

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

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Contact Person

(632)	632-3000
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Company Telephone Number

1	2
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Month

3	1
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Day

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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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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File Number

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Document I. D.

_____ Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

PROXY

I, the undersigned stockholder of SAN MIGUEL CORPORATION (the "Company"), appoint:

The Chairman of the Board of Directors of the Company, or in his absence

The Vice Chairman of the Board of Directors of the Company, or in his absence

The President of the Company, or in his absence

The Chairman of the July 23, 2009 Annual Meeting of the Stockholders

as my proxy, to represent me at the regular meeting of the stockholders of the Company scheduled for Thursday, July 23, 2009 at 2:00 p.m. at the Ballroom, Valle Verde Country Club, Inc., Capt. Henry P. Javier St., Bo. Oranbo, Pasig City, Philippines, and any of its adjournment(s), as fully as I could do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). I direct my proxy to vote shares which I own, or may hereafter own, and such shares as I am authorized to vote in my capacity as Administrator, Executor or Attorney-in Fact, on the agenda items I have indicated with "X" below. **If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 1, and a "FOR" vote for proposals 2 through 7.**

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
1. Election of Management's Nominees as Directors Management's Nominees are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Estelito P. Mendoza, Iñigo Zobel, Winston F. Garcia, Menardo R. Jimenez, Pacifico M. Fajardo, Leo S. Alvez, Egmidio de Silva Jose, Koichi Matsuzawa, Hirotake Kobayashi, Hector L. Hofileña, Carmelo L. Santiago, Keisuke Nishimura and Jesusa Victoria H. Bautista. INSTRUCTIONS: <i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</i>			
	FOR	AGAINST	ABSTAIN
2. Approval of Offer of Exchange of Common Shares for Series "1" Preferred Shares			
3. Approval of Amendments to Article VII of the Amended Articles of Incorporation of the Company relating to the issuance of the Series "1" Preferred Shares			
4. Approval of the Minutes of the 2008 Annual Stockholders' Meeting			
5. Approval of the Annual Report of the Company for year ended December 31, 2008			
6. Ratification of all the acts of the Board of Directors and Officers since the 2008 Annual Stockholders' Meeting.			
7. Appointment of Manabat Sanagustin & Company as external auditors of the Company			

Signed this ____ day of _____ 2009.

PRINTED NAME OF SHAREHOLDER

SIGNATURE OF SHAREHOLDER/
AUTHORIZED SIGNATORY

Revocability of Proxies. A person giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked by any of the following means: (1) filing with the Corporate Secretary, at least 10 working days before the scheduled meeting, a written notice revoking it; or (2) attending the meeting and voting in person. Mere attendance at the meeting will not automatically revoke a proxy.

Persons Making the Solicitation. This solicitation is being made by the Company. Solicitation of proxies in the Philippines will be mainly conducted through mail. Proxies will also, however, be solicited in person or through telephone. The cost of solicitation, approximately ₱1,500,000.00, will be borne by the Company.

Interest of Certain Persons in Matters to be Acted Upon. No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.



SAN MIGUEL CORPORATION

NOTICE OF REGULAR MEETING OF STOCKHOLDERS

July 23, 2009

The Regular Meeting of the Stockholders of San Miguel Corporation will be held on **Thursday, July 23, 2009 at 2:00 P.M.** at the **Ballroom, Valle Verde Country Club, Inc., Capt. Henry P. Javier St., Bo. Oranbo, Pasig City.**

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Regular Stockholders' Meeting held on July 24, 2008
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Approval of Offer of Exchange of Common Shares for Preferred Shares
6. Amendments to Article VII of the Amended Articles of Incorporation of the Company
7. Appointment of External Auditors
8. Election of the Board of Directors
9. Other Matters
10. Adjournment

Minutes of the last Regular Stockholders' Meeting and resolutions of the Board of Directors from January 1, 2008 will be available for examination during office hours at the office of the Corporate Secretary.

The deadline for submission of proxies is on **July 9, 2009**. Validation of proxies will be on **July 16, 2009** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, Podium Level, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines. For your convenience in registering your attendance, please present some form of identification, such as passport, driver's license, or company I.D. Registration will start at 11:30 A.M. and the registration booths will be closed at 2:15 P.M.

