34.71 to P65.00 for Class "A" shares and P49.83 to P89.50 for Class "B" shares as of December 31, 2006.

The average remaining contractual life of the LTIP was 0.93 and 1.78 years as of December 31, 2006 and 2005, respectively, for class "A" shares and 2.63 and 1.95 years as of December 31, 2006 and 2005, respectively for class "B" shares.

Share-based payment charged to operations, included under "Administrative expenses" account amounted to P193, P181 and P71 in 2006, 2005 and 2004, respectively.

34. Financial Instruments

Financial Risk Management Objectives and Policies

The Group's principal financial instruments include non-derivative instruments such as cash and cash equivalents, investments, short-term and long-term loans and derivative instruments such as commodity and currency options, forwards and swaps. The main purpose of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, commodity price risk, liquidity risk and credit risk.

The Group uses derivatives to manage its exposures to foreign exchange, interest and commodity price risks arising from the Group's operations and its sourcing of finance. It is the Group's policy to ensure that capabilities exist for active and prudent management of its financial risks. The Group does not engage in any speculative derivative transactions.

Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

In managing interest rate, the group aims to reduce the impact of short-term fluctuations on Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings.

It is estimated that a general increase of one percentage point in interest rates of interest-bearing financial instruments would decrease the group's profit before tax by approximately P441, P504 and P169 as of December 31, 2006, 2005 and 2004, respectively.

The Group's long-term debt, presented by maturity profile, that are exposed to interest rate risk are as follows:

	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso	P1,639	P1,229	P3,125	P -	P -	P -	P5,993
Interest rate	7.75%-11.25%	7.75%-11.25%	7.75%-1.25%	7.75%-1.25%			
Floating rate							
Foreign currency-denominated notes (expressed in Philippine peso)	P8,393	P23,161	P13,357	P31,850	P8,589	P -	85,350
Interest rate	Libor+margin	Libor+margin	Libor+margin	Libor+margin	Libor+margin	Libor+margin	
Philippine peso	P1,239	P1,376	P1,789	P964	P -	P -	5,368
Interest rate	Mart1+margin; T-bill+margin; LBP pass on rate+margin	T-bill+ margin%	T-bill+ margin%	T-bill+ margin%; Mart 1+margin	T-bill+ margin%		
							P96,711

Foreign Exchange Risk

The Group's exposure to foreign exchange risk results from its business transactions and financing arrangements denominated in foreign currency. The Group uses a combination of natural hedges and derivative hedges to manage its foreign exchange exposure. It uses currency derivatives to reduce earnings volatility related to foreign exchange movements.

Short-term currency forward contracts (deliverable and non-deliverable) are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated debts.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	December 31			
	2006		2005	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$292**	**P14,329**	US$229	P12,139
Held-to-maturity investments	**-**	**-**	15	795
	292	**14,329**	244	12,934
Liabilities				
Accounts payable	**279**	**13,702**	225	11,947
Loans payable and current maturities of long-term debt	**88**	**4,330**	134	7,126
Long-term debt - net of current maturities	**1,570**	**76,957**	1,571	83,376
	1,937	**94,989**	1,930	102,449
Net foreign currency-denominated liabilities	**US$1,645**	**P80,660**	US$1,686	P89,515

With the translation of these foreign currency-denominated assets and liabilities, the Group reported net foreign exchange gains amounting to P2,427 and P1,168 in 2006 and 2005, respectively.

Commodity Price Risk

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market positions is offset by the resulting lower physical raw material cost.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, aluminum, soybean meal, wheat, kraft paper and freight.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any.

The Group has no significant concentration of credit risk with any counterparty.

Financial and Other Risk Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of chicken and the related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below.

The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken in all dressing plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grains prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at reasonable price.

35. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of December 31, 2006 and 2005:

	2006		2005	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P24,280**	**P24,280**	P20,876	P20,876
Trade and other receivables - net	**43,275**	**43,275**	43,767	43,767
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts in the consolidated balance sheets amounting to P492 and P26, respectively.)	**518**	**518**	951	951
Held-to-maturity investments (included under "Investments and advances - net" account in the consolidated balance sheets)	-	-	795	802
Available-for-sale investments (included under "Investments and advances - net" account in the consolidated balance sheets)	**208**	**208**	217	217
Noncurrent receivables and deposits (included under "Other noncurrent assets" account in the consolidated balance sheets)	**903**	**903**	911	911
Financial Liabilities				
Drafts and loans payable	**42,354**	**42,354**	32,879	32,879
Accounts payable and accrued expenses	**39,144**	**39,144**	40,220	40,220
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated balance sheets)	**177**	**177**	57	57
Redeemable preferred shares	-	-	6,895	6,917
Long-term debt (including current maturities)	**95,915**	**96,181**	101,912	102,019
Noncurrent derivative liabilities (included under "Other noncurrent liabilities" account in the consolidated balance sheets)	-	-	244	244

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Trade and Other Receivables. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturity of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates.

The fair values of cross currency swap transactions are determined using valuation techniques with assumptions that are based on market conditions existing at balance sheet date. Such fair values are determined based on changes in the term structure of interest rates of each currency and the spot rate.

The fair values of commodity derivatives are determined based on prices obtained from the market and counterparties. Fair values are also based on standard valuation models.

Held-to-Maturity Investments. The fair value of the government bond securities is based on the quoted market prices.

Available-for-Sale Investments. The fair values of publicly traded instruments and similar investments are estimated based on the quoted market prices. For all other instruments with no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each investment.

Accounts payable and Drafts and loans payable. The carrying amount of accounts payable and drafts and loans payable approximates fair value due to the relatively short-term maturity of these financial instruments.

Long-term Debt and Redeemable Preferred Shares. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans as of balance sheet date. Discount rates used are from 6.2% to 7.0%. The carrying value of floating-rate loans with quarterly repricing approximates fair value. All of the Group's floating rate loans including the redeemable preferred shares have quarterly repricing.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges are discussed as follows:

The Group enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options covering the Company's requirements on fuel oil, aluminum, soybean meal, wheat, coconut oil, kraft paper and freight.

Derivative Instruments Accounted for as Hedges

Fair Value Hedges

Long-term Cross-Currency Swaps

As of December 31, 2005, the Group has outstanding long-term cross currency interest rate swap agreements with aggregate notional amount of US$72. Under these agreements, the Group receives quarterly floating interest rate based on US$ LIBOR and pays quarterly floating interest rate based on MART1. The Group effectively swaps the principal amount of certain US$-denominated debts into Philippine peso-denominated debts with semi-annual principal payment intervals from April 2006 to March 2009. In 2006, the Group pre-terminated these swaps.

Cash Flow Hedges

Long-term Cross-Currency Swap
As of December 31, 2005, the Group has outstanding long-term cross currency interest rate swap agreement with a notional amount of US$21. Under the agreement, the Group pays quarterly fixed interest rate. The Group effectively swaps the principal amount of certain US$-denominated debts into Philippine peso-denominated debts with semi-annual principal payment intervals from April 2006 to March 2009. In December 2006, the Group pre-terminated this swap.

Long-term Interest Rate Swaps
As of December 31, 2006, the Group has outstanding interest rate swaps with an aggregate amount of US$150. Under the agreement, the Group receives quarterly floating interest rate based on BBSY and pays quarterly fixed interest rate. The Group effectively swaps the principal amount of certain AUD-denominated debts into AUD-denominated debts with principal payments in December 2008 and December 2010. As of December 31, 2006, the net positive fair value of these swaps amounted to AU$0.9.

Currency Options
As of December 31, 2006, the Group has outstanding interest rate collars to manage its interest rate exposure on its foreign currency-denominated obligations. These collars have an aggregate notional amount of US$691. As of December 31, 2006, the net positive fair value of these swaps amounted to AU$1.7.

Currency Forwards
The Group enters into forward buy US$ and Danish Krone (DKK) contracts with aggregate notional amounts of US$54.5 and DKK28.0, respectively, to hedge existing and anticipated foreign currency-denominated purchases. The Group also enters into forward sell US$ and New Zealand Dollar (NZD) contracts with an aggregate notional amounts of US$1.2 and NZD2.3, respectively, to hedge existing and anticipated foreign currency-denominated sales. These forward contracts will mature in various dates in 2007. As of December 31, 2006, the net negative fair value of these freestanding currency forwards amounted to AU$1.9.

Commodity Options
As of December 31, 2006 and 2005, the Group has outstanding bought and sold options covering its fuel oil requirements with a notional quantity of 11,600 and 36,300 metric tons, respectively. The call and put options can be exercised at various calculation dates in 2008, 2007 and 2006 with specified quantities on each calculation date. As of December 31, 2006 and 2005, the net unrealized fair value change (after tax) deferred under "Cumulative translation adjustments" account on these call options amounted to P9 and P0.20, respectively.

As of December 31, 2005, the Group has outstanding options to buy soybean meal with an aggregate notional quantity of 144,245 metric tons. The call options can be exercised at various calculation dates in 2006 with specified quantities on each calculation date. The net unrealized fair value change (after tax) deferred under "Cumulative translation adjustments" account on these call options as of December 31, 2005 amounted to P0.03. As of December 31, 2006, there are no outstanding options designated as hedge on the purchase of soybean meal.

Other Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the 2006 and 2005 consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of commodity derivatives and currency derivatives entered into by the Group.

Currency Forwards

The Group enters into forward buy US$ contracts to hedge existing and anticipated US$-denominated obligations. As of December 31, 2006, there are no outstanding forward buy US$ contracts.

As of December 31, 2006, the Group has outstanding forward sell US$ contracts to hedge existing and anticipated US$-denominated receivables. These forwards have an aggregate notional amount of US$3. These forward contracts will mature in January 2007. As of December 31, 2006, the net positive fair value of these freestanding currency forwards amounted to P4.

As of December 31, 2006, the Group has outstanding structured forward contracts to buy Php and sell US$ to manage its foreign currency exposure on US$-denominated receivables. These forwards have an aggregate notional amount of US$2. As of December 31, 2006, the net positive fair value of these structured forwards amounted to P4.

Short-term Currency Swaps

As of December 31, 2006, the Group has outstanding short-term currency swap agreements with an aggregate notional amount of US$16 and a net negative fair value of P10.

Currency Options

To reduce the costs of the long-term cross currency swap, the Group sold US$ call options with total notional amount of US$21. The options have exercise dates that match the various maturity dates of the swap. As of December 31, 2005, the fair value of these sold options is nil. In December 2006, these options were pre-terminated

As of December 31, 2006, the Group has outstanding sold US$ call options to manage its foreign currency exposure on US$-denominated receivables. These options have an aggregate notional amount of US$0.62. As of December 31, 2006, the net positive fair value of these options is immaterial.

Commodity Swaps

In 2006, the Group entered into swap transactions covering its freight requirements for 120 days. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of freight and the price based on the relevant price index.

As of December 31, 2005, the Group entered into a swap agreement, combined with bought and sold options, covering its aluminum requirements, which matured in 2006. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swap as of December 31, 2005 is 2,500 metric tons, which has various maturities up to October 2006. As of December 31, 2005, the positive fair value of these swap and options amounted to P34.

As of December 31, 2006, the Group has no outstanding commodity swap transactions.

Commodity Options
As of December 31, 2006 and 2005, the Group has outstanding sold options covering its fuel oil requirements with notional quantities of 17,100 and 36,300 metric tons, respectively. These options can be exercised at various calculation dates in 2008, 2007 and 2006 with specified quantities on each calculation date. The net positive fair value of these options as of December 31, 2006 and 2005 amounted to P1 and P6, respectively.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of December 31, 2006 and 2005 of 32,659 and 4,083 metric tons, respectively. These options can be exercised at various calculation dates in 2007 and 2006 with specified quantities on each calculation date. As of December 31, 2006 and 2005, the net positive fair value of these options amounted to P5 and P2, respectively.

As of December 31, 2006, the Group has an outstanding digital path dependent options covering its soybean meal requirements with a total notional quantity of 30,482 metric tons. These options can be exercised at various dates in 2007 with specified quantities on each calculation dates. As of December 31, 2006, the net positive fair value of these options amounted to P58.

Commodity Forwards
The Group has outstanding forward contracts to buy and sell coconut oil with an aggregate notional quantity of 9,000 and 10,800 metric tons as of December 31, 2006 and 2005, respectively, which can be exercised at various maturity dates in 2007 and 2006. The net positive fair value of these commodity forwards amounted to P0.14 as of December 31, 2006 and a net negative fair value of P3 as of December 31, 2005, respectively.

Embedded Derivatives
The Group's embedded derivatives include currency and commodity derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards
As of December 31, 2006 and 2005, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$113 and US$125, respectively. These non-financial contracts consist mainly of foreign-currency denominated purchase orders, sales agreements and capital expenditures. As of December 31, 2006 and 2005, the net positive fair value of these embedded currency forwards amounted to P320 and P663, respectively.

Embedded Currency Options
As of December 31, 2006 and 2005, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$2 and US$1, respectively. These non-financial contracts consist mainly of materials purchase and sale agreements. As of December 31, 2006, the negative fair value of these embedded currency options amounted to P2 and as of December 31, 2005, the positive fair value amounted to P1.

Embedded Commodity Option
The Group entered into an agreement to purchase certain commodities which contain embedded call or put options. The put options can be exercised at various maturity dates in 2007 and 2006, while the call options matured in February and March 2006. As of December 31, 2006 and 2005, the Group has outstanding notional quantities of 5,000 and 321,720 metric tons, respectively. The negative fair value of the outstanding embedded commodity option amounted to P14 and P7 as of December 31, 2006 and 2005, respectively.

Fair Value Changes on Derivatives
The net movements in fair value changes of all derivative instruments for the year ended December 31, 2006 and 2005 are as follows:

	2006	2005
Balance at beginning of year	**P650**	P153
Net changes in fair value of derivatives:		
Designated as accounting hedges	**71**	(211)
Not designated as accounting hedges	**(312)**	934
	409	876
Less fair value of settled instruments	**74**	226
Balance at end of year	**P335**	P650

Hedge Effectiveness Results
The effective fair value changes, net of tax, on the Group's cash flow hedges that were deferred in equity as of December 31, 2006 and 2005 amounted to P5 and P2, respectively. There were no ineffective marked-to-market values for the year ended December 31, 2006 and 2005.

