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S. E. C. Registration Number

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(Company's Full Name)

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

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Contact Person

(632)	632-3000
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Company Telephone Number

1	2
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Month

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Day

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FORM TYPE

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Month

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Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2008**
2. Commission identification number **PW00000227**
3. BIR Tax Identification No **041-000-060-741**
4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**
5. **Philippines**
Province, country or other jurisdiction
of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **No. 40 San Miguel Avenue,**
Mandaluyong City **1550**
Address of issuer's principal office Postal Code
8. **(632) 632-3000**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding (as of March 31, 2008)
Class "A" Common Shares	1,921,277,855
Class "B" Common Shares	<u>1,235,715,222</u>
Total	<u>3,156,993,077</u>

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

Yes [x] No []

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

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

PHILIPPINE STOCK EXCHANGE

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Corporation (SMC) and its subsidiaries (collectively, the Company) as of and for the period ended March 31 2008 (with comparative figures as of December 31, 2007 and for the period ended March 31, 2007) and Selected Notes to Consolidated Financial Statements is hereto attached as Annex "A".

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

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

PART II--OTHER INFORMATION

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

NONE

SIGNATURES

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

Issuer **SAN MIGUEL CORPORATION**

Signature and Title **FERDINAND K. CONSTANTINO**
Senior Vice President and
Chief Finance Officer/Authorized Signatory

Date May 15, 2008

Signature and Title **BELLARDO NAVARRA**
Comptrollership Manager/Authorized Signatory

Date May 15, 2008

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of March 31, 2008 and December 31, 2007
(Amounts in Millions)

ANNEX "A"

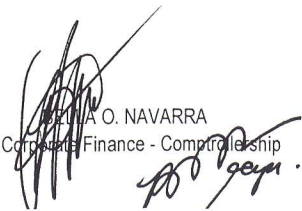
ASSETS

LIABILITIES AND EQUITY

	2008 Unaudited	2007 Audited		2008 Unaudited	2007 Audited
Current Assets			Current Liabilities		
Cash and cash equivalents	P 101,584	P 93,281	Drafts and loans payable	P 38,555	P 44,231
Trade and other receivables - net	61,021	61,879	Accounts payable and accrued expenses	21,251	20,311
Inventories - net	25,306	23,852	Income and other taxes payable	5,309	3,327
Current portion of biological assets - net	2,539	2,324	Dividends payable	1,454	1,494
Prepaid expenses and other current assets	6,275	5,677	Current maturities of long-term debt - net of debt issue costs	380	1,222
	<u>196,725</u>	<u>187,013</u>		<u>66,949</u>	<u>70,585</u>
Assets held for sale	-	5,792	Liabilities directly associated with assets held for sale	-	3,642
Total Current Assets	<u>196,725</u>	<u>192,805</u>	Total Current Liabilities	<u>66,949</u>	<u>74,227</u>
Noncurrent Assets			Noncurrent Liabilities		
Investments and advances - net	779	771	Long-term debt - net of current maturities and debt issue costs	50,156	54,612
Property, plant and equipment - net	65,229	64,355	Deferred tax liabilities	17,191	12,721
Investment properties - net	1,701	1,648	Other noncurrent liabilities	301	456
Biological assets - net of current portion	1,389	1,319	Total Noncurrent Liabilities	<u>67,648</u>	<u>67,789</u>
Goodwill - net	5,365	5,348			
Other intangible assets - net	3,606	3,202	Equity		
Deferred tax assets	4,917	4,973	Equity Attributable to Equity Holders of the Parent Company		
Other noncurrent assets - net	<u>15,082</u>	<u>13,688</u>	Capital stock	16,112	16,109
Total Noncurrent Assets	<u>98,068</u>	<u>95,304</u>	Additional paid -in capital	30,987	30,930
	<u>P 294,793</u>	<u>P 288,109</u>	Revaluation increment	18	18
			Cumulative translation adjustments	3,665	4,834
			Retained earnings:		
			Appropriated for expansion projects	6,217	6,034
			Unappropriated	90,602	80,855
			Treasury stock	(4,053)	(4,053)
				<u>143,548</u>	<u>134,727</u>
			Amounts recognized directly in equity relating to assets held for sale		37
			Minority Interests	16,648	11,329
			Total Equity	<u>160,196</u>	<u>146,093</u>
				<u>P 294,793</u>	<u>P 288,109</u>