FRANCIS H. JARDELEZA
Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

	Preliminary Information Statement
√	Definitive Information Statement
2. Name of Registrant as specified in its charter **SAN MIGUEL CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization **Philippines**
4. SEC Identification No. **PW 000277**
5. BIR Tax Identification No. **041-000-060-741-V**
6. Address of principal office Postal Code
No. 40 San Miguel Avenue, Mandaluyong City **1550**
7. Registrant's telephone number, including area code **(02) 632-3000**
8. Date, Time and Place of the meeting of security holders
Thursday, July 23, 2009 at 2:00 P.M.
Ballroom, Valle Verde Country Club, Inc.,
Capt. Henry P. Javier St., Bo. Oranbo, Pasig City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
June 15, 2009
10. Name of Person Filing the Statement: **San Miguel Corporation**
Address: **40 San Miguel Ave., Mandaluyong City 1550**
Telephone No.: **(02) 632-3000**
11. Securities registered pursuant to Sections 8 and 12 of the SRC
- | Title of Each Class | Number of Shares of Common Stock
Outstanding (as of May 31, 2009) |
|--------------------------------|--|
| Class "A" Common Shares | 1,921,331,438 |
| Class "B" Common Shares | <u>1,235,954,037</u> |
| | 3,157,285,475 |
12. Are any or all of registrant's securities listed on a Stock Exchange?
Yes [☒] No [☐]
- If yes, disclose name of the Stock Exchange and class of securities listed therein:
Philippine Stock Exchange Class "A" and Class "B" Common Shares

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Annual Meeting

The annual stockholders' meeting of San Miguel Corporation (the "Company") will be held at the **Ballroom, Valle Verde Country Club, Inc., Capt. Henry P. Javier St., Bo. Oranbo, Pasig City** on **July 23, 2009** at **2:00 p.m.** The complete mailing address of the principal office of the Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

The information statement and form of proxy are first to be sent to security holders approximately on **June 15, 2009**.

Revocability of Proxies

A person giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked by any of the following means: (1) filing with the Corporate Secretary, at least ten (10) working days before the scheduled meeting, a written notice revoking it; or (2) attending the meeting and voting in person. Mere attendance at the meeting will not automatically revoke a proxy.

Dissenters' Right of Appraisal

Stockholders who shall vote against the proposal to amend the Amended Articles of Incorporation of the Company as set out in the ***Amendment to Charter, By-Laws or Other Documents*** and ***Authorization or Issuance of Securities Otherwise than for Exchange*** sections of this Information Statement shall be entitled to exercise their right of appraisal as provided in Title X of the Corporation Code.

Stockholders who shall vote against the proposal to amend the Amended Articles of Incorporation of the Company shall be entitled to exercise their right of appraisal for a period of 30 days from the date on which the proposal is approved by the stockholders. The fair value of the dissenting shares shall be the fair value thereof as of the day prior to the date of the approval of the proposal by the stockholders, excluding any appreciation or depreciation in anticipation of such action.

SOLICITATION INFORMATION

Persons Making the Solicitation

This solicitation is being made by the Company.

Solicitation of proxies in the Philippines will be mainly conducted through mail. Proxies will also, however, be solicited in person or through telephone. The cost of solicitation, approximately ₱1,500,000.00 will be borne by the Company.

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of May 31, 2009, the Company had the following outstanding shares of common stock:

<u>Title of Class</u>	<u>No. of shares outstanding</u>
Common Class "A" Shares	1,921,331,438
Common Class "B" Shares	<u>1,235,954,037</u>
	3,157,285,475

The record date with respect to this solicitation is on **June 5, 2009**. Only stockholders of record at the close of business on **June 5, 2009** will be entitled to vote at the meeting.

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy. With respect to the election of directors, in accordance with Section 24 of the Corporation Code of the Philippines, a stockholder may vote the number of shares held in his name in the Company's stock books as of **June 5, 2009**, and may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company is computed as follows: **no. of shares held on record as of record date x 15 directors**.

The deadline for submission of proxies is on **July 9, 2009**. Validation of proxies will be on **July 16, 2009** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, Podium Level, SMC Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of May 31, 2009 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent

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 ¹ c/o 16/F, UCPB Building, Makati City	CIIF Companies c/o 16/F, UCPB Building, Makati City	Filipino	446,452,536	23.88%
Class "B" Common				307,395,776	
Class "A" Common	ECJ Companies ² c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	ECJ Companies c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	Filipino	473,332,727	15.52%
Class "B" Common				16,652,544	
Class "B" Common	Q-Tech Alliance Holdings, Inc. ³	Q-Tech Alliance Holdings, Inc.	Filipino	628,666,675	19.91%

¹ Companies holding shares of SMC as investments of the CIIF, which companies are comprised of 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 5.31% of the Company's voting securities as of May 31, 2009. The administrator of the CIIF Companies is the United Coconut Planters Bank and the Chairman of the Board or its President or the designee of the Chairman is usually authorized to vote in person or by proxy the shares registered in the name of the CIIF Companies.

² 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 designee of their respective boards. The designee authorized by each of these companies to vote the shares in their respective names will only be known to the Company upon each of these companies' submission of its proxy on or before the July 9, 2009 deadline set by the Company for such submission.