36. Subsequent Event

On April 12, 2007, the Company through SMFAL entered into a Share Purchase Agreement (SPA) with Well Grounded Limited covering the sale of its 42.22% equity and other interest of SMFAL in NSMH for US$150. The payment of the said amount shall be in accordance with the provisions of the SPA. The completion of the transaction shall be subject to the compliance with certain terms and conditions stipulated in the SPA. As of December 31, 2006, the carrying value of the Company's equity and other interest of SMFAL in NSMH are P3,719 and P1,250, respectively (Notes 9 and 27).

37. Other Matters

a. *Contingencies*
The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Company was assessed by the Bureau of Internal Revenue for deficiency excise tax on one of its beer products. The Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it.

b. *Commitments*
The outstanding purchase commitments of the Group as of December 31, 2006 amounted to P63,000.

Amount authorized but not yet disbursed for capital projects as of December 31, 2006 is approximately P20,000.

The Group has available undrawn committed borrowing facilities amounting to P1,800 as of December 31, 2004. Such committed borrowing facilities were all drawn in 2005.

c. *Foreign Exchange Rates*
The foreign exchange rates used in translating the U.S. dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of P49.03 in 2006 and P53.09 in 2005 for balance sheet accounts; and average rates of P51.32 in 2006, P55.07 in 2005 and P56.05 in 2004 for income and expense accounts.

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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-1
BSP Accredited

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation and its Subsidiaries included in this Form 17-A and have issued our report thereon dated April 12, 2007. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO.

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Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-1
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2004
Issued July 14, 2004; Valid until July 13, 2007
PTR No. 0325120 J
Issued January 18, 2007 at Makati City

April 12, 2007
Makati City, Metro Manila

ANNEX "E"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2006

A	-	MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)	NOT APPLICABLE
B	-	AMOUNT RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN ASSOCIATES)	NOT APPLICABLE
C	-	NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENT IN STOCKS AND OTHER INVESTMENTS	
D	-	INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES	NOT APPLICABLE
E	-	PROPERTY, PLANT AND EQUIPMENT	
F	-	ACCUMULATED DEPRECIATION	
G	-	INTANGIBLE ASSETS AND OTHER ASSETS	
H	-	LONG -TERM DEBT	
I	-	INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE
J	-	GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
K	-	CAPITAL STOCK	

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
AS OF DECEMBER 31, 2006

		TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE *	₱	9,880,546,580.76	6,404,573,789.50	1,568,957,375.33	653,210,928.59	1,253,804,487.34
ALLOW. FOR DOUBTFUL ACCOUNTS		(982,233,919.19)				
NET	₱	8,898,312,661.57				

* Amount includes internal and external customers

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
A. UNCONSOLIDATED SUBSIDIARIES							***Not Applicable***		
B. OTHER RELATED PARTIES									
INVESTMENTS IN ASSOCIATES									
Investments in associates - at equity:									
Acquisition Cost									
San Miguel Properties Inc.									
KSA Realty Corp.	354,862	₱ 55		₱ (25)	₱ -	₱ -	354,862	₱ 30	29.38%
Northpine Land Inc. (formerly Jardine Land Inc.)	2,320,000	250		(15)	-	-	2,320,000	235	20.00%
San Miguel Pure Foods Company, Inc.									
Philippine Nutrition Technologies Inc.	12,000,000	11		1	-	-	12,000,000	12	50.00%
San Miguel International Ltd.									
National Food Limited - Vita Soy		170		146	-	-		316	49.00%
NutriAsia San Miguel Holdings Ltd.	7,600	4,035		(309)	-	-	7,600	3,726	42.22%
		₱ 4,521		**₱ (202)**	**₱ -**	**₱ -**		**₱ 4,319**	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
ACCUMULATED EQUITY IN EARNINGS									
Purefoods									
Philippine Nutrition Technologies Inc.		₱ (10)		₱ (1)	₱ -	₱ -		₱ (11)	50.00%
SMPI									
KSA Realty		449		(134)	57	(73)		299	29.38%
Northpine Land Inc. (formerly Jardine Land Inc.)		(35)		(1)	6	-		(30)	20.00%
San Miguel International Ltd.									
National Food Limited - Vita Soy		37		(167)	114	-		(16)	
NutriAsia San Miguel Holdings Ltd.				-	(7)	-		(7)	42.22%
Total		**441**		**(303)**	**170**	**(73)**		**235**	
UNREALIZED GAIN		**(23)**		**-**	**-**	**-**		**(23)**	
Total Accumulated Equity in Earnings		**418**		**(303)**	**170**	**(73)**		**212**	
Total Investments in Associates		**₱ 4,939**		**₱ (505)**	**₱ 170**	**₱ (73)**		**₱ 4,531**	
ADVANCES		**₱ 1,354**		₱ (104)	₱ -	₱ -		**₱ 1,250**	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
C. OTHER COMPANIES									
OTHER INVESTMENTS - AT COST - NET									
OTHER INVESTMENTS - AT COST									
San Miguel Corporation									
Alabang Country Club	9	₱ 12	(1)	₱ (5)			8	₱ 7	b
Ansor International	3,334	3		-			3,334	3	-do-
Apo Golf & Country Club	3	-		-			3	-	-do-
Associated Cattle Ranchers	13,400	1		-			13,400	1	-do-
Baguio Country Club	1	-		-			1	-	-do-
Bancom Group Inc	999,546	5		-			999,546	5	-do-
Batulao Village Club	1	-		-			1	-	-do-
Calatagan Golf Club	1	-		-			1	-	-do-
Camp John Hay	2	3		-			2	3	-do-
Canlubang Golf Club	3	1		-			3	1	-do-
Capitol Hills Golf & Country Club	1	-		-			1	-	-do-
Casino Espanol de Manila	2	-		-			2	-	-do-
Cebu Country Club	1	-		-			1	-	-do-
Celebrity Sports Plaza	3	-		-			3	-	-do-
Club Filipino	8	-		-			8	-	-do-
Continental Potash	7,909	-		-			7,909	-	-do-
Evercrest	2	2		-			2	2	-do-
Green Valley Club - Baguio	1	-		-			1	-	-do-
Greenfield Tennis Club	3	-		-			3	-	-do-
Iloilo Golf Club	1	-		-			1	-	-do-
Inter island Broadcasting Corp	4,458,928	3		-			4,458,928	3	-do-
Landgolf Inc	2	-		-			2	-	-do-

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(b) percentage of ownership in negligible
(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
Makati Executive Center	1	₱ -		₱ -			1	₱ -	-do-
Makati Sports Club	11	1		-			11	1	-do-
Manila Bankers Life	250,000	-		-			250,000	-	-do-
Manila Electric Company	100,331	1		-			100,331	1	-do-
Manila Golf & Country Club	3	29		-			3	29	-do-
Manila Polo Club	3	5	(1)	(2)			2	3	-do-
Manila Southwoods Golf & Country Club	1	2		-			1	2	-do-
Medical Doctors Inc.	72,600	1		-			72,600	1	
Merchant Investment	41,660	4		-			41,660	4	-do-
Metropolitan Club	2	-		-			2	-	-do-
Metropolitan Theater	198	-		-			198	-	-do-
Mimosa Golf & Country Club	3	2		-			3	2	-do-
Monserrat Trading	1,000	-		-			1,000	-	-do-
Motor Services	52,500	-		-			52,500	-	-do-
Naga Telephone Co.	220	-		-			220	-	-do-
Negros Occidental Golf club	6	-		-			6	-	-do-
Norcem Philippines	80,000	1		-			80,000	1	-do-
Orchard Golf & Country Club	5	10		-			5	10	-do-
Pacific Club Corporate	1	1		-			1	1	-do-
Pantranco South Express	340,992	-		-			340,992	-	-do-
People's Press	1,500	-		-			1,500	-	-do-
Phil. Columbian Club	3	-		-			3	-	-do-
Phil. Dealing Sytem Holding Corp.	250,000	25		-			250,000	25	-do-
Phil. International Fair	500	-		-			500	-	-do-

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
Phil. Long Distance Tel. Co	230,594	₱ 2		₱ -			230,594	₱ 2	-do-
Phil. Overseas Resources	10,000	-		-			10,000	-	-do-
Pilipino Telephone	600	-		-			600	-	-do-
Professional Services Inc	11,250	5		-			11,250	5	-do-
Puerto Azul Golf Club	3	-		-			3	-	-do-
Quezon City Sports Club	1	-		-			1	-	-do-
Republic of the Philippine Bonds	-	795		(795)			-	-	-do-
Sta Elena Properties	7	5		-			7	5	-do-
Sta Elena Golf Club	1	6		-			1	6	-do-
Sta Lucia Realty Golf Club	2	1		-			2	1	-do-
Subic Bay Yacht Club	1	1		-			1	1	-do-
Tagaytay Highland Golf and Country Club	2	2		-			2	2	-do-
Tagaytay Midlands Country Club	1	2		-			1	2	-do-
The Country Club - Canlubang	2	30		-			2	30	-do-
Universal Leisure Club	1	1		-			1	1	-do-
Valle Verde Golf Club	53	5		-			53	5	-do-
Valley Golf Club Inc.	2	3		-			2	3	-do-
Victorias Country Club	1	-		-			1	-	-do-
San Miguel International Ltd.									
Others	-	119		-			-	119	100

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
San Miguel Properties Inc.									
Apo Golf & Country Club	1	₱ 1		₱ -			1	₱ 1	
Mimosa Golf & Country Club	4	2		-			4	2	
Sta. Elena Golf & Country Club	1	1		-			1	1	
Metro Club	1	-		-			1	-	
Phil. Long Distance Tel Co	12,200	3	(8,000)	(2)			12,200	1	
Meralco	271,118	1		-			271,118	1	
Italia Country Club	89	5		-			89	5	
Tagaytay Midlands Country Club	1	2		-			1	2	
Pacific Central Properties, Inc.									
Corporate Investment Phils Inc	200,000	-		-			200,000	-	
Herald Publications	410	-		-			410	-	
San Miguel Rengo Packaging Corp									
Phil Long Distance Tel.	5,200	-		-			5,200	-	
Evercrest Golf & Country Club	1	-		-			1	-	
Orchard Golf & Country Club	1	1		-			1	1	
Apo Golf & Country Club	1	-		-			1	-	

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
Monterey Foods Corporation									
Orchard Golf and Country Club	1	₱ 1		₱ -			1	₱ 1	
Manila Southwoods Golf & Country Club	1	1		-			1	1	
Sta Elena Golf Club	1	1		-			1	1	
Manila Electric Co	58,999	1		-			58,999	1	
Endless Vacation Club Phils, Inc.	2	-		-			2	-	
Tagaytay Highland Golf and Country Club	1	1		-			1	1	
Club Filipino	1	-		-			1	-	
Piltel	11,100	-		-			11,100	-	
Royal Tagaytay Country Club	1	-		-			1	-	
Phil Assoc. of Hog Raisers	14,388	-		-			14,388	-	
Phil. Long Distance Tel Co	9,290	-		-			9,290	-	
Makati Sports Club	1	-		-			1	-	
Casino Espanol	1	-		-			1	-	
Anchor Brokerage Corporation									
Phil. Long Distance Tel. Co.	10,400	-		-			10,400	-	
Export & Industry Bank	-	-	766,000	-			766,000	-	
San Miguel Yamamura Asia									
Manila Southwoods Golf & Country Club	1	-		-			1	-	
Orchard Golf and Country Club	1	-		-			1	-	
Evercrest Golf & Country Club	1	1		-			1	1	

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SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
Rightpak International									
Canlubang Golf & Country Club	1	₱ 1		₱ -			1	₱ 1	
Manila Southwoods	1	-		-			1	-	
Orchard Golf & Country Club	1	-		-			1	-	
San Miguel Purefoods Company, Inc.									
Club Filipino	1	-		-			1	-	
Club Strata, Inc.	3	-		-			1	-	
Meralco		-	1	-			1	-	
Makati Sports Club, Inc.	1	-		-			1	-	
Philippine Long Distance Tel. Co.	1	1		-			1	1	
Valle Verde Country Club	1	-		-			1	-	
Capitol Hills Golf and Country Club, Inc.	1	-		-			1	-	
Alabang Country Club	1	1		-			1	1	
Golf Club Bogor Raya	1	-		-			1	-	
Insta Food	1	1		-			1	1	
				-					
Premium Packaging Corporation				-					
Puerto Azul	1	1		-			1	1	
Orchard Golf & Country Club	-	-	1	-			1	-	
SMC Fuso Mold									
Philippine Longdistance Tel. Co.	600	-		-			600	-	
Riviera Golf Club	1	-		-			1	-	
SMY Ball Corp.									
Manila Southwoods Golf and Country Club	1	1		-			1	1	
Orchard Golf and Country Club	1	-		-			1	-	
Total Other Investments - at cost		**1,117**		**(804)**	**-**	**-**		**313**	

(a) if the cost of investment is less than P500,000, the amount column will show zero.
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SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2006
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
ADVANCES									
SMC (Inter-Island Broadcasting)		₱ 41		₱ -	₱ -	₱ -		₱ 41	
RESERVE FOR LOSS									
San Miguel Corporation		(146)		-	-	-		(146)	
Total Other Investments - at cost - net		1,012		(804)	-	-		208	
GRAND TOTAL		₱ 7,305		₱ (1,413)	₱ 170	₱ (73)		₱ 5,989	

(a) if the cost of investment is less than P500,000, the amount column will show zero.
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(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - PROPERTY, PLANT AND EQUIPMENT
DECEMBER 31, 2006
(Amounts in Millions)