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

CERTIFIED CORRECT:


 J. O. NAVARRA
 VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended March 31, 2008 and 2007
(Amounts in Millions, Except Earnings Per Share)

	2008	2007
	Unaudited	Unaudited (As Restated)
SALES	P 39,156	P 35,279
COST OF SALES	<u>28,657</u>	<u>26,762</u>
GROSS PROFIT	10,499	8,517
SELLING AND ADMINISTRATIVE EXPENSES	(6,647)	(5,758)
INTEREST EXPENSE AND FINANCING CHARGES	(1,489)	(1,545)
INTEREST INCOME	1,381	252
FOREIGN EXCHANGE GAIN - Net	4,130	455
EQUITY IN NET EARNINGS OF ASSOCIATES	3	28
OTHER INCOME - Net	<u>88</u>	<u>98</u>
INCOME BEFORE INCOME TAX		
FROM CONTINUING OPERATIONS	7,965	2,047
INCOME TAX EXPENSE	<u>2,441</u>	<u>1,008</u>
INCOME FROM CONTINUING OPERATIONS	5,524	1,039
INCOME AFTER INCOME TAX		
FROM DISCONTINUED OPERATIONS	<u>5,665</u>	<u>1,169</u>
NET INCOME	<u>P 11,189</u>	<u>P 2,208</u>
Attributable to :		
Equity holders of the Parent Company	P 11,035	P 2,389
Minority interests	<u>154</u>	<u>(181)</u>
	<u>P 11,189</u>	<u>P 2,208</u>
Basic/Diluted Earnings Per Share attributable to equity holders of the Parent Company:		
From Continuing Operations :	P 1.70	P 0.32
From Discontinued Operations:	<u>1.80</u>	<u>0.44</u>
	<u>P 3.50</u>	<u>P 0.76</u>

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

CERTIFIED CORRECT:

BEULAKO NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended March 31, 2008 and 2007
(Amounts in Millions)

	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustment	Retained Earnings		Treasury Stock	Total	Minority Interest	Total Equity
	P	P	P	P	P	P	P	P	P	P
Balance at December 31, 2007 (Audited)	16,109	30,930	18	4,871	6,034	80,855	(4,053)	134,764	11,329	146,093
Changes in fair value of cash flow hedges, net of tax				1				1		1
Net effect of translation adjustments				(1,207)				(1,207)		(1,207)
Net income for the period						11,035		11,035	154	11,189
Total income and expense for the period	-	-	-	(1,206)	-	11,035	-	9,829	154	9,983
Issuances of capital stock	3	57						60		60
Addition in minority interests								-	5,213	5,213
Appropriations - net					183	(183)		-		-
Cash dividends						(1,105)		(1,105)	(48)	(1,153)
Balance at March 31, 2008 (Unaudited)	16,112	30,987	18	3,665	6,217	90,602	(4,053)	143,548	16,648	160,196
Balance at December 31, 2006 (Audited)	16,067	30,211	18	4,577	6,036	76,637	(4,053)	129,493	21,604	151,097
Changes in fair value of cash flow hedges, net of tax				4				4		4
Net effect of translation adjustments				1,260				1,260		1,260
Net income for the period						2,389		2,389	(181)	2,208
Total income and expense for the period	-	-	-	1,264	-	2,389	-	3,653	(181)	3,472
Issuances of capital stock	14	194						208		208
Reduction in minority interests								-	(7,804)	(7,804)
Cash dividends						(1,102)		(1,102)	-	(1,102)
Balance at March 31, 2007 (Unaudited)	16,081	30,405	18	5,841	6,036	77,924	(4,053)	132,252	13,619	145,871