³ The designee authorized by QTech to vote the shares in its name will only be known to the Company upon QTech's submission of its proxy on or before the July 9, 2009 deadline set by the Company for such submission.

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	San Miguel Corporation Retirement Plan ⁴ 40 San Miguel Ave., Mandaluyong City	San Miguel Corporation Retirement Plan 40 San Miguel Ave., Mandaluyong City	Filipino	753,235,391	28.80%
Class “B” Common				156,045,730	

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 May 31, 2009:

Title of Class	Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares and Percent to Outstanding Shares
		Class A	Class B		
Common	Eduardo M. Cojuangco, Jr.	292,388 (D)	0	Filipino	292,388(0.01%)
Common	Ramon S. Ang	6,050(D)	0	Filipino	6,050(0.00%)
Common	Estelito P. Mendoza	31,972(D)	0	Filipino	31,972 (0.00%)
Common	Silvestre H. Bello III	5,000(D)	0	Filipino	5,000 (0.00%)
Common	Koichi Matsuzawa	0	5,000(D)	Japanese	5,000 (0.00%)
Common	Iñigo Zobel	16,171(D)	0	Filipino	16,171 (0.00%)
Common	Winston F. Garcia	5,000(D)	0	Filipino	5,000 (0.00%)
Common	Menardo R. Jimenez	5,000(D)	0	Filipino	5,000 (0.00%)
Common	Pacifico M. Fajardo	5,000(D)	0	Filipino	5,000 (0.00%)
Common	Leo S. Alvez	14,326(D)	0	Filipino	14,326 (0.00%)
Common	Egmidio de Silva Jose	5,500(D)	0	Filipino	5,500 (0.00%)
Common	Keisuke Nishimura	0	5,000(D)	Japanese	5,000 (0.00%)
Common	Hirotake Kobayashi	0	5,000(D)	Japanese	5,000 (0.00%)
Common	Carmelo L. Santiago	5,000(D)	0	Filipino	5,000 (0.00%)
Common	Hector L. Hofileña	12,303(D)	0	Filipino	12,303 (0.00%)
Common	Ferdinand K. Constantino	223,800(D)	60,000(D)	Filipino	283,800 (0.01%)
Common	Francis H. Jardeleza	70,001(D)	210,000(D)	Filipino	280,001 (0.01%)
Common	Carlos Antonio M. Berba	1,045(D)	0	Filipino	1,045(0.00%)
Common	Francisco S. Alejo III	0	96,900(D)	Filipino	96,900 (0.00%)
Common	Roberto N. Huang	42,430(D)	32,750(D)	Filipino	75,180 (0.00%)
Common	Gerardo C. Payumo	348(D)	0	Filipino	348 (0.00%)

(D) – direct

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of May 31, 2009 is 1,155,984 shares or approximately 0.0366% of the Company's outstanding capital stock.

⁴ These shares include shares which are lodged with the Philippine Depository & Trust Corp. (PDTC). The shares owned by the San Miguel Corporation Retirement Plan (SMCRP) are voted, in person or by proxy, by its authorized designee. The designee authorized by SMCRP to vote the shares in its name will only be known to the Company upon SMCRP’s submission of its proxy on or before the July 9, 2009 deadline set by the Company for such submission.

The aggregate number of shares owned of record by all officers and directors as a group as of May 31, 2009 is 1,963,231 shares or approximately 0.0622% of the Company's outstanding capital stock.

Voting Trust Holders of 5% or More

The Company is not aware of any shareholder holding 5% or more of the Company's common shares under a voting trust agreement.

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.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

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, 74, is the Chairman and Chief Executive Officer of the Company, a position he has held since July 7, 1998, and Chairman of the Company's Executive Committee. He also holds the following positions: Chairman and Chief Executive Officer of Ginebra San Miguel, Inc.; and Chairman of San Miguel Pure Foods Company, Inc. He is also the Chairman of ECJ & Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc., and a Director of Cainaman Farms, Inc. and Petron Corporation. He was a former director of the Manila Electric Company (February 2009 - May 2009).

Ramon S. Ang, Filipino, 55, is the Vice Chairman (since January 28, 1999), President and Chief Operating Officer (since March 6, 2002) of the Company. He is also Member of the Company's Executive Committee and Nominations Committee. He also holds, among others, the following positions: Chairman of San Miguel Brewery Inc., San Miguel Properties, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, Anchor Insurance Brokerage Corporation and San Miguel Brewery Hong Kong Limited (Hong Kong); and a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also the Chairman and Chief Executive Officer of Petron Corporation, Chairman of Liberty Telecoms Holdings Inc., Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., Atea Tierra Corporation and Cyber Bay Corporation; Vice Chairman of Manila Electric Company; and an Independent Director of Philweb Corporation. He was President of San Miguel Brewery Inc. (2007-April 2009). Mr. Ang has held directorships in various subsidiaries of the Company in the last five years.