Classification	Balance, December 31, 2005	Additions	Disposals / Reclassification	Acquisition of Subsidiary	Currency Translation Differences	Ending Balance
Land and land improvements	₱ 16,116	₱ 500	₱ (7)	₱ 17	₱ (138)	₱ 16,488
Buildings and improvements	30,046	2,824	(1,228)	207	(638)	31,211
Machinery and equipment	81,853	9,629	(4,858)	639	(1,051)	86,212
Transportation equipment	5,205	320	(462)	52	(22)	5,093
Tools and small equipment	17,640	1,387	668	-	(83)	19,612
Office equipment, furniture and fixtures	4,337	243	(288)	4	(26)	4,270
Molds	1,799	129	(1,045)	-	(4)	879
Leasehold improvements	709	116	(25)	-	-	800
Construction in Progress	14,414	(2,555)	(1,344)	14	34	10,563
	₱ 172,119	₱ 12,593	₱ (8,589)	₱ 933	₱ (1,928)	₱ 175,128

* See Notes 4 and 10 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES

SCHEDULE F - ACCUMULATED DEPRECIATION, AMORTIZATION AND IMPAIRMENT

DECEMBER 31, 2006

(Amounts in Millions)

A. ACCUMULATED DEPRECIATION AND AMORTIZATION

Classification	Balance, December 31, 2005	Additions	Disposals/ Reclassifications	Currency Translation Differences	Ending Balance
Land and land improvements	₱ 1,548	₱ 206	₱ (87)	₱ (6)	₱ 1,661
Buildings and improvements	6,694	1,032	(796)	(147)	6,783
Machinery and equipment	46,793	4,266	(3,913)	(395)	46,751
Transportation equipment	4,283	218	(463)	(16)	4,022
Tools and small equipment	8,635	1,293	(54)	(7)	9,867
Office equipment, furniture and fixtures	3,905	204	(307)	(18)	3,784
Molds	1,459	187	(933)	(1)	712
Leasehold improvements	570	32	(320)	-	282
	₱ 73,887	₱ 7,438	₱ (6,873)	₱ (590)	₱ 73,862

* See Notes 4 and 10 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE F - ACCUMULATED DEPRECIATION, AMORTIZATION AND IMPAIRMENT
DECEMBER 31, 2006
(Amounts in Millions)

B. ACCUMULATED IMPAIRMENT LOSSES

Classification	Balance, December 31, 2005	Additions	Disposals/ Reclassifications	Currency Translation Differences	Ending Balance
Land and land improvements	₱ 185	₱ -	₱ -	₱ -	₱ 185
Buildings and improvements	444	(6)	42	23	503
Machinery and equipment	2,756	79	(70)	(55)	2,710
Tools and small equipment	234	-	(350)	(13)	(129)
Office equipment, furniture and fixtures	10	-	(1)	-	9
Molds	-	-	2	-	2
	₱ 3,629	₱ 73	₱ (377)	₱ (45)	₱ 3,280

* See Notes 4 and 10 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2006
(Amounts in Millions)

Part A - Intangible Assets

Description	Beginning Balance	Additions At Cost	Charged to Other Accounts	Currency Translation Adjustment	Ending Balance
Goodwill					
Cost	₱ 73,014	₱ 2,500	₱ 1,489	₱ (806)	₱ 76,197
Accumulated Amortization	3,399	-	-	(101)	3,298
Net Book Value	₱ 69,615	₱ 2,500	₱ 1,489	₱ (705)	₱ 72,899
Trademarks and Other Intangibles					
Cost:					
Trademarks and brands	₱ 26,670	₱ 1,002	₱ -	₱ (1,482)	₱ 26,190
Other Intangibles	2,230	421	151	(90)	2,712
	28,900	1,423	151	(1,572)	28,902
Accumulated Amortization					
Other Intangibles	571	112	134	(30)	787
Net Book Value	₱ 28,329	₱ 1,311	₱ 17	₱ (1,542)	₱ 28,115

* See Notes 4, 9, and 13 of Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2006
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions At Cost	Charged to Cost and Expenses	Other Changes Additions (Deductions)	Currency Translation Adjustment	Ending Balance
Deferred containers expense - net of accumulated amortization	₱ 12,182	₱ 1,594	₱ (2,308)	₱ 204	₱ (59)	₱ 11,613
Noncurrent receivables and deposits	911	161	-	(169)	-	903
Others - net	2,798	614	(55)	114	(35)	3,436
	₱ 15,891	₱ 2,369	₱ (2,363)	₱ 149	₱ (94)	₱ 15,952

* See Notes 14, 34, and 35 of Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2006
(Amounts in Millions)

TITLE OF ISSUE	ISSUER	Amount Authorized by Indenture	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term	Interest Rate	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Parent Company														
Unsecured term notes:														
Peso denominated:														
Fixed	HSBC	₱ 3,105	₱ -	₱ (5)	₱ (5)	₱ 3,125	₱ (10)	₱ 3,115	₱ 3,110	7.0740%	11.25%	Bullet	Quarterly	20-Aug-09
Fixed	DBP	4,471	1,639	(12)	1,627	1,230	(4)	1,226	2,853	14.0785%	7.75%	Amortized	Semi-annual	15-Sep-08
		7,576	1,639	(17)	1,622	4,355	(14)	4,341	5,963					
Floating	HSBC	870	-	(1)	(1)	874	(3)	871	870	7.0740%	based on MART 1 plus 1.0%	Bullet	Quarterly	20-Aug-09
		8,446	1,639	(18)	1,621	5,229	(17)	5,212	6,833					
Foreign currency - denominated														
	SCB	49,624	4,553	(237)	4,316	39,574	(398)	39,176	43,492		LIBOR plus .90%	Amortized		07-Nov-10
Subsidiaries														
Unsecured term notes:														
Peso denominated:														
	DBP	654	263	-	263	131	-	131	394		based on 91-day treasury bill	Amortized		02-Jun-08
	DBP	115	46	(1)	45	23	-	23	68		rate plus 1.50%	Amortized		02-Jun-08
	CITI	210	70	-	70	70	-	70	140		MART 1 plus .875%	Amortized		05-Dec-08
	CITI	138	46	(1)	45	46	-	46	91			Amortized		05-Dec-08
	CITI	574	191	-	191	191	-	191	382			Amortized		05-Dec-08
	BDOPB	320	53	(1)	52	267	(1)	266	318		MART + .90%	Amortized		06-Apr-10
	BDOPB	500	-	(1)	(1)	500	(1)	499	498		MART + 1.0%	Bullet		06-Apr-10
	CITI	500	154	(2)	152	346	(2)	344	496		MART +.875%	Amortized		29-Mar-10
	CITI	500	154	(1)	153	346	(1)	345	498		MART +.875%	Amortized		29-Mar-10
	LB	500	83	(1)	82	417	(1)	416	498		91d Tbill plus 1.25%	Amortized		18-Jun-10
	LB	1,000	83	(1)	82	917	(2)	915	997		91d Tbill plus 1.25%	Amortized		28-Jul-10
		30	30	-	30	-	-	-	30			Amortized		05-Dec-08
	Landbank	133	66	-	66	-	-	-	66		based on 91-day treasury bill	Amortized	#REF!	27-Dec-07
										6.664%	rate plus 1.50%			
		5,174	1,239	(9)	1,230	3,254	(8)	3,246	4,476					
Foreign currency - denominated														
	foreign banks	37,386	3,840	-	3,840	37,093	(109)	36,984	40,824		HIBOR + .3%	Bullet		various
	foreign banks	178	-	-	-	290	-	290	290		4.35-4.65%			15-Oct-06
		37,564	3,840	-	3,840	37,383	(109)	37,274	41,114					
Total Long-term Debt		**₱ 100,808**	**₱ 11,271**	**₱ (264)**	**₱ 11,007**	**₱ 85,440**	**₱ (532)**	**₱ 84,908**	**₱ 95,915**					

* See Note 18 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE K - CAPITAL STOCK
DECEMBER 31, 2006

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	BER OF SHARES HELD BY: AFFILIATES	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES							
COMMON STOCK "A"	2,700,000,000	1,970,380,027	54,662,760	1,915,717,267	94,249,095	18,684,050	8,480,270
COMMON STOCK "B"	1,800,000,000	1,243,040,673	10,812,611	1,232,228,062	40,392,469	24,054,961	9,239,410
	4,500,000,000	3,213,420,700	65,475,371	3,147,945,329	134,641,564	42,739,011	17,719,680

* See Notes 20 and 27 of the Audited Consolidated Financial Statements.

ANNEX "F"

SAN MIGUEL CORPORATION

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

This discussion summarizes the significant factors affecting the consolidated operating results, financial condition and liquidity and cash flows of San Miguel Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2006. The following discussion should be read in conjunction with the attached audited consolidated balance sheets of the Group as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2006. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2006 and the results of operations and cash flows for the year ended December 31, 2006 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

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

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- agricultural produce are measured at fair value less estimated point-of-sale costs.

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency, and all financial information are rounded to the nearest million (P000,000), except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including interpretations issued by the Financial Reporting Standards Council.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial periods except for the following new and amended PAS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC), which were adopted starting January 1, 2006:

- Amendment to Philippine Accounting Standard (PAS) 19, *Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures,* provides an option for recognizing actuarial gains and losses in full in the period in which they occur, outside profit or loss. The amendment also (a) specifies how group entities should account for defined benefit group plans in their separate or individual financial statements and (b) requires entities to provide additional disclosures. The adoption did not have a recognition or measurement impact as the Group chose not to apply the new option offered to recognize actuarial gains or losses outside of the consolidated statements of income.

- Amendment to PAS 21, *Effects of Changes in Foreign Exchange Rates*, states that all exchange differences arising from a non monetary item that forms part of a Company's net investment in foreign operations are recognized in a separate component of stockholder's equity in the financial statements regardless of the currency in which the monetary item is denominated.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Cash Flow Hedge Accounting of Forecast Intragroup Transactions*, permits the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction and that the foreign currency risk will affect the consolidated statements of income. As the Group has no such transactions, the amendment did not have an effect on the consolidated financial statements.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - The Fair Value Option*, limits the fair value option to those financial instruments that meet the following conditions: where such designation eliminates or significantly reduces an accounting mismatch, when a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and when an instrument contains an embedded derivative that meets particular conditions. The Group had not previously used this option. Hence, the amendment did not have an effect on the consolidated financial statements.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Financial Guarantee Contracts*, requires the issuer of a financial guarantee contract to measure the contract: initially at fair value and subsequently at the higher of (a) the amount determined in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with PAS 18, *Revenue.* However, if specified criteria are met, the issuer may use the fair value option in PAS 39. As the Group has no such transactions, the amendment did not have an effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease* provides guidance for determining whether an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments, is or contains, a lease that should be accounted for in accordance with PAS 17, *Leases*.

The adoption of the above amendments to PAS and Philippine interpretation from IFRIC did not have a material effect on the consolidated financial statements.

II. RESULTS OF OPERATIONS

Comparisons of key operating results for the last three years are summarized in the following tables.

	Years Ended December 31		
	2006	**2005**	**2004**
		(In Millions)	
Sales	**₱249,650**	₱226,737	₱174,703
Gross Profit	**76,816**	65,531	52,977
Selling and Administrative Expenses	**(56,258)**	(48,066)	(35,469)
Interest Expense and Financing charges	**(10,762)**	(11,822)	(3,607)
Others	**5,466**	5,760	791
Income Before Income Tax and Minority Interests	**15,262**	11,403	14,692
Net Income attributable to Equity holders of the Parent	**10,566**	9,031	8,859

2006 vs 2005

2006 was an eventful and challenging year for San Miguel. Substantial progress was made in focusing the Company's resources on areas of highest growth potential and best strategic fit, as we refined our portfolio of businesses by announcing plans to divest our soft beverage joint venture with The Coca-Cola Company and acquisitions such as Lactos Pty. Ltd., a specialty cheese maker with strong leadership positions in the Australian market; a minority stake in Del Monte Pacific Ltd. through a joint venture company, and a sale purchase agreement signed with Le Gourmet, an emerging player in Vietnam's processed meats segment, and

With the National Foods-Berri integration and consolidation completed, we started a new program of reallocating resources against areas where we have the strongest competitive positions. Much of the efforts focused on integrating functions, streamlining the organization's operating structure and optimizing resources across the businesses to further deepen the Company's commercial capabilities.

With San Miguel now a more diverse conglomerate – in terms both of geography and portfolio – programs zeroed in on harnessing synergies available across the larger San Miguel Group.

Yet even as we enhance operational relationships among the different competencies and drive efficiencies higher, we also delivered on our commitments to shareholders as financial results continue to support a growing San Miguel. Consolidated net sales amounted to ₱249,650 million - 10% higher than last year. Consolidated operating income, on the other hand, of ₱20.558 million is 18% higher than 2005 level.

BEVERAGE

Beer Domestic
San Miguel Beer Domestic volume fell short of previous year's level as price adjustments on beer products, prompted by the implementation of additional value added tax early last year and increases in fuel and power costs, further dampened demand as consumers, faced with slower income growth, trimmed their spending. Revenue of ₱39,943 million nonetheless matched 2005 levels.

Cost-containment and efficiency-improvement programs kept overall expenses in check – delivering a new record operating income performance of ₱9,518 million – 15% higher than 2005.

Despite lower volumes, San Miguel nevertheless reinforced its domestic market position, hitting a record high in the last two decades--the result of continued enhancements to the SMBD distribution system and marketing programs.

Above-the-line initiatives, like the *Walang Katulad* campaign, combined with annual volume generating events like the *Sarap Mag Babad* summer program, the *Tambayang* SMB rainy season drive, Oktoberfest and Red Horse Muziklaban, among others, set the stage for year-round beer consumption.

Brand-specific bar tours like the Cerveza Negra Jazz Improv Tours, San Miguel Trendspotting and San Mig Light Inumornings as well as sports sponsorships such as the San Mig Light Enduro Challenge, the San Miguel Asian 9-Ball Tour and the 2006 World Pool Championships further magnified exposure for San Miguel Beer brands.