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2008 and 2007
(Amounts in Millions)

	2008	2007
	Unaudited	Unaudited (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	P 7,965	P 2,047
Income before income tax from discontinued operations		24
Income from disposal of discontinued operations	5,665	1,200
Income before income tax	13,630	3,271
Adjustments for :		
Depreciation, amortization and others - net	1,122	2,348
Interest expense and financing charges	1,489	2,241
Interest income	(1,381)	(301)
Equity in net earnings of associates	(3)	(55)
Gain from disposal of discontinued operations	(5,665)	(1,200)
Gain on sale of investments and property and equipment	(1,435)	(11)
Operating income before working capital changes	7,757	6,293
Changes in noncash current assets, certain current liabilities and others	1,771	(5,990)
Cash generated from operations	9,528	303
Interest paid	(1,684)	(2,771)
Income taxes paid	(180)	(89)
Net cash flows provided by operating activities	7,664	(2,557)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investments and advances	-	101
Additions to property, plant and equipment	(1,475)	(1,892)
Decrease (increase) in other noncurrent assets and others	(1,817)	5,900
Advances to a related party	(2,421)	(500)
Proceeds from sale of investments and property and equipment	5,985	1,773
Proceeds from disposal of discontinued operation, net of cash disposed of	9,452	17,810
Interest received	1,281	282
Net cash flows provided by investing activities	11,005	23,474
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from :		
Short-term borrowings	143,565	59,988
Long-term borrowings	1,590	2,601
Payment of:		
Short-term borrowings	(149,312)	(73,609)
Long-term borrowings	(6,094)	(7,458)
Cash dividends paid	(1,159)	(3)
Issuances of capital stock	60	208
Dividends paid to minority shareholders	(34)	(11)
Net cash flows used in financing activities	(11,384)	(18,284)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,018	(68)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,303	2,565
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	93,281	24,280
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 101,584	P 26,845

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

CERTIFIED CORRECT:

BELLIA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2008

		TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	P	3,077,545,465.70	1,314,678,980.47	588,819,756.48	342,604,559.60	831,442,169.15
ALLOW. FOR DOUBTFUL ACCOUNTS		(286,312,302.70)				
NET	P	2,791,233,163.00				

SAN MIGUEL CORPORATION AND SUBSIDIARIES

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

The Company prepared its consolidated interim financial statements as of and for the period ended March 31, 2008 and comparative financial statements for the same period in 2007 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS).

The principal accounting policies and methods adopted in preparing the interim financial statements of the Company are the same as those followed in the most recent audited annual financial statements.

The financial statements are presented in Philippine peso and all values are rounded to the nearest million (P000,000), except when otherwise indicated.

2. Segment Information

The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into three major business segments, beverage, food and packaging.

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 polyethylene terephthalate (PET) plastic bottles.

	Beverage		Food		Packaging		Others		Eliminations		Consolidated	
	2008	2007*	2008	2007*	2008	2007	2008	2007	2008	2007	2008	2007*
REVENUES												
External sales	P18,545	P16,640	P16,888	P14,713	P3,723	P3,926	P-	P-	P-	P-	P39,156	P35,279
Inter-segment sales	-	-	6	-	1,240	679	-	-	(1,246)	(679)	-	-
Total Revenues												
from Continuing Operations	P18,545	P16,640	P16,894	P14,713	P4,963	P4,605	P-	P-	(P1,246))	(P679)	P39,156	P35,279

*As restated – Note 5

3. Related Party Transactions

Transactions with related parties are made at normal market prices.

The Parent Company has outstanding advances to San Miguel Corporation Retirement Plan amounting to ₱38,112, subject to interest of 6.5% per annum, included as part of “Trade and other receivables” account.

4. Property, Plant and Equipment

Property, plant and equipment consist of:

	Balance, January 1, 2008 (Audited)	Additions	Reclassifications	Currency Translation Differences	Balance, March 31, 2008 (Unaudited)
Cost:					
Land and improvements	₱8,881	₱40	(₱470)	₱101	₱8,552
Buildings and improvements	21,214	77	(51)	344	21,584
Machinery and equipment	68,696	534	253	944	70,427
Transportation equipment	2,701	8	(27)	12	2,694
Tools and small equipment	1,932	8	89	21	2,050
Office equipment, furniture and fixtures	2,451	25	2	16	2,494
Molds	395	68	274	3	740
Leasehold improvements	825	14	(4)	-	835
Construction in progress	7,461	701	139	97	8,398
	114,556	1,475	205	1,538	117,774
Accumulated depreciation and amortization:					
Land improvements	1,074	18	(103)	6	995
Buildings and improvements	5,279	141	41	71	5,532
Machinery and equipment	33,977	799	389	352	35,517
Transportation equipment	1,888	51	(23)	9	1,925
Tools and small equipment	1,559	30	36	18	1,643
Office equipment, furniture and fixtures	2,005	43	(8)	11	2,051
Molds	288	29	279	2	598
Leasehold improvements	309	8	(4)	-	313
	46,379	1,119	607	469	48,574
Accumulated impairment losses:					
Land improvements	-	-	-	-	-
Buildings and improvements	918	-	(4)	32	946
Machinery and equipment	2,884	-	(49)	170	3,005
Transportation equipment	1	-	-	-	1
Tools and small equipment	11	-	-	-	11
Office equipment, furniture and fixtures	6	-	-	-	6
Molds	2	-	-	-	2
	3,822	-	(53)	202	3,971
Net book value	₱64,355	₱356	(₱349)	₱867	₱65,229

Depreciation and amortization charged to operations amounted to ₱1,119 and ₱1,765 in March 2008 and 2007, respectively.

5. Discontinued Operations

The results of operations of Coca-Cola Bottlers Philippines, Inc. and subsidiaries, San Miguel Foods Australia Holdings Pty Ltd. and subsidiaries and San Miguel Australia Holdings including J. Boag & Son Limited for the period ended March 31, 2007 were presented as a separate item under “Income after Income Tax from Discontinued Operations”. Accordingly, the comparative figures in the consolidated statements of income for the period ended March 31, 2007 has been restated.

The results of discontinued operations are presented below:

	2007
Net sales	₱25,370
Cost of sales	16,243
Gross profit	9,127
Selling and administrative expenses	(8,349)
Interest expense and financing charges	(768)
Interest income	65
Foreign exchange – net	(1)
Other charges	(51)
Income before income tax	23
Provision for income tax	54
Loss from discontinued operation	31
Gain on sale from disposal of investment	1,200
Net income from discontinued operation	₱1,169
Attributable to:	
Equity holders of the Parent	₱1,368
Minority interest	(199)
	₱1,169

6. Earnings Per Share

Basic earnings per share is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

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

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

Basic and Diluted EPS is computed as follows:

	2008	2007
Net income from continuing operations attributable to equity holders of the		
Parent Company (a)	₱5,370	₱1,021
Net income from discontinued operations attributable to equity holders of the		
Parent Company (b)	5,665	1,368
Net income attributable to equity holders of the Parent Company	11,035	2,389
Weighted average number of shares outstanding (in millions) (c)	3,157	3,149
Effect of dilution (in millions)	7	7
Weighted average number of shares outstanding (in millions) - diluted (d)	3,164	3,156
Basic EPS from continuing operations (a/c)	₱1.70	₱0.32
Basic EPS from discontinued operations (b/c)	1.80	0.44
	₱3.50	₱0.76
Diluted EPS from continuing operations (a/d)	₱1.70	₱0.32
Diluted EPS from discontinued operations (b/d)	1.80	0.44
	₱3.50	₱0.76

7. Dividends

Cash dividends declared amounted to ₱0.35 per share in March 2008 and 2007, respectively.