Beer International
San Miguel Beer Division International embarked on an extensive market and product expansion drive to effectively deliver volumes – resulting in improved sales and profitability. Volumes grew 8% from the previous year with consolidated revenues reaching US$299 million. Operating income reached US$4.4 million as a result of sustained operational efficiencies and vigilance in costs.

In South China operations, San Miguel Guangdong Brewery (SMGB) posted hefty volume and income growth due to the strong performance of Valor and Dragon brands, complemented by rationalized discounts and reduced production costs particularly for the Valor brand. The launch of Dragon's TVC in Shunde and nearby counties, "Refreshing to Fly", and eye-catching outlet signage in key outlets in Greater Foshan, has further improved the brand's awareness. Meanwhile, the Valor brand was also rolled out in these regions to further expand availability and boost volumes.

Guangzhou San Miguel Brewery (GSMB) has shown strong recovery and progress after the handover of the factory and production assets to Guangzhou Brewery last year. The operations are expected to return to profitability this year following the restructuring of operations.

While GSMB sales volume declined, the strategic intent to push for higher-margin products drove revenue higher. Specifically, San Mig Light registered volume gains driven by integrated distribution and marketing programs – supported by television commercial and outdoor advertising in core markets.

To cater to the volume requirements of GSMB, SMGB embarked on an expansion program aimed at increasing the brewery's production capacity.

North China operations saw volumes rising 16% from the previous year, primarily buoyed by strong sales of Blue Star brands. Three new products along the Blue Star line were launched to expand the volume base, including the introduction of Super Cool and Valor Super Light that are designed to compete in the premium segment.

Volume growth in Hong Kong continued driven by the economy brands, where San Miguel enjoys a strong following. The Wild Day Out campaign, which was extended year round and held in more locations, proved effective in enhancing the image and driving sales of San Miguel Beer brands.

In Indonesia, higher fuel costs and increase in taxes on alcoholic beverages dampened consumer demand. Heavy discounting by major local competitor placed further pressure on volumes of P.T. Delta Djakarta. Nevertheless, sales of Anker Stout grew, slowly grabbing a bigger share in the stout market. The availability of San Mig Light, the first light beer in the market, was likewise expanded.

In Australia, volumes were spurred by robust sales of Boag's Draught and Boag's St. George amid massive discounting from premium competing brands. A new pricing strategy implemented towards the end of the year proved effective in addressing the situation that affected volumes for most parts of 2006.

Meanwhile, strong sales of San Miguel Pale Pilsen and an own version of local favorite biahoi in Vietnam were responsible for driving the brewery's double-digit growth. The strong performance was attributed to rationalized channel sponsorships, improved outlet yield, and enhanced utilization and efficiency of promo merchandises.

In Thailand, revenue rose as the sales and distribution set up in Greater Bangkok and Central Thailand expanded availability and coverage of premium brands, particularly San Mig Light and Pale Pilsen. Strong contributions from tolling and exports likewise provided a significant boost in volumes.

Liquor and Spirits

The hard liquor business under Ginebra San Miguel, Inc. (GSMI) reported a 21% revenue growth to ₱12,435 million largely at the back of strong domestic sales. In particular, the impressive growth in relatively new offerings – Gran Matador Brandy and GSM Blue – and the recovery in the flagship GSM Red pushed consolidated volumes up 17% from the previous year despite the continued slack in exports.

However, a tighter cost environment induced by external and internal pressures – higher cost of molasses and the absorption of the incremental VAT early in the year, respectively – negated these gains and dragged operating income down to ₱733 million.

Despite these, efforts directed at reinforcing core brand equity and increasing product availability continued especially as market competition intensified further in 2006. GSMI embarked on strengthening brand Ginebra's image through tri-media campaigns that created broader awareness and boost consumption.

GSMI likewise worked on cementing its affinity with the Filipino drinker through massive barangay-based, consumer and outlet promotions and support for local celebrations and fiestas. This was complemented by a deliberate move to maintain prices, resulting in substantial volume gains for flagship GSM Bilog as volumes rose 9% year-on-year.

Gran Matador continued to fortify its position in the brandy market – substantially growing volumes from the previous year and become the second largest-selling local brandy in the market.

Buoyed by an effective series of campaigns over the last four years, G.S.M. Blue helped boost total gin volumes for the year, more than doubling its volumes from 2005 levels, at the same time creating a niche in the local gin market.

In terms of distribution, GSMI employed the dual functions of company-owned and third-party resources to tap previously underserved areas nationwide. A strategic collaboration with the logistics set-up of other San Miguel products was likewise initiated to improve product availability in key competitor-controlled areas.

Internally, GSMI re-doubled efforts to contain costs and manage funds to preserve gains in volume. Efficient working capital and inventory management freed up resources, amid tight cash flows, that were utilized for servicing debt, reducing interest payments and improving the company's financial health in general. GSMI also firmed its sights on the greater opportunities present in the regional markets as the joint venture with the Thai Life Group commences operations by the last quarter of 2007.

Non-Alcoholic Beverage

The growing segmentation in the local soft beverage industry, which has favored the non-carbonated sector, took its toll on the Coca-Cola Beverage Group (CCBG). As a result, the non-alcoholic beverage business as a whole failed to take-off in 2006. With consolidated volume of 14% below than last year, CCBG contributed ₱38,618 million in sales revenue, 3% lower than last year. Operating income stood at ₱575 million, 51% lower than 2005 level.

In February 2007, the partners The Coca-Cola Company (TCCC) and San Miguel Corporation completed the sale of the latter's 65% shareholding in Coca-Cola Bottlers Philippines, Inc. (CCBPI). With this sale, TCCC acquired full ownership of CCBPI, which includes subsidiaries Cosmos Bottling Corp. (manufacturer of Cosmos and Pop Cola) and Philippine Beverage Partners, Inc. (producer of water and juice), along with all voting and economic rights for a total consideration of US$590 million.

Terms of the deal include a non-compete clause in carbonated soft drinks, flavored water, sports and energy drinks in the Philippines for five years. All other beverage formats such as water, juices, tea and coffee are open to San Miguel.

The sale of CCBPI supports San Miguel's more focused business model, emphasizing fully-owned branded positions. While it has relinquished control of CCBPI, San Miguel remains a key packaging supplier to the business.

The transaction also provides San Miguel the opportunity to focus on core business areas in the Philippines and its planned expansion throughout the region. The company is advancing its own regional beverage platform, already producing juice drinks and ready-to-drink tea in existing manufacturing facilities in the Philippines, Thailand and Indonesia.

FOOD AND AGRI

By realigning operations across the entire Food platform, San Miguel has taken major steps toward achieving a more efficient business model for its Food Group and building a stronger manufacturing base for growth, innovation and continued success.

Through a combination of an expanded product range, broadened distribution, and increased efficiencies, consolidated revenue totaled ₱63,999 million – 5% higher than the previous year. Effective expense management and the growing share of branded food products in the portfolio pushed margins higher, enabling operating income to reach ₱2,833 million, 38% higher than 2005.

Apart from sustaining volume and revenue growth across most of the businesses, San Miguel Pure Foods Co., Inc. has also strengthened its organizational structure to preserve efficiencies in the Group's growing operations.

Domestically, SMPFC completed an internal restructuring and realignment program that optimizes the sharing of resources among the different units and reduces operating costs in general. Moreover, both the Board and its shareholders recently approved a restructuring exercise that consolidates the different food businesses' ownership under SMPFC.

Agro-Industrial Cluster
Integrated agro-industrial zone. The Agro-industrial cluster benefited from stable pricing, improved capacities and wider distribution of products to sustain a robust performance. Increased presence in trade, especially through Monterey Supermarket and Neighborhood Meatshops – which now operates more than 300 outlets nationwide – Magnolia Chicken Stations, and San Miguel Food Shops enabled poultry and basic meat products to reach more consumers, driving a 5% growth in sales revenue as compared to last year, to ₱37,644 million. Operating income, likewise, posted a remarkable 36% increase, to ₱1,723 million.

In poultry operations, more contract growers embraced the concept of the climate-controlled system – a technological advancement in poultry farming that raises yields – leading to improved revenue of ₱16,891 million, 7% better than previous year. Operating income improved by 27% to ₱887 million.

Basic meats, meanwhile, competed with lower cost meat resulting in sluggish sales. Efficient operations nonetheless enabled operating income to surge by 28%, from ₱318 million in 2005 to ₱409 million in 2006.

In the feeds business, volume generating initiatives that produced contracts in both trade and farm levels and opening of new accounts complemented the strong demand and increased requirements from broiler and layer farms, ushering a sales revenue of ₱14,669 million, 5% higher than 2005 level. An effective raw material substitution program, through the use of cassava and other cheaper alternatives, lifted operating income to ₱427 million, 72% better than 2005.

Milling. Meanwhile, increased capacity utilization of new plants to drive innovation allowed the flour business to grow sales revenue by 5% to ₱13,329 million. The launch of E-Aji Dip Snacks likewise provided incremental business to the flour operations as well as the introduction of new high-value added and ready-to-cook flour mixes Magnolia Waffle Mix and Magnolia Pancake

Plus and institutional items like cookie and muffin mixes. Exports to Thailand likewise provided an extra push for the entire flour business.

Branded and Value-Added Businesses

Processed meats. While the processed meat cluster contributed ₱9,870 million in sales revenue and ₱508 million in operating income, the entry of cheaper products, particularly in the hotdogs segment, affected volumes and market position of Purefoods Hormel Corp. (PHC). To compete with lower priced players and recoup market share, the business intensified the offering of longer shelf life and more affordable variants complemented by a rationalized distribution utilizing existing channels like the Monterey Meatshops, San Mig Food Shops and PureFoods Market shops to expand availability. Growing exports are also expected to provide fresh revenue streams.

A total of 39 new products were brought to the market last year to support a growing revenue base. Among these was Mom's Kitchen – a new line of innovative products targeting the growing ready-to-eat market – which easily beefs up PHC's branded portfolio and promotes the company's strategy of serving a wider consumer base – together with Vida Balls, Flavored Tocino, and Tender Juicy Footlong Hotdog.

Dairy, Oils & Fats. Magnolia Inc. recorded ₱4,782 million in revenue, 14% higher from the previous year, with stronger performances posted in all product lines. Volumes were likewise boosted by the distribution arrangement of NFL products, which enjoyed a wide reception among consumers. To further cultivate these gains, investments in cold-chain storages as well as enhanced outlet coverage will be implemented.

Food Service. Great Food Solutions continued to expand its presence among institutional clients through its own branded food service business. With sustained innovation and product customization complemented by an aggressive coverage of the domestic food service industry – particularly an increased support to the quick service restaurants' need for speed and variety – GFS recorded another robust performance, posting sales revenue of ₱4,739 million – 4% higher than 2005. Operating income stood at ₱28 million.

Riding high on the flourishing business process outsourcing business in the country, GFS grew its market by supplying the 24/7 convenience stores with ready-to-eat, home-cooked flavor meals. The company also took advantage of the emergence of food carts and kiosks by providing affordable yet nutritious offerings like cheese and meat fillings for waffle dogs, pizza and rice toppings. GFS likewise expanded its portfolio horizontally by grabbing market shares in the poultry, flour and oils segments.

Emerging Businesses. San Miguel Super Coffeemix Co. Inc. continued with its impressive performance in 2006 posting sales revenue of ₱376 million – 87% better than last year. Just three years into the market, the San Mig Coffee brand has gained considerable share of the instant coffee market. The introduction of Sugar Free variants in the 3-in-1 segment and the launch of San Mig Super Coffee Instant Black Coffee in the mainstream last year are expected to stir additional revenue and market share growth.

Furthermore, the debut of E-Aji Dip Snacks marked San Miguel's entry into the snacks industry. With the first of its kind dip-in-snack feature, sales are forecast to increase substantially this year to become a significant player in the domestic snacks industry. In fact, SM Supermarket cited E-Aji as the "Breakthrough Product of the Year" in 2006.

The introduction of Magnolia Pancake Plus and Magnolia Waffle Mix likewise strengthened the Food Group's position in the branded food category. These ready-to-cook specialty mixes not only boosts prospects for the flour operations but also drives the business higher along the value chain.

Regional Operations
San Miguel Pure Foods Vietnam. San Miguel Pure Foods Vietnam (SMPFV) feeds business continued to flourish although sales from the piggery operations remained muted. To address the situation, SMPFV advanced its move towards higher value added and branded products through the sale purchase agreement forged with Le Gourmet – a processed meats manufacturing outfit in that country with strong presence in modern retail and institutional channels. The transaction completes the desired business model of an integrated food manufacturing, selling and distribution platform. Together with Hormel Foods Company's additional investment, the deals strengthen SMPFV's branding power and commercial leverage in the country.

PT San Miguel Pure Foods Indonesia. The processed meats business in Indonesia continued to endure the prevailing preference for cheaper and unbranded products available in the market – aggravated by persistent price inflation that further eroded consumer incomes. While volumes and revenue were depressed posting a sales revenue of ₱634 million in 2006 as against ₱673 million in 2005, existing operational efficiencies delivered an operating income higher than the previous year.

NATIONAL FOODS LIMITED

A full year after its consolidation into San Miguel, NFL sustained a strong performance in 2006 that yielded solid financial results. Operating a bigger and highly integrated platform of dairy, milk, juice and specialty cheese businesses, NFL further strengthened its position in the Australian market amid aggressive competition. Consolidated revenues grew 8% from the previous year to reach AU$1,836 million.

In May 2006, NFL finalized the acquisition of Lactos – a leading specialty cheese manufacturer in the continent – which it later folded into King Island's distribution system. Soon after, NFL successfully consolidated its juice (Berri), cheese (Lactos and King Island), milk, and dairy operations' – beefing up the group's product offering and widening its consumer base. NFL also merged King's Creameries operations – the Singapore and Malaysian based ice cream company 77% owned by San Miguel – to rationalize branding for San Miguel's regional dairy strategy. Operational efficiencies derived from these initiatives allowed NFL's operating income to increase 10% to AUS$170 million.