8. Other Matters

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

- e. 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 21 (d) of the 2007 Audited Consolidated Financial Statements that remain outstanding as of March 31, 2008. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- f. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Company as of and for the period March 31, 2008.
- g. The effects of seasonality or cyclicalities on the interim operations of the Company's businesses are not material.
- h. The Company's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of end of March 31, 2008. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.
- i. The exchange rates used for net assets in March 31, 2008 are ₱41.76 to US\$1 (₱41.28 in December 31, 2007) and ₱40.95 to US\$1 as of March 31, 2008 (₱48.60 as of March 31, 2007) for income and expense items.



SAN MIGUEL CORPORATION

ANNEX “B”

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation (the “Parent Company”) and subsidiaries (the “Group”) as of and for the period ended March 31, 2008 (with comparative figures as of December 31, 2007 and for the period ended March 31, 2007). All necessary adjustments to present fairly the consolidated financial position, results of operations, and cash flows of the Group as at March 31, 2008, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted.

I. 2008 TRANSACTIONS

- The sale of the San Miguel Australia Holdings Ltd. (SMAH) shares including J. Boag & Son Limited (J. Boag) to Lion Nathan Ltd. was completed on January 2, 2008. The Group received A\$277 million as payment of purchase price and recognized a gain of P5,665 million, net of deferred income tax.
- On January 14, 2008, San Miguel Properties, Inc. (SMPI) finalized the sale of its 354,862 common shares (equivalent to 29.38% ownership) in KSA Realty Corporation (KSA) with carrying amount equivalent to its acquisition cost plus accumulated equity in net earnings of P468 million to Shang Properties, Inc. (SPI) for a total consideration of P1,811 million. The Group recognized a gain of P1,157 million, net of capital gains tax of P162 million.
- The remaining balance on the 34% stake subscription to Bank of Commerce’s (BOC) unissued capital stock amounting to P1,249 million and P251 million were paid by SMPI and San Miguel Corporation Retirement Plan (SMCRP), respectively on April 21, 2008.
- On January 30, 2008, the Parent Company sold its 35% stake in its domestic packaging businesses to Nihon Yamamura Glass (NYG) for P4,317 million. Also, on the same day, San Miguel Holdings Ltd. (SMHL) sold its 35% stake in the regional packaging businesses to NYG for US\$21 million. The Group recognized a total gain of P75 million subject to adjustment, pending completion of audit.
- The Group recognized significant net forex gain of P4,129 million mainly due to the revaluation of the foreign currency denominated placements majority of which came from the proceeds on the sale of the investment in San Miguel Foods Australia Holdings Pty. Ltd. (SMFAH) and subsidiaries (including National Foods Limited, Kings Creameries (S) Pte. Ltd., Berri Ltd. and Lactos Pty. Ltd.) and payment of shareholders loans.

II. RESULTS OF OPERATIONS

2008 vs. 2007

The line by line consolidation of SMFAH and subsidiaries (including National Foods Limited, King's Creameries (S) Pte. Ltd., Berri Ltd. and Lactos Pty. Ltd.), SMAH, including J. Boag and Coca-Cola Bottlers Philippines, Inc. and subsidiaries (CCBG) were excluded in the consolidated statements of income and presented under "Income after Income Tax from Discontinued Operations" as a result of completion of the sale of SMFAH and subsidiaries and CCBG in December 2007 and SMAH in January 2008. Accordingly, the comparable first quarter 2007 consolidated statement of income was restated to reflect the said transactions.

For the first quarter of 2008, San Miguel Corporation generated consolidated sales revenue of ₱39,156 million, 11% above last year. All businesses registered revenue growth versus last year.

With the increased sales and managed fixed costs, consolidated operating income is at ₱ 3,852 million, 40% higher than last year.

The Company's net financing income, on the other hand, amounted to ₱4,022 million for the first quarter of 2008 with the interest income and foreign exchange gains on our cash and cash equivalents balance.

Equity in net earnings of associates significantly decreased, as a result of the sale of investment in shares of stock of Del Monte Pacific Ltd. and KSA.

Other income includes gain from sale of investment in shares of stock of KSA, net of losses on foreign exchange swaps.

With these, profit from continuing operations for the first quarter amounted to ₱5,524 million, significantly higher than last year.

Gain from discontinued operations of ₱ 5,665 million represents the gain on sale of the investment in SMAH.

This resulted to a consolidated net income attributable to equity holders of the Parent Company of ₱11,035 million, significantly higher than last year's ₱2,389 million.

2007 vs. 2006

As mentioned above, the 2007 first quarter consolidated statement of income was restated to make it comparable with the 2008 first quarter results. Items related to CCBG, SMFAH and SMAH were presented under "Income after Income Tax from Discontinued Operations".

For the first quarter of 2007, SMC, excluding CCBG, SMFAH and SMAH, registered a 2% increase in revenues to ₱35,279 million from ₱34,443 million of the same quarter last year. Consolidated operating income, however, stood at ₱2,759 million, 20% behind last year. The decrease was due to the absorption of the liquor business' increase in excise tax, which was effected in January 2007 and reduced glass bottle requirements.

Net financing charges for the first quarter ended at ₱838 million 48% lower than last year, due to the continued appreciation of peso to ₱48.28 as of end-March, bringing consolidated profit from continuing operations to ₱1,039 million, at par with last year.

With the recognition of one-time gain from the sale of CCBPI, SMFAH and SMAH shares, consolidated net income amounted to ₱2,208 million, at par with last year's restated net income of ₱2,168 million.

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

CONTINUING OPERATIONS

1. BEVERAGES

2008 vs. 2007

a. Beer

San Miguel Brewery Inc.

Domestic Beer operations' operating income in the first quarter of 2008 reached ₱3,708 million, 34% above last year. This is attributed mainly to improved sales volume and lower fixed operating costs. March year to date volume reached 47.3 million cases that brought in revenues of ₱12,257 million, 13% higher than last year. Red Horse, Gold Eagle and San Mig Light were the growth drivers surpassing last year's volumes by large margins.

San Miguel Beer Division – International Operations

Beer International operations staged a good start with achieved first quarter sales volume of over 10.2 million cases, 9% up than last year. Corresponding sales revenue of US\$63.1 million was 40% above last year.

Beer International consolidated operating loss as of March 2008 was US\$ 864 thousand. This was significantly better than the reported loss in the same period last year due to strong volumes of Indonesia, Exports and Thailand as well as improved contribution margin and a more profitable sales mix in North China, Thailand and Hong Kong.

b. Ginebra San Miguel, Inc. (GSMI)

GSMI's first quarter revenue was up to ₱3,389 million, increased by 14% versus same quarter last year. This is a result of the 8% and 25% volume growth of gin and brandy segments, respectively. The impact of high cost of packaging materials was cushioned by lower direct materials and conversion cost which translated to a better-than-last-year contribution margin. These resulted to first quarter operating income of ₱201 million, a 52% increase versus last year.

2007 vs. 2006

a. Beer

San Miguel Beer Division - Philippines (SMBD-Phils)

SMBD-Phils revenues amounted to ₱10,841 million, 1% lower than last year. Due to lower cost of raw materials and fuel, operating income for the first quarter reached ₱2,764 million, 13% above last year.

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

SMBD Int'l sales revenue of US\$45 million was 1% above last year primarily due to increase in sales volume. Year-to-date consolidated operating loss was US\$1.47 million, 58% improvement from 2006. This was aided by a favorable sales mix and savings in some fixed expenses.

b. Ginebra San Miguel, Inc. (GSMI)

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

2. PACKAGING

2008 vs. 2007

The Packaging group's sales performance for the first quarter was up by 8% versus last year at ₱4,958 million. This is mainly due to higher sales revenue of the glass business on account of strong sales by both domestic and offshore operations and plastics business' revenue growth due to sales from pallet leasing, Beer Grande crates, food trays and SMFI crates. With this, operating income of ₱347 million was significantly above last year's level.