While white milk contended with the growing preference for private labels, flavored milk performed strongly in both the grocery and route channels as a result of extensive above-the-line campaigns and the successful launches of new products. In the fresh dairy segment, NFL maintained its market leadership through focus, innovation and sustained marketing support for well known consumer brands.

In the juice industry, NFL reported healthy volume and revenue performances with timely execution of sales and marketing strategies that enabled the business to compete with new entrants. This included increased brand building investment on core brands that has, in fact, solidified NFL's leadership in the chilled juice market.

NEW VENTURES

Del Monte Pacific Ltd. (DMPL) posted a considerable improvement in 2006 under the new management of NutriAsia Pacific, Ltd. – the joint-venture company between San Miguel Corp. and the NutriAsia Phils – which took over starting April 2006.

Revenue amounted to US$243 million – 9% higher than the previous year as a result of sustained innovation and brand-building programs. Operational synergies achieved within the joint-venture together with the ongoing cost-efficiency program enabled operating profit to rise 16% to US$28 million despite significant cost inflation.

Growth was strongest in the Philippines, where bulk of DMPL's business is derived from, reflecting gains in operational enhancements, product developments and a renewed focus on the company's beverage segment.

PACKAGING

San Miguel Packaging Products' sales reeled from weak requirements from internal clients, adversely affecting volumes particularly of the more profitable businesses – glass, metal and plastics. While other operations – paper, composite, PET, and San Miguel Packaging Malaysia – sustained their strong performances, this failed to lift consolidated revenues, which fell 7% to ₱19,400 million. Operating income came in at ₱1,639 million.

SMPP also initiated several measures that will allow them to thrive under intense competition in the international market. Domestically, San Miguel Yamamura Asia Corp. unveiled its second furnace to serve a growing market – making it the largest glass manufacturing plant in the Philippines that also employs pioneering technology. In addition, three new injection machines were commissioned to upgrade its plastics business while printing and bag making capacities were also increased in its Paper and Composite businesses, respectively, to enable SMPP to meet the increasing needs for more sophisticated packaging solutions.

2005 vs 2004

2005 have been a period of focus and activity for San Miguel as the Company continued to build new and stronger platforms to enhance its position as one of Asia-Pacific's leading beverage, food and packaging companies. Through the course of 2005, the Company delivered another year of solid financial results amid a demanding operating environment.

Energy and raw material costs were at record highs, putting pressure on margins. Consumer demand was relatively modest compared with the previous years as the share of utilities spending rose as a percentage of household incomes. Nevertheless, the consolidated results show the resilience of the Group due to its brand franchise, diverse product range, geographic spread and cost containment programs.

San Miguel's consolidated revenue rose to ₱226,737 million in 2005 – 30% higher than 2004 – mainly attributable to the inclusion of National Foods and full-year contribution of Berri. Operating income of ₱17,465 million was at par with 2004 as higher costs of raw materials, packaging, and utilities affected margins.

On a per business basis, National Foods and Berri contributed significantly to revenues for 2005. The international beer operations also reported solid results. In the domestic front, the juice and water businesses were the main volume drivers in the beverage sector. The packaging business served the non-traditional customers and focused on improving operating efficiency, which resulted in double-digit revenue gains.

San Miguel's consolidated net income amounted to ₱9,031 million at the back of financing charges of ₱6,888 million. However, excluding the one-off items related to the purchase of National Foods, net income would have increased by 8%.

BEVERAGE

Beer Domestic
SMBD's revenue grew 10% to ₱40,474 million in 2005 already taking into account the 20% excise tax hike for 2005, which compelled the Company to adjust selling prices in February. Although beer volumes ended slightly below 2004, beer domestic reported record operating profits of ₱8,308 million, 13% more than 2004 levels.

The beer unit strengthened its market position through programs directly targeting competition and efforts to reinforce San Miguel beer brands.

The "Beer na Walang Katulad" (Beer like no other) campaign focused on image-enhancing and volume-generating events. The annual Oktoberfest, "Sarap MagBabad" summer program, "Tambayang SMB" rainy season drive coupled with regional festivals, were venues to execute aggressive below-the-line consumer promotions to drive consumption.

New products and formats were introduced to create excitement in the market and offer consumers more choices. San Miguel Beer in 1.5 liter PET packaging and special edition cans were launched to support the flagship Pale Pilsen brand.

Capitalizing on the growing consumer preference for strong beers and low-calorie brews, sales volume of San Mig Light and Red Horse continued to grow in 2005. In the economy segment, the distribution coverage of Gold Eagle King was expanded to tap new areas nationwide.

Beer International
The international beer operations reported solid gains in 2005. SMBD-Int'l posted volume growth of 11% over 2004. This led to US$284 million in revenue, 8% better than 2004.

Consolidated operating income grew 33% to US$12.9 million – largely a result of strong volume and vigilance on costs.

San Miguel (Guangdong) Brewery Co., Ltd. (SMGB), which operates in Guanzhou province, reported healthy top-line volume and revenue growth a result of SMGB's successful programs to improve the market position of the Dragon brand. Innovative packaging and variants were launched to cater to the different market channels. South China operations also fortified its leadership in the economy segment with the introduction of Valor in 640ml bottles in the city of Shunde.

Meanwhile, Guangzhou San Miguel Brewery Company, Ltd. (GSMB) incurred an operating loss in 2005 due to a shift in volume mix favoring the lower priced brands and higher marketing costs necessary to build the brand and compete head-on with other market players.

San Miguel is in the process of restructuring its South China operations and will rationalize production capacities in the area. In addition, efforts will be refocused towards reinforcing brand equity and strengthening the sales and distribution networks in this key market.

Spurred by intensified sales and marketing efforts, the North China operations recorded growth volume and sales terms. A new thematic campaign "101 reasons to Love Baoding" for its Blue Star Beer earned for the brand the title "City Beer of Baoding."

Fuelled by increased sales of economy brands, SMBD operations in Hong Kong gained further momentum in 2005. Various brand-building activities like the "Wild-day-Out" promo and the "Our City, Our Beer" campaign reinforced the image and preference for the San Miguel brand – Hong Kong's only local beer brand.

PT Delta Djakarta Tbk (PT Delta) posted significant gains in market share and strong growth across its product portfolio. Riding on the upturn in Indonesia's economy and led by flagship Anker Bir, PT Delta outpaced its previous year's performance driven largely by effective sales strategies, successful marketing campaigns and new product introductions.

Anker Bir's excellent performance solidified San Miguel's position as Indonesia's second largest-selling brewery. San Mig Light likewise made its debut in 2005, making it the first low-calorie beer in the Indonesian market.

In Australia, J. Boag and Son's sustained its performance and strengthened its position as a leading player in the premium beer segment. Boag's St. George's and Boag's Draught were launched in mainland Australia and enjoyed strong consumer off-take.

In Vietnam, competition further intensified in 2005. Improvements in operational efficiencies together with cost-cutting initiatives allowed the brewery to pare down its losses. Branded *bia hoi* was launched to capitalize on the fast growing popularity of the economy draft segment.

Following the acquisition of a brewery in 2004, SMBD-International moved quickly to enter the Thai beer market via its introductory brands Red Horse Beer and Blue Ice Beer – San Miguel's entry into the economy and standard/popular segments, respectively. The brands were rolled out in Bangkok through on-premise outlets, selected hypermarts, supermarkets and convenience store chains. In December 2005, San Miguel Pale Pilsen and San Mig Light were introduced into the premium segment. Following the selling and distribution focus in 2005, marketing efforts will now be stepped up in order to build brand awareness and build consumption.

Liquor and Spirits

Ginebra San Miguel, Inc. (GSMI) focused on reshaping and diversifying its portfolio and reinforcing support structures to strengthen the business amid changing industry dynamics and cost pressures. Investment in new products was complemented by efforts to expand and improve distribution infrastructures and, at the same time, manage organizational and production costs.

Apart from a 30% hike in excise taxes early in the year, GSMI absorbed sharp increases in production costs – specifically the 60% increase in average price of molasses, surge in transport and freight rates, and investment in new bottles for new products. While GSMI effected staggered price adjustments during the year, consumption was relatively slow resulting in lower volume sales. GSMI reported revenues of ₱10,240 million in 2005.

While gin volumes softened, the newly launched Gran Matador Brandy reported a seven-fold increase in volumes and is already a major player in the brandy segment.

In 2005, GSMI intensified trade penetration for existing products, sustained brand-building activities, and launched new premium lines to serve previously untapped markets and to broaden the drinker base.

Improvements in product packaging, which includes tamper-evident features and attractive designs, were also amongst the key priority areas in order to ensure product safety and quality. Aside from exporting its product, GSMI continues to look for opportunities in the region.

Due to the combination of lower revenues and higher operating costs, however, GSMI's operating profit reached ₱880 million. The results include a one-time cost related to the Company's restructuring exercise in 2004. Interest charges were likewise a drag GSMI's net earnings.

Non-Alcoholic Beverage
The Philippine carbonated soft drink (CSD) market remained difficult in 2005 with slower than anticipated growth in consumption levels ushering in a steady decline in the CSD category. In addition, pricing pressures and competition were unrelenting. As a result, the Coca-Cola Beverage Group (CCBG) reported an 8% drop in volume.

Gains in the juice and water businesses were not enough to offset the downturn in the CSD business as Coca-Cola Bottlers Phils., Inc. (CCBPI) deferred price moves, resulting in CCBG's sales revenue of ₱39,779 million. Rigorous cost containment measures and improvements in operational efficiencies could not compensate for increases in input costs. Slimmer margins resulted in an operating income of ₱1,167 million – 63% lower from 2004.

To drive the business and revive growth in the soft beverage industry, CCBG fast-tracked its expansion into new channels–introducing new products and penetrating dry outlets.

Additional cost management measures such as improved production yields, use of alternative raw materials, and control of packaging, fuel, and electricity costs were also instituted to mitigate the impact of higher production and overhead costs. Restructuring efforts continued, resulting in the closure of two bottling plants in 2005 with an associated restructuring cost of ₱298 million. Manufacturing upgrades are ongoing in other CCBG facilities.

Carbonated soft drinks. CCBPI maintained its market leadership, sustaining and in some areas increasing outlet penetration and product availability in stores. Despite this, the shift to non-carbonated beverages (NCBs) and increasing share of non-food items in the consumers' disposable income affected volumes.

As pressure from low-priced competitors intensified, a wider distribution of new and existing products backed by aggressive penetration of outlets was employed. The Coke "Sakto" 200 ml bottle strategy proved effective in preventing the market grab of competing brands, especially in Metro Manila. Together with Sakto, Coke 769ml Family Size was relaunched to address the issue of affordability in the multi-serve segment.

Pop Cola was also rolled out nationwide, backed by a national TV ad and a suggested retail price campaign to promote price compliance and strengthen its position as the country's most affordable CSD.

A host of new and exciting products were also launched to maximize opportunities in a changing market. Sarsi root beer in returnable glass formats, 330ml cans, 1.5 liter PET, and fountain were rolled out nationwide while Sparkle was positioned as the primary offering in the growing lemon- flavored segment. In the modern trade, two-liter packages, cans in multi-packs, Sprite Ice, and four Royal Tru- fruit flavor variants in 500ml PET bottles were also introduced.

Juice Drinks. Demand created by growing preference for alternative drinks continue to benefit the NCB business. To capitalize on the opportunity, Philbev refined its sales organization to ensure maximum coverage and distribution, specifically in retail outlets and tertiary accounts. In addition, presence in modern trade and groceries was further strengthened by expanding points of engagement in key accounts and execution of impulse merchandising in convenience stores.

Water. The water business continued to surge, reaching more consumers in 2005 as coverage was expanded nationwide through Philbev's own dealers and CCBPI's distribution infrastructure. Penetration in on-premise outlets improved through the efforts of San Miguel Corp.'s Centralized Key Accounts Group (CKAG) and CCBPI's own National Key Accounts group (NKAG).

Wilkins Distilled Water maintained its position as the number one brand in the distilled water category while VIVA! was re-positioned as the health and lifestyle water brand of CCBG. Safety First was launched into the broad CDE market, enabling Philbev to directly compete with aggressive and lower-priced local players.

Iced Tea. Philbev's Earth and Sky Lemon Iced Tea proved to be a strong rival to the long-time leader. With an effective execution of sales and marketing programs, the brand grabbed an impressive share of the market in less than a year since its nationwide rollout. Earth & Sky Green Tea was introduced to follow on the success of the Lemon Tea flavor and further strengthen Philbev's position in the iced tea segment.

New Categories. As the growth of NCB segment was driven largely by relatively new segments, CCBG entered the fast-growing energy and sports drink segments through Hero Energy Drink to adapt to changing consumer needs and diversify Philbev's revenue base. Powerade was also reintroduced in 500ml PET bottle to cater to specific market demand.

FOOD AND AGRI

San Miguel started to reap benefits from the restructuring of the Food Group, with the business today more balanced and skewed towards branded and value-added products.

The Food Group has been transformed into a more rationalized and focused organization, centralizing important support functions like selling and marketing across the entire business. A more defined business structure was likewise achieved with the separation of the branded, commodities and regional businesses into major clusters with each one further delineated into smaller groups.

This strategy has not only helped boost the efficiency of the Food Group, but also raised effectiveness at defining and meeting the needs of consumers in innovative ways.

Over the last two years, a record number of new products were introduced into the market and the brand segmentation strategy has progressively helped shape a stronger portfolio.

Consolidated revenues of the Food Group in 2005 hit ₱61,118 million, a 6% growth over 2004. Stable selling prices pushed margins up and brought operating income to ₱2,051 million in 2005, a 10% improvement over 2004.

The growth is encouraging considering that it is largely volume driven and reflects a more balanced performance across the different food categories against full recovery of cost increases through price adjustment.

Almost all businesses managed to register year-on-year revenue growth complemented by sustained marketing and selling activities, new product introductions and improved distribution network.

Agro-Industrial Cluster
Integrated agro-industrial zone (IAIZ). The Food Group's IAIZ program started to compensate for increasing prices of major raw materials for San Miguel's feeds, poultry and basic meats businesses, resulting in lower cost of production inputs. The businesses under the agro-industrial loop contributed combined revenue in 2005 of ₱35,705 million – 8.5% higher than 2004–with operating income amounting to ₱1,263 million.

The poultry business remained one of the largest contributors to the Group. Stable pricing amid tight supply created a favorable operating landscape while cost-cutting measures and the effective application of new technology improved feeds-conversion ratio – enabling the sector to post a higher operating income.

Meanwhile, favorable industry prices, higher pork volumes and expanded market reach through the opening of 39 new supermarket meat shops, 81 Monterey neighborhood and New Look meat shops in 2005 were jointly responsible for the volume and revenue growth of basic meats.

The feeds' business revenue, on the other hand, grew amid a contraction in the hog industry, tough competition and sluggish commercial broiler and layer industries. Income from operations improved significantly. Increasing the use of cassava compensated for the higher cost of other raw materials.

Milling. The flour and coconut oil milling business recorded ₱12,712 million in revenue. Tight competition and higher raw material costs however pulled operating income down to ₱288 million.

Commissioning of new and expanded milling and blending facilities boosted the flour business' capacity, enabling it to augment local sales through exports and graduate into higher value-added flour blends – allowing the business to extend its coverage outside its traditional market.

Coconut oil exports, on the other hand, reeled from the negative impact of a stronger peso resulting in loss of revenue. To offset this, the oils & fats business thrived under stiff industry competition by expanding its revenue base through product diversification and tapping both institutional and industrial markets to augment its existing client base. The business likewise reiterated its presence in the local cooking oil and other specialty oils business by introducing more product sizes and formats in the domestic market.

Branded & Value-Added Businesses
Processed meats. Despite greater competition among industry players, the business registered double-digit revenue growth of 17% to ₱9,819 million due to aggressive sales and marketing programs. This was driven mainly by the strong performance of hotdogs and growth in canned grocery products, particularly Chunkee corned beef.

Operating income, however, fell 20% from last year to ₱705 million caused by sharp increases in both local and imported raw material prices and higher fixed costs with the operation of new plant. Also, operating expenses rose on the back of more aggressive advertising and promo spending to support volume growth.

Dairy, oils & fats. The business' revenue grew 15% to ₱4,198 million on account of improved prices and higher volumes of ready-to-drink milk and ice cream. However, margins of all product categories were lower as a result of rising imported raw material prices.

Margarine and cheese volumes rose steadily together with sales improvements across the entire product line. Despite these, an operating loss was incurred due to the unabated increase in costs and investment spending on new products.

Food Service. Great Food Solutions (GFS) sustained growth in 2005, posting sales revenue of ₱4,538 million – 56% higher than 2004. Volume likewise grew 45% from the previous year. GFS' sales and distribution expansion, development of new and customized value-added products and improved market shares contributed favorably to these results, helping the company tap opportunities in the growing Philippine food service industry.

The annexing of the San Miguel Pure Foods Commissary allowed GFS to be more responsive to institutional market needs. As GFS seeks to further penetrate key leverage operators nationwide, it remains focused on customization as its strategic edge.

Emerging Businesses. San Miguel Super Coffeemix Company, Inc. posted remarkable market share gains, which reflected in the six-fold increase in revenue to ₱201 million. Recently, four new flavors of Grandeur were introduced to complement the four flavors of San Mig Coffee Instant Coffee Mix.

Distribution and availability of San Miguel brands continue to expand with the opening of eleven new San Miguel Food Shops in 2005, bringing to 20 the total outlets opened since its creation.

Regional Operations
Regional operations across Asia delivered strong financial results, benefiting from an expanded capacity and execution of effective selling and distribution schemes. Revenue reached US$49.5 million.

San Miguel Pure Foods Vietnam. San Miguel Pure Foods (VN) Co., Ltd. in Vietnam continued to show strong performance. The expanded capacity of hog raising operations allowed the business to widen its reach and increase production, resulting in higher revenue.

PT San Miguel Pure Foods Indonesia. The processed meats business in Indonesia reeled from high raw material costs and the market shift to unbranded products. While revenue improved, the significant increase in cost of inputs affected operating results.

King's Creameries. King's Creameries continued to exceed projections as revenue doubled from the previous year. While the company has the fourth largest overall market share in Malaysia and Singapore, it holds the No. 1 and No. 3 positions, respectively, in these countries' modern retail trade as the company sustains innovative sales and marketing approaches in these high margin channels.

NATIONAL FOODS LIMITED

Following the Company's acquisition of Australia's largest dairy company, National Foods, in June 2005, the breadth and depth of San Miguel's operations has become more geographically dispersed. The acquisition diversifies San Miguel Group's revenue and geographic base which facilitates the San Miguel's drive towards more branded and value-added food products.

San Miguel purchased 50% of Berri in August 2004 and an additional 1% in November 2004. Berri was later transferred to National Foods under the integration program of the two companies. Late last year, National Foods completed the acquisition of the remaining 49% of Berri – making the juice company a wholly-owned subsidiary of the San Miguel Group.

Berri was consolidated into the San Miguel Group starting November 2004 while National Foods was consolidated in June 2005.

The integration of the two organizations will result in a leaner yet more efficient and profitable Australian dairy and juice platform for San Miguel. The combined revenue contribution from the integrated companies is estimated at A$1,186 million for 2005. Operating income contribution was at A$106 million.

NEW VENTURES

In December 2005, San Miguel, through San Miguel Foods Asia Limited, together with NutriAsia, Inc. formed a joint-venture company NutriAsia San Miguel Holdings, Ltd. (NSMH), which then holds 100% equity interest in NutriAsia Pacific Limited (NPL). In January 2006, NPL acquired 84.5% of Del Monte Pacific Limited (DMPL), a Singapore-based listed company.

With one of the world's largest and most efficient pineapple processing and canning facilities, and a diverse line of products ranging from canned fruits, a variety of tomato-based sauces, fruit salad cream, pasta, condiments, juice drinks and concentrates, DMPL provides strategic fit to San Miguel's portfolio.

PACKAGING

San Miguel Packaging Products' (SMPP) total revenues for 2005 amounted to ₱20,794 million, or 21% higher than previous year due to sustained volume and revenue increases, particularly in domestic cartons and composites businesses and in its offshore operations.

Despite escalating prices of fuel oil and raw materials that marked the year, SMPP achieved an operating income of ₱2,681 million–6% higher than previous year as SMPP sustained a Total Packaging Solutions approach to its operations combined with a focused management of both fixed and material costs.

Domestically, aggressive sales and marketing push combined with increased efficiencies boosted the performances of the glass, metal, plastics, paper and composites businesses. Revenues from

the Glass operations, which comprise a third of SMPP revenues, is expected to contribute more to SMPP's growth down the line with the completion of San Miguel Yamamura Asia Corp.'s second furnace by the third quarter of 2006. Composites business, on the other hand, will benefit further from an expanded coverage of local small and medium enterprises.

Consolidated for the full year after its acquisition in January 2005, SMPP's Malaysia Operations contributed significantly to the group's revenue stream.

Anchored on four distinct and high-value added businesses namely: 1) plastic films (San Miguel Plastic Films Sdn. Bhd.); 2) flexible packaging, cartons and paperboard (San Miguel Packaging & Printing Sdn. Bhd.); 3) woven products and radiant barrier (San Miguel Woven Products Sdn. Bhd.); and 4) a Packaging Research Center, Malaysian operations delivered ₱3,312 million to SMPP's revenues.

III. FINANCIAL CONDITIONS

2006 vs 2005

The Group's consolidated total assets as of December 31, 2006 amounted to ₱349,584 million, ₱11,052 million higher than December 2005. The increase was brought about by the increase in cash and cash equivalents, additional investments in property, plant and equipment and additional goodwill as a result of the acquisition made in 2006.

Below are the major developments in 2006:

INVESTMENTS AND ACQUISITIONS

a. In April 2006, the SEC approved the ₱1,200 million increase in capital of SMYAC. The Company and its Japanese partner, Nihon Yamamura Glass Company, Limited invested ₱720 million and ₱480 million, respectively. The additional capital was used for the expansion of its glass plant in Imus, Cavite to keep up with the expected rise in demand of its glass exports.

b. In May 2006, the Company through National Foods Limited completed the acquisition of 100% stake in Lactos Pty Ltd. from French company Bongrain International SAS for a consideration of AU$129 million. Lactos is Australia's leading specialty cheese maker.

c. In May 2006, the SEC approved the merger of Primepak, Rightpak, SMYBC and SMPSI effective June 1, 2006, with SMPSI as the surviving entity. The tax-free merger was confirmed by the Bureau of Internal Revenue. Consequently, in accordance with the terms of the plan of merger, all the assets and liabilities of Primepak, Rightpak and SMYBC as at June 1, 2006 were absorbed, at book values, by SMPSI. There was no issuance of shares by SMPSI pursuant to the tax-free merger since Primepak, Rightpak and SMYBC were wholly-owned subsidiaries of SMPSI at the time of the merger.

d. In October 2006, SMPFVN entered into a Sale and Purchase Agreement (the "SPA") with Le Gourmet Company Limited ("Le Gourmet"), for the purchase of certain tangible assets, trademarks, processes and information, as well as the take over of the land use rights of Le Gourmet used by it in relation to the processing and sale of its meat products in Vietnam, for the purchase price of US$2 million, subject to the terms and conditions specified in the SPA,

including the relevant governmental approvals of the transaction in Vietnam. The transaction has not yet been completed to date.

e. In November 2006, Magnolia and SDI executed a Deed of Assignment in favor of Magnolia, for the transfer of certain machinery and equipment with an appraised value of ₱20 million. As of November 27, 2006. In exchange, Magnolia will issue 11.1 million shares of its stock valued at net book value as of May 31, 2006. SDI then declared the said Magnolia shares as property dividend to the Company. The issuance of shares of stock to SDI and the declaration of the shares as property dividend to SMC is still pending approval with the SEC.

f. In December 2006, SMFBIL sold to Hormel Netherlands B.V. 17,395,000 shares in SMPFI, amounting to 49% of the total outstanding and issued shares of SMPFI, for US$20.5 million. As a result of the transaction, SMFBIL now holds 18,105,000 shares in SMPFI, amounting to 51% of the total outstanding and issued shares of SMPFI. SMPFI owns 100% of SMPFVN, the hogs and feeds business undertaking of the Company in Vietnam.

g. In December 2006, the Company together with its two wholly owned subsidiaries, San Miguel Beverages (L) PTE Limited (SMBPL) and San Miguel Holdings Limited (SMHL), (collectively referred to as the "Sellers") entered into a Share Purchase Agreement (SPA) with Coca-Cola South Asia Holdings, Inc. (the "Purchaser") for the sale of their combined 65% equity in CCBPI for a total consideration of US$590 million. The agreement provides that the closing of the sale transaction shall be subject to the completion of all the pre-closing conditions stipulated in the SPA. The closing date shall take place 3 business days after the satisfaction of all the pre-closing conditions or such other date that may be mutually agreed in writing by all Parties, provided that the closing date shall not be later than March 31, 2007 without the mutual written agreement of all Parties.

The following are the unaudited proforma Consolidated Balance Sheet of the Group as of December 31, 2006 and the related Statement of Income for the year ended December 31, 2006, which has been prepared as if the sale of the 65% equity in CCBPI (including subsidiaries CBC and Philbev) on February 22, 2007 and certain expenses related to the transaction were completed on January 1, 2006. The unaudited proforma Consolidated Balance Sheet and Statement of Income are for informational purposes only and do not purport to present what the actual financial condition and results of operations would have been had the sale of CCBPI actually occurred on January 1, 2006 or purport to project the results of operations for any future period. The unaudited proforma Consolidated Statement of Income is based on the historical financial statements of the Group and CCBPI after giving effect to the assumptions and adjustments described below.

The unaudited proforma Consolidated Balance Sheet and Statement of Income assumes no interest income for the funds received in 2006 and for the remaining unpaid amount.

The unaudited proforma Consolidated Balance Sheet and Statement of Income should be read in conjunction with the Audited Financial Statements of the Group and the accompanying Notes to the Financial Statements.