2007 vs. 2006

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

3. FOOD

2008 vs. 2007

The San Miguel Food Group's consolidated revenues reached ₱16,611 million, exceeding prior year's level by a notable 19% as most of the businesses registered higher volume and favorable selling prices. However, with higher cost to produce hogs and increase in prices of raw materials, specifically, wheat and vegetable oils, consolidated operating income ended at ₱475 million, 12% lower than last year.

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

a. Agro-Industrial

The Agro-industrial cluster delivered consolidated revenues of ₱11,061 million, 15% higher than last year mainly due to better selling prices and higher volume of poultry and feeds.

b. Value-Added Meats

Value-added meats business posted first quarter revenue of ₱2,312 million, 12% above last year and operating income of ₱82 million, 8% better than last year due to favorable average selling prices.

c. Flour Milling

The milling cluster posted a three-month revenue of ₱2,121 million, 39% higher than last year, due to higher flour selling prices.

d. Magnolia Inc.

Magnolia Inc. contributed revenues at ₱1,123 million, 6% higher than last year, due to higher selling prices and volume growth of butter, margarine, ice cream and salad aids.

2007 vs. 2006

The San Miguel Food Group registered consolidated revenues of ₱13,984 million, at par with 2006. However, with improved efficiencies, lower raw materials and managed fixed costs, year-to-date operating income ended at ₱538 million, 7% higher than last year.

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

a. Agro-Industrial

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

b. Value-Added Meats

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

c. Flour Milling

The milling cluster contributed revenues at ₱1,528 million, 51% below last year due to lower flour volumes and tight copra supply. Operating income ended at ₱80 million, 50% below last year due to the impact of higher raw materials of flour and higher fixed costs.

d. Magnolia Inc.

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

DISCONTINUED OPERATIONS

NATIONAL FOODS LIMITED / BERRI LIMITED

2007 vs. 2006

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

III. FINANCIAL CONDITIONS

2008 vs. 2007

Cash and cash equivalents increased by 9% from ₱93,281 million in 2007 to ₱101,584 million in 2008 mainly due to proceeds from sale of SMAH, KSA, and 35% stake in San Miguel Packaging Specialists, Inc. (SMPSI) and San Miguel Packaging International Limited (SMPIL) shares.

Receivables decreased by ₱858 million from ₱61,879 million in 2007 due to collection of December trade receivables of San Miguel Purefoods Company, Inc. (SMPFC), Centralized Key Account Group, Agribusiness, and SMPSI net of advances to SMC Retirement Plan.

The increase in inventories of ₱1,454 million from ₱23,852 million in 2007 pertains to increase in importation of soy bean meal and higher costs of wheat shipments.

Current biological assets increased by 9% to ₱2,539 million due to increase in volume of poultry coupled with higher feed costs of broiler and hogs.

Prepaid expenses and other current assets increased by ₱598 million mainly due to the increase in currency derivatives of the Parent Company.

Property, plant and equipment increased by ₱874 million from ₱64,355 million in 2007 due to various capital expenditures and cumulative translation adjustments for the period, net of depreciation charges.

Noncurrent biological assets increased by 5% to ₱1,389 million in 2008 mainly due to higher inventory of breeding stocks and increase in capacity of poultry's breeders.

Other intangible assets increased by ₱404 million from ₱3,202 million in 2007 due to reclassification of certain land and land improvements to land used rights by SMPIL and San Miguel Food & Beverage International Ltd., and increase in translation adjustment of San Miguel Beer Thailand's exclusive license to operate.

Other noncurrent assets increased by 10% from ₱13,688 million in 2007 to ₱15,082 million in 2008 due to the additional payment by SMPI on its subscription to the unissued shares of Bank of Commerce amounting to ₱1,000 million.