	For the year ended December 31, 2006				
	San Miguel Corporation and Subsidiaries Audited Consolidated Balance Sheet	**Coca-Cola Group Balances Included in Consolidated Balance Sheet[a]**	**Pro-forma Adjustments**		**San Miguel Corporation and Subsidiaries Pro-forma Consolidated Balance Sheet**
	(in millions)				
Cash and cash equivalents	24,280	(2,866)	18,000	b	39,414
Trade and other receivables - net	43,275	(5,119)	5,884	c	44,040
Inventories – net	42,627	(8,438)			34,189
Current portion of biological assets - net	3,570	-			3,570
Prepaid expenses and other current assets	5,234	(321)			4,913
Total Current assets	118,986	(16,744)	23,884		126,126
Investments and advances - net	5,989	27,526	(27,809)		5,706
Property, plant and equipment - net	97,986	(12,538)			85,448
Investment properties - net	1,744	(113)			1,631
Biological assets - net of current portion	1,260	-			1,260
Goodwill - net	72,899	(4,877)			68,022
Intangible assets - net	28,115	(89)			28,026
Deferred tax assets	6,653	(2,064)			4,589
Other noncurrent assets - net	15,952	(11,455)	4,903	d	9,400
Total Noncurrent assets	230,598	(3,610)	(22,906)		204,082
Total Assets	**349,584**	**(20,354)**	**978**		**330,208**
Drafts and loans payable	42,354	(2,596)			39,758
Accounts payable and accrued expenses	39,321	(5,107)			34,214
Income and other taxes payable	3,016	(245)			2,771
Dividends payable	318	-			318
Current maturities of long-term debt - net of debt issuance cost	11,007	(1,164)			9,843
Total Current Liabilities	96,016	(9,112)	-		86,904
Long-term debt - net of current maturities and debt issuance cost	84,908	(3,245)			81,663
Deferred tax liabilities	13,974	(296)			13,678
Other noncurrent liabilities	2,157	(1,114)			1,043
Total Noncurrent Liabilities	101,039	(4,655)	-		96,384
Total Liabilities	**197,055**	**(13,767)**	**-**		**183,288**

Forward

	For the year ended December 31, 2006			
	San Miguel Corporation and Subsidiaries Audited Consolidated Balance Sheet	Coca-Cola Group Balances Included in Consolidated Balance Sheet[a]	Pro-forma Adjustments	San Miguel Corporation and Subsidiaries Pro-forma Consolidated Balance Sheet
		(in millions)		
Equity				
Equity Attributable to Equity Holders of the Company				
Capital stock	16,067	-		16,067
Additional paid-in capital	30,211	-		30,211
Revaluation increment	18	-		18
Cumulative translation adjustments	4,577	2,566		7,143
Retained earnings:				-
Appropriated for expansion projects	6,036	-		6,036
Unappropriated	78,011	-	978	78,989
Treasury stock	(4,053)	-		(4,053)
	130,867	2,566	978	134,411
Minority Interest	21,662	(9,153)		12,509
Total Equity	**152,529**	**(6,587)**	**978**	**146,920**
Total Liabilities and Equity	**349,584**	**(20,354)**	**978**	**330,208**

a represents Coca-Cola Group Balance Sheet, including elimination entries for consolidation purpose

b represents initial payment of US$370 million, using actual foreign exhange rate at PhP48.648

c represents current portion of the proceeds, to be received in 2007, using foreign exchange rate of PhP49.03:US$1

d represents non-current portion of the proceeds, to be received after 2007, using foreign exchange rate of PhP49.03:US$1

	For the year ended December 31, 2006				
	San Miguel Corporation and Subsidiaries Audited Consolidated Statement of Income	Statement of Income Coca-Cola Group Included in Consolidated Statement of Income [a]	Pro-forma Adjustments		San Miguel Corporation and Subsidiaries Pro-forma Consolidated Statement of Income
	(in millions)				
Sales	249,650	(28,080)			221,570
Cost of Sales	172,834	(19,296)			153,538
Gross Profit	76,816	(8,784)	-		68,032
Selling and Administrative Expense	(56,258)	8,853			(47,405)
Interest Expense and financing Charges	(10,762)	1,732			(9,030)
Interest Income	2,994	(106)			2,888
Foreign Exchange Gain-net	2,817	(22)			2,795
Equity in Net Earnings of Associates	170	-			170
Other Income(Charges)-net	(515)	80			(435)
Estimated gain on sales of CCBG investments			1,215	b	1,215
Expenses related to sale:					
Taxes (Capital gains/Doc. Stamps	-		(40)	c	(40)
Professional Fees	-		(197)	c	(197)
Income Before Income Tax	15,262	1,753	978		17,993
Provision for Income Tax	5,092	(30)	-		5,062
Net Income	10,170	1,783	978		12,931
Attributable to:					
Equity holder of the Company	10,566	1,169	978		12,713
Minority Interest	(396)	614	-		218
	10,170	1,783	978		12,931

Revenue of CCBPI amounting to P36,651 million, as per note 9 of Consolidated Financial Statement includes the following:

Sales Revenue	36,107
Interest Income	106
Other Income (included under "Other Income(Charges)-net" account)	643
	36,856

a Includes elimination entries for consolidation purposes

b Computation of gain on sale of Coca-Cola investments was based on the following assumptions:
- *initial payment received in the amount of US$370 million was recorded using actual foreign exchange rate at PhP48.648*
- *remaining US$220 million is recorded at foreign exchange rate of PhP49.03:US$1*

c Expenses were based on actual expenses incurred by the Company.

Detailed discussion of developments relating to the Company's investments in subsidiaries is presented under Note 9 of attached Consolidated Financial Statements.

BORROWING

In September 2006, the Company entered into a US$250 million facility loan to refinance the outstanding loan of US$257 million with a margin on interest from 1.55% to 0.65% over LIBOR. The loan was drawn on October 3, 2006.

2005 vs 2004

The Group's consolidated total assets as of December 31, 2005 amounted to ₱338,532 million, ₱102,226 million higher than December 2004. While a number of acquisition happened in 2005, the increase in assets was primarily due to the acquisition and consolidation of NFL into the Group.

Below were the major developments in 2005:

INVESTMENTS AND ACQUISITIONS

a. San Miguel Packaging Specialists, Inc. (SMPSI)

   In December 2005, the Company started the consolidation of its packaging business through SMPSI, subject to the approval of the SEC. The Company assigned to SMPSI, in a tax-free asset-for-share arrangement, the property, plant and equipment of its Packaging Division with fair value totaling ₱1,633 million and its shares of stock in San Miguel Yamamura Ball Corporation, Rightpak International Corporation and Premium Packaging, Inc., in a tax-free equity-for-share basis, totaling ₱1,250 million. Advances of the Company to SMPSI amounting to ₱2,250 million were converted to equity in October 2005.

b. Berri Ltd. (Berri)

   In December 2005, the Company, through wholly owned unit National Foods Holdings Ltd., fully acquired Berri Ltd. for A$170 million (₱6,622 million). Goodwill recognized amounted to ₱3,769 million.

c. San Miguel Pure Foods Company, Inc. (SMPFC)

   In December 2005, the Company subscribed to an additional 13.9 million shares of stock of SMPFC. The consideration paid by the Parent Company amounting to ₱850 million was recognized as deposit for future stock subscription, pending the SEC's approval to the amendment of SMPFC's Articles of Incorporation to include a provision on the denial of pre-emptive rights to minority stockholders with respect to the issuance of shares of stock to the Parent Company. The SEC approved the amendments on February 9, 2006.

d. San Miguel Mills, Inc. (SMMI)

In September 2005, SMMI, a wholly owned subsidiary of San Miguel Food Inc. (SMFI), was incorporated with an initial capital of ₱0.25 million.

In December 2005, SMFI and SMMI executed a Deed of Assignment transferring certain assets (at historical book value) and liabilities of the former's Flour Division in exchange for the latter's shares effective January 1, 2006. The transfer of the net assets at historical book value totaling ₱1,646 million will be the full payment of SMFI's subscription to 16.4 million common shares to be issued out of the increase in authorized capital stock of SMMI.

e. National Foods Limited (NFL)

In June 2005, the Company, through San Miguel Foods Australia Holdings Pty Ltd., a wholly owned subsidiary, acquired a 95.77% stake in NFL for A$1,834 million (₱76,986 million) or A$6.40 per share. In July 2005, the remaining shares were acquired for A$81 million (₱3,399 million) or A$6.40 per share, making NFL a wholly owned subsidiary. Goodwill amounting to ₱51,703 million was recognized upon consolidation.

f. King's Creameries (S) Pte. Ltd.

In March 2005, the Company, through SMFBIL, acquired 76.38% stake in King's Creameries (S) Pte. Ltd., an ice cream business based in Malaysia and Singapore, for S$9.40 million (₱312.8 million). Goodwill amounting to ₱145 million was recognized upon consolidation.

g. San Miguel Packaging Companies in Malaysia

In January 2005, the Company, through SMPIL completed the acquisition of the packaging businesses of Malaysian firm Goulene Packaging Industries Berhad with payment of RM106.8 million (₱1,556 million) for the remaining 80% of the purchase price. Pursuant to the terms of the relevant purchase agreements, SMPIL paid in April 2005 the additional amount of RM2.6 million (₱38 million) as an adjustment to the purchase price based on the results of a post-completion audit of the packaging businesses.

The total cost of investment was RM136 million. Provisional goodwill amounting to ₱1,008 million was recognized upon consolidation.

h. San Miguel Super Coffeemix Co., Inc. (SMSCCI)

In April 2005, SMSCCI started commercial operations. SMSCCI, a joint venture company, is engaged in the importation, packaging, manufacturing, marketing and distribution of coffee and coffee-related products in the Philippines and other countries in the Asian region.

i. NutriAsia San Miguel Holdings Limited (NSMH)

In December 2005, the Company, through San Miguel Foods Asia Limited, together with NutriAsia, Inc., formed NSMH, which owns 100% of NutriAsia Pacific Ltd. (NPL). In January 2006, NPL acquired 84.5% ownership of Del Monte Pacific Limited, a Singapore-listed company involved in the manufacturing of canned fruits, juice drinks, concentrates, tomato-based sauces and condiments. Total investment as of December 31, 2005 amounted to US$76 million (₱4,035 million), which represents 42.22% of NSMH.

BORROWINGS

a. In December 2005, the Company has drawn the remaining balance of ₱1,800 million from the ₱5,000 million unsecured syndicated term loan facility agreement entered in 2003. This facility is being used to finance the construction of certain plants and facilities and the acquisition of certain machinery and equipment to be used for the manufacturing and recycling of PET bottles by SMPSI.

b. In November 2005, the Parent Company has made a total drawdown from the US$650 million unsecured term loan facility to partially pay-off the Bridge Facility which was used to acquire National Foods Limited.

IV. MATERIAL CHANGES PER LINE OF ACCOUNT

2006 vs 2005

Cash and cash equivalents increased by 16% from ₱20,876 million in 2005 to ₱24,280 million in 2006 mainly due to cash generated from operating and financing activities.

Prepaid expenses and other current assets increased by 6% from ₱4,953 million in 2005 to ₱5,234 million in 2006 due to increase in SMPFC's creditable input and withholding taxes, tax prepayments made by San Miguel Thailand Company Limited and increase in San Miguel Foods Australia Holdings Pty Ltd derivative assets, net of decrease in San Miguel Yamamura Asia Corporation derivative assets.

Investments and advances decreased by 18% from ₱7,305 million in 2005 to ₱5,989 million in 2006 due to the maturity of ROP treasury bonds and translation adjustments of foreign investment accounts.

Goodwill increased by 5% from ₱69,615 million in 2005 to ₱72,899 million in 2006 due to acquisition of Lactos and recognition of additional goodwill for Berri, net of cumulative translation adjustment.

Investment properties increased by 5% from ₱1,661 million in 2005 to ₱1,744 million in 2006 mainly due to additional properties booked by the Company.

Noncurrent biological assets increased by 9% from ₱1,154 in 2005 to ₱1,260 in 2006 due to Monterey Foods Corporation's production for the year, net of sales.

Deferred tax assets increased by 9% from ₱6,128 million in 2005 to ₱6,653 million in 2006 mainly due to increase in unamortized past service cost and provisions of the non-alcoholic beverage group.

Drafts and loans payable increased by 29% from ₱32,879 million in 2005 to ₱42,354 million in 2006 due to additional loans for working capital requirements of the Company.

Income and other taxes payable increased by 22% from ₱2,472 million in 2005 to ₱3,016 million in 2006 mainly due to higher income tax due in 2006 particularly for the Company.

Dividends payable decreased by 77% from ₱1,389 million in 2005 to ₱318 million in 2006 mainly due to the deferment of the cash dividends declaration in the fourth quarter.

The decrease in redeemable preferred shares was due to the reclassification of the preferred shares to equity (minority interest) as a result of the amendment of CCBPI's articles of incorporation for the convertibility feature of CCBPI's Class A and B preferred shares.

Long Term Debt decreased by 6% from ₱101,912 million in 2005 to ₱95,915 million in 2006 mainly due to the effect of currency translation adjustments and net payments during the year.

Other noncurrent liabilities increased by 122% from ₱971 million in 2005 to ₱2,157 million in 2006 mainly due to increase in NFL's capital lease obligation.

The increase (decrease) in stockholders' equity in 2006 is due to:

(In millions)	2006
Income during the period	₱10,566
Increase in minority interest	7,602
Issuance of capital stock	600
Effect of translation adjustments	(1,042)
Declarations of cash dividends	(3,301)
	₱ 14,425

2005 vs 2004

Cash and cash equivalents decreased by 23% from ₱27,000 million in 2004 to ₱20,876 million in 2005 mainly due to the funds used for the acquisitions net of 1) proceeds from reissuance of treasury shares, 2) availment of loans, 3) maturity of Company's investment in sovereign bonds and 4) cash generated from operating activities.

Trade and other receivables increased by ₱4,682 million mainly due to consolidation of NFL and increase in the beer group's balances. The increase in the beer group's trade receivables was mainly due to higher credit sales and the implementation of price increase in 2005.

Inventories increased by ₱8,245 million mainly due to GSMI's increase in cost and volume of molasses and alcohol and higher stock level of Finished Goods; increase in raw materials inventory level of Agri, Beer and Packaging Divisions of the Parent Company and due to consolidation of NFL and Guolene .

Prepaid expenses and other current assets increased by 27% due to recognition of derivative asset net of application of advance contribution to Retirement Plan.

Investments increased by 71% mainly due to investment in NutriAsia San Miguel Holdings Limited .

Property, plant and equipment increased by 19% mainly due to consolidation of NFL, Guolene and King's Creameries net of depreciation for the period.

Investment properties decreased by 19% mainly due to depreciation for the period and effect of cumulative translation adjustments.

Goodwill increased by 337% from ₱15,927 million to ₱69,615 million, due to goodwill recognized from acquisition of NFL, Berri, Guolene Packaging Business and King's Creameries.

Intangible Assets, Deferred tax assets and Other noncurrent assets net increased by ₱22,549 million mainly due to consolidation of NFL, Guolene Packaging Business and King's Creameries.

Drafts and loans payable increased by ₱7,091 million, due to additional loans for working capital requirements.

Accounts payable and accrued expenses increased by 47% mainly due to consolidation of NFL and Guolene Packaging Business.

The 28% decrease in income taxes and other taxes payable is mainly due to lower taxable income due in 2005 compared with 2004.

Long Term Debt increased by 187% mainly due to the availment of loans for the acquisition of NFL and consolidation of Guolene Packaging Business and King's Creameries net of payments made during the year.

Redeemable preferred shares movement is mainly due to reclassification from non current to current maturities.

Deferred tax liabilities and Other noncurrent liabilities increased by ₱6,186 million due to consolidation of NFL and Guolene Packaging Business and King's Creameries.

The increase (decrease) in stockholders' equity in 2005 is due to:

	2005
	(In Millions)
Reissuance of treasury shares	₱17,799
Income during the period	9,031
Effect of translation adjustments	(9,483)
Declarations of cash dividends	(4,391)
Net movement of minority interest	(3,272)
Issuance of capital stock	487
Stock Option	179
	₱10,350

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2006	2005	2004
		(In Millions)	
Net cash flows from operating activities	**₱17,289**	₱3,425	₱9,541
Net cash flows used in investing activities	**(16,679)**	(93,911)	(29,518)
Net cash flows provided by financing activities	**3,537**	84,856	25,148

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

Net cash used in investing activities included the following:

	December 31		
	2006	2005	2004
		(In Millions)	
Acquisitions of subsidiaries, net of cash acquired	**₱4,981**	₱87,912	₱5,851
Additions to property, plant and equipment	**12,593**	11,901	16,855
Additions to investments and advances	**3**	5,566	1,731
(Increase) Decrease in other noncurrent assets and others	**(898)**	(11,468)	5,081

Major components of cash flow provided by financing activities are as follows:

	December 31		
	2006	**2005**	2004
		(In Millions)	
Proceeds from short-term borrowings	**₱232,386**	₱221,404	₱68,914
Payments of short-term borrowings	**(222,865)**	(213,576)	(60,667)
Reissuance of treasury shares	**-**	17,799	-
Proceeds from long-term borrowings	**17,354**	71,741	22,904
Payments of long-term borrowings	**(19,892)**	(8,498)	(1,959)
Cash dividends paid	**(4,526)**	(4,547)	(4,281)
Others	**1,080**	533	237

The effect of exchange rate changes on cash and cash equivalents amounted to (₱743 million), (₱494 million) and ₱3 million in December 31, 2006, 2005 and 2004 respectively. The foreign exchange rates used in translating the U.S. dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of P49.03 in 2006 and P53.09 in 2005 for balance sheet accounts; and average rates of P51.32 in 2006, P55.07 in 2005 and P56.05 in 2004 for income and expense accounts.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2006	2005
	(In Millions)	
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	**₱40,299**	₱33,565
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.

	December 31	
	2006	2005
Liquidity:		
Current Ratio	**1.24**	1.24
Solvency:		
Debt to Equity Ratio	**1.29**	1.45
Profitability:		
Return on Average Stockholders' Equity Attributable to Equity Holders of the Company	**8.29%**	6.80%

	December 31	
	2006	2005
Operating Efficiency:		
Volume Growth	**10%**	11%
Revenue Growth	**10%**	30%

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	$\frac{\text{Net Income Attributable to Equity Holders of the Company}}{\text{Average Stockholders' Equity Attributable to Equity Holders of the Company}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior period Net Sales}}\right)-1$
Revenue Growth	$\left(\frac{\text{Current period Net Sales}}{\text{Prior Period Net Sales}}\right)-1$

VII. OTHER MATTERS

a. Subsequent Event

On April 12, 2007, the Company through SMFAL, entered into a Share Purchase Agreement (SPA) with Well Grounded Limited covering the sale of its 42.22% equity interest in NSMH for US$122 million. The completion of the transaction shall be subject to the compliance of certain terms and conditions stipulated in the SPA. As of December 31, 2006, the carrying value of the Company's interest in NSMH was ₱3,719 million.

b. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Company was assessed by the Bureau of Internal Revenue for deficiency excise tax on one of its beer products. The Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it.

c. Commitments

The outstanding purchase commitments of the Group as of December 31, 2006 amounted to ₱63,000.

Amount authorized but not yet disbursed for capital projects as of December 31, 2006 is approximately ₱20,000.

The Group has available undrawn committed borrowing facilities amounting to ₱1,800 as of December 31, 2004. Such committed borrowing facilities were all drawn in 2005.

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

e. 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.

f. 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.

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

h. 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.

i. 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 Note 20 (c) of the 2006 Audited Consolidated Financial Statements and Note A of Section VII above, that remain outstanding as of December 31, 2006. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

j. 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 December 31, 2006.

KEY EXECUTIVES **ANNEX "G"**

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

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

Ferdinand K. Constantino
Chief Finance Officer & Treasurer

Francis H. Jardeleza
Corporate Secretary & General Counsel

I. CORPORATE STAFF UNITS

CORPORATE AFFAIRS OFFICE
Vice President
Ramon A. Santiago

GROUP AUDIT
Vice President
Ma. Isabelita M. Manglicmot

OFFICE of the GENERAL COUNSEL
Vice President
Rosabel Socorro T. Balan
Virgilio S. Jacinto

CORPORATE PLANNING & DEVELOPMENT
Senior Vice President
Ma. Belen C. Buensuceso

Vice President
Cecille Caroline U. de Ocampo

CORPORATE MANUFACTURING
Senior Vice President
Lubin B. Nepomuceno

Vice President
Rodulfo L. Tablante

CORPORATE MARKETING
Senior Vice President
M.L. Menlou B. Bibonia

CORPORATE PROCUREMENT
Officer-in-Charge
Elenita D. Go

CORPORATE FINANCE
Vice President
Eleanor P. Blomdahl
Amor I.C. Iliscupidez
Bella O. Navarra
Joseph N. Pineda
Alfredo R. Villacorte
Maria Victoria T. Zapata
Virgilio S. de Guzman

CORPORATE HUMAN RESOURCES
Senior Vice President
David S. Santos

Vice President
Elizabeth D. Nasol

CENTRALIZED KEY ACCOUNTS
General Manager
Archie B. Gupalor

CORPORATE EXPORT SALES & BUSINESS DEVELOPMENT
Vice President
Sylvia P. Quirino

CORPORATE SALES
Vice President
Pablo P. Pacquing

II. SAN MIGUEL BEER DIVISION
President
Carlos Antonio M. Berba

Vice President
Mercy Marie L. Amador
Jesus J. Bitanga, Jr.
Querubin G. de Guzman, Jr.

CHINA BUSINESS OPERATIONS/SMBHK
Managing Director
Chong Yoon Fatt

SAN MIGUEL BREWERY HONG KONG, LTD
Group General Manager
Peter K. Y. Tam

GUANGZHOU SAN MIGUEL BREWERY CO.,LTD.
Managing Director
Herbert W. M. Chu

SAN MIGUEL GUANGDONG BREWERY CO. LTD.
Plant Manager
Elisito A. Locaylocay

SAN MIGUEL BAODING BREWERY CO.,LTD.
Plant Manager
Rebecca S. Flores

SAN MIGUEL BREWERY VIETNAM LTD.
Vice President & General Manager
Raymundo Y. Albano

SAN MIGUEL BEER THAILAND LTD.
Plant Operations Manager
Jonathan O. Golbin

SAN MIGUEL MARKETING THAILAND LTD.
Vice President & Commercial Director
Ramon G. Torralba

J. BOAG & SON, LTD.
Managing Director
Patrick Riley

Sales & Marketing Director
Lyndon Adams

Brewery Manager
Richard Benwell

P.T. DELTA DJAKARTA, TBK
President Director
Roberto D. de Leon

III. GINEBRA SAN MIGUEL INC.
President
Gerardo C. Payumo

Vice President
Nelson S. Elises

IV. SAN MIGUEL BEVERAGES, INC.
President
Roberto N. Huang

NON-ALCOHOLIC BEVERAGES - International Business
Vice President
Jose Daniel A. Javier

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

Senior Vice President
Rolando T. Cabredo

Vice President
Henry T. Lao
Eduardo B. Martinez
George A. Nava
Zenaida M. Postrado
Enrique A. Punsalang
Eliezer O. Capacio

AGRO-INDUSTRIAL CLUSTER
SAN MIGUEL FOODS, INC.
President & Cluster Head
Arthur O. Juan

POULTRY BUSINESS
Vice President & General Manager
Rita Imelda B. Palabyab

FEEDS BUSINESS
Vice President & General Manager
Norman C. Ramos

MONTEREY FOODS CORPORATION
Vice President & General Manager
Serafin M. Peralta, Jr.

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

BRANDED BUSINESS
General Manager
Junadette A. Avedillo

PROCESSED MEATS CLUSTER
PURE FOODS HORMEL COMPANY, INC.
Vice President & General Manager
Noel M. Tempongko, Jr

P.T. SAN MIGUEL PUREFOODS INDONESIA
Managing Director
Elwyn R. Borromeo

DAIRY, OILS AND FATS CLUSTER
MAGNOLIA, INC.

Butter, Margarine, Cheese, Jellies and Milk
General Manager
Reginald I. Baylosis

Ice Cream and Cultured Products
General Manager
Mauricio A. Alcon, Jr.

COFFEE
San Miguel Super Coffeemix Co., Inc.
General Manager
Debbie D. Namalata

RETAIL BUSINESS CLUSTER
General Manager
Tomas S. Cadiz, Jr.

GREAT FOOD SOLUTIONS
General Manager
Helene Z. Pontejos

SAN MIGUEL PURE FOODS (VN) CO., LTD.
General Manager
Teddy C. Kho

VI. NATIONAL FOODS, LTD.
Managing Director
Ashley L. Waugh

Chief Finance Officer
Emmanuel E. Eraña

Group Executives
Dave A. Donaldson
Geoff M. Byrne
David Clark
Keith A. Mentiplay
David A. Lambert
Jaime O. Lu

KING'S CREAMERIES, LTD.
Managing Director
Francis Foo

Group General Manager
Tan Hee Keat

VI. SAN MIGUEL PACKAGING SPECIALISTS, INC.
President
Ferdinand A. Tumpalan

Vice President
Francisco L. del Rosario
Elizabeth V. Mercado
Marivic R. Costales

GLASS & PLASTICS CLUSTER OPERATIONS
Vice President and Cluster Operations Manager
Renato Y. Cabrera, Jr.

- GLASS OPERATIONS

SAN MIGUEL YAMAMURA ASIA CORPORATION
Plant Manager
Emmanuel R. Alcantara

SAN MIGUEL YAMAMURA FUSO MOLD CORPORATION
Plant Manager
Panfilo T. Bondoc

ZHAOQING SAN MIGUEL GLASS CO., LTD. (China)
General Manager
Ramon Q. Pono

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

- PLASTIC OPERATIONS

FOSHAN SAN MIGUEL PACKAGING CO. (China)
General Manager
Frederick T. Kiunisala III

SAN MIGUEL SAMPOERNA PACKAGING INDUSTRIES, LTD. (Indonesia)
President Director
John Jesus C. Chavez

METAL, PAPER & COMPOSITE CLUSTER OPERATIONS
Vice President and Cluster Operations Manager
Geribern R. Abella

- METAL OPERATIONS

METAL CAN OPERATIONS
Plant Manager
Jaime C. dela Viña

SAN MIGUEL PHU THO PACKAGING CO., LTD. (Vietnam)
General Manager
Ronaldo M. Gorospe

- PAPER OPERATIONS

SAN MIGUEL RENGO PACKAGING CORPORATION
Plant Manager
Denardo M. Cuayo

MINDANAO CORRUGATED & FIBREBOARD, INC.
Plant Manager
Marcelo G. Roldan

- COMPOSITE OPERATIONS

Plant Manager
Sesinando M. dela Cruz

SAN MIGUEL PACKAGING & PRINTING SDN BHD (Malaysia)
General Manager & conc. Malaysia Operations Group Manager
Jose Antonio J. Menchaca
Plant Manager (Duplex Division)
Boon Pock Chua

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

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

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

- PET CLUSTER OPERATIONS
Vice President & Cluster Operations Manager
Enrico C. Wong

VIII. OTHER BUSINESSES

ANCHOR INSURANCE BROKERAGE CORPORATION
Vice President and General Manager
Teresita V. Chikiamco

SAN MIGUEL PROPERTIES PHILS., INC.
President
Jeronimo U. Kilayko

SMC STOCK TRANSFER SERVICE CORPORATION
Vice President & General Manager
Enrique LI. Yusingco

SMITS, INC.
Acting General Manager
Manuel M. Agustin

SAN MIGUEL HOLDINGS, INC.
Finance Manager
Vincent To

ARCHEN TECHNOLOGIES, INC.
General Manager
Roscel R. Celestial

SAN MIGUEL SHIPPING & LIGHTERAGE CORPORATION
President
Thomas Tan

San Miguel Corporation ANNEX "H"
Reports on SEC Form 17-C

Date Reported	Item No.	Meeting/Date	Subject
December 28, 2006	9	Press Release	The Coca-Cola Company and San Miguel Corporation reach agreement.
December 7, 2006			SMC entered into a joint venture with Hormel Corporation, joint venture sale completion on December 7, 2006.
November 27 2006	9	Press Release	President of Coke bottling group denies sales overstatement accusations
November 16, 2006		Regular Board Meeting held on November 16, 2006	Appointment of Mr. Carlos Antonio M. Berba as San Miguel Beer Division President vice Mr. Faustino F. Galang who has retired.
November 16, 2006	9	Press Release	SMC posts steady 9-month growth; sales up 14% to P183B
September 28, 2006		Regular Board Meeting held on September 28, 2006	Declaration of Cash dividend of P0.35 per share payable on November 6, 2006 to all stockholders of record as of October 13, 2006, closing of books from October 14, 2006 to October 20, 2006. At same meeting, Mr. Silvestre H. Bello III elected director vice Mr. Jose Ma. Rufino who has passed away.
August 18, 2006	9	Press Release	San Miguel's agro-industrial cluster posts P844 million op inc for 1H.
August 16, 2006	9	Press Release	San Miguel Int'l beer sales up in Jan.-June.
August 15, 2006	9	Press Release	SMC' Foods businesses sustain gains.
August 10, 2006	9	Press Release	Gains in Food group pace SMC growth.