Drafts and loans payable decreased by 13% to ₱38,555 million in 2008 due to net payment for the first quarter of 2008.

Accounts payable and accrued expenses increased by 5% from ₱20,311 million in 2007 mainly due to increase in currency and commodity derivatives of the Parent Company as a result of change in exchange rates and the recognition of corresponding payable for the ₱500 million additional subscription to BOC shares.

Income and other taxes payable increased by 60% to ₱5,309 million in 2008 mainly due to the amount of income taxes payable for the first quarter.

Long-term debt decreased by 9% from ₱55,834 million in 2007 to ₱50,536 million in 2008 mainly due to net payments during the period.

Deferred tax liabilities increased by 35% from ₱12,721 million in 2007 to ₱17,191 million in 2008 mainly due to set up of deferred income tax on foreign income resulting from the gain on the sale of SMAH.

Other noncurrent liabilities decreased by ₱155 million to ₱301 million in 2008 mainly due to the amortization of unearned income on pallet leasing by SMPPI.

Assets held for sale, liabilities directly associated with assets held for sale and amounts recognized directly in equity relating to assets held for sale were reversed as a result of the completion of the sale of investment in shares of stock of SMAH and KSA in January 2008.

Minority interests increased by 47% mainly due to the sale of 35% stake in our domestic and regional packaging businesses to NYG.

Stockholders' Equity

The increase in stockholders' equity in 2008 is due to:

<i>(In millions)</i>	2008
Income during the period	₱11,189
Increase in minority interest	5,165
Issuance of capital stock	60
Effect of translation adjustments	(1,207)
Declarations of cash dividends	(1,105)
Changes in fair value of cash flow hedges	1
	₱14,103

Current ratio was 2.94 in 2008 and 2.60 in 2007. Debt to equity ratio was 0.84 and 0.97 as of 2008 and 2007, respectively.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In millions)</i>	March 31	
	2008	2007
Net cash flows from (used in) operating activities	₱7,664	(₱2,557)
Net cash flows provided by investing activities	11,005	23,474
Net cash flows used in financing activities	(11,384)	(18,284)

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

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

<i>(In millions)</i>	March 31	
	2008	2007
Additions to investments and advances	P-	P101
Additions to property, plant and equipment	(1,475)	(1,892)
Proceeds from sale of investments and property and equipment	5,985	1,773
Proceeds from sale of discontinued operation, net of cash disposed of	9,452	17,810
Interest received	1,281	282
Advances to a related party	(2,421)	(500)
Decrease (increase) in other noncurrent assets and others	(1,817)	5,900

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

<i>(In millions)</i>	March 31	
	2008	2007
Payments of short-term loans – net	(P5,747)	(P13,621)
Payments of long-term debt – net	(4,504)	(4,857)
Payments of dividends	(1,159)	(3)
Other financing activities	26	197

The effect of exchange rate changes on cash and cash equivalents amounted to P1,018 million and (P68 million) in March 31, 2008 and 2007, respectively. The exchange rates used for net assets in March 31, 2008 are P41.76 to US\$1 (P41.28 in December 31, 2007) and P40.95 to US\$1 as of March 31, 2008 (P48.60 as of March 31, 2007) for income and expense items.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

<i>(In millions)</i>	March 2008	December 2007
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	P51,336	P44,208
Treasury stock	(4,053)	(4,053)

VI. KEY PERFORMANCE INDICATORS

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

	March 2008	December 2007
<u>Liquidity:</u>		
Current Ratio	2.94	2.60
<u>Solvency:</u>		
Debt to Equity Ratio	0.84	0.97
<u>Profitability:</u>		
Return on Average Stockholders' Equity	10.57%	7.96%

	<u>Period Ended March 31</u>	
	2008	2007
<u>Operating Efficiency:</u>		
Volume Growth/(Reduction)	8%	(4%)
Revenue Growth	11%	2%
Operating Margin	9.84%	7.82%

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

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

* Annualized for quarterly reporting