Estelito P. Mendoza, Filipino, 79, has been a Director of the Company since April 21, 1998 and for the years 1991 to 1993. He is also Chairman of the Company's Nominations Committee and Member of its Executive Committee, Audit Committee and Executive Compensation Committee. He also holds the following positions: Chairman of Prestige Travel, Inc.; and a Director of Philippine Airlines, Inc., Petron Corporation and Manila Electric Company. 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, 52, has been a Director of the Company since May 5, 1999 and a Member of the Company's Executive Committee, Audit Committee, Executive Compensation Committee and Nominations Committee. He is also an Independent Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc., and San Miguel Properties, Inc. He also holds the following positions: President and Chief Executive Officer of E. Zobel, Inc.; President of Ayala España S.A., Calatagan Golf Club, Inc. and Hacienda Bigaa, Inc.; and a Director of Top Frontier Investment Holdings, Inc., Global 5000 Investments, Inc., Calatagan Resort, Inc., Calatagan Gulf Realty, Inc. and Mermac, Inc. He was previously the President of Diamond Star Agro Products, Inc. (1985-2007) and an Independent Director of San Miguel Pure Foods Company, Inc. (2006- March 2009).

Winston F. Garcia, Filipino, 51, has been a Director of the Company since February 1, 2001 and a Member of the Company's Nominations 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 of the Philippines, GSIS Mutual Fund, Inc. and Asia Forum Incorporated; a Director of Philippine Health Insurance Corporation and a Member of the International Insurance Society, Inc., Federation of Afro Insurers and Reinsurers and International Social Security Association. Atty. Garcia is a practicing lawyer since 1983.

Menardo R. Jimenez, Filipino, 76, has been a Director of the Company since February 27, 2002. He is also the Chairman of the Company's Executive Compensation Committee and Member of its Executive Committee; and a Director of San Miguel Pure Foods Company, Inc. and Magnolia Inc. His other positions include: President and Chief Executive Officer of Albay-Agro Industrial 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, 65, has been a Director of the Company since November 4, 2004 and for the years 2002 to 2004, and Member of the Company's Audit Committee. 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, 66, has been a Director of the Company since February 27, 2002 and Member of the Company's Executive Committee and Nominations Committee. He is also a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. Ret. Major General Alvez is a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001), Vice Commander of the Philippine Army (1998), and Division Commander of the 7th Infantry Division (1996-1998).

Egmidio de Silva Jose, Filipino, 62, has been a Director of the Company since April 20, 2004 and Member of the Company's Executive Compensation Committee. 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, 64, has been a Director of the Company since October 2, 2006. He is the Presidential Adviser on New Government Centers, Office of the President and a partner at the Yulo and Bello Law Offices (since 2001). Atty. Bello was former Chief Executive Officer and General Manager of the Philippine Reclamation Authority (2006); 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).

Koichi Matsuzawa, Japanese, 60, is a Director of the Company since July 24, 2007. He is President and Chief Executive Officer of Kirin Brewery Company Limited. He was also Managing Director of Kirin Holdings Company, Limited and 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 is also a former Managing Director of Kirin Europe GmbH (1996).

Hirotake Kobayashi, Japanese, 54, has been a Director of the Company since July 24, 2008. He is Managing Executive Officer and General Manager, Strategic Planning Department of Kirin Holdings Company, Limited. His previous work experience includes: Executive Officer and General Manager, Strategic Planning Department of Kirin Holdings Company, Limited (2008); Executive Officer and General Manager, Accounting and Finance Department, Kirin Business Expert Company, Limited (2007) and Director, Lion-Nathan Limited (1998).

Hector L. Hofileña, Filipino, 79, has been a Director of the Company since July 24, 2008 and Member of the Audit Committee. He is a former Associate Justice of the Court of Appeals (1994-1999) and currently Director of San Miguel Properties, Inc. Justice Hofileña is a professor at the Ateneo De Manila University.

Carmelo L. Santiago, Filipino, 66, has been an Independent Director of the Company since July 24, 2008 and Chairman of the Company's Audit Committee and Member of the Executive Compensation Committee. He is an Independent Director of San Miguel Properties, Inc., San Miguel Brewery Hong Kong Limited (Hong Kong), Anchor Insurance Brokerage Corporation and Liberty Telecoms Holdings, Inc.; and Director of Terbo Concept. Mr. Santiago is the founder and owner of several branches of Melo's Restaurant and has held directorships in San Miguel Brewery Inc. (as Independent Director, 2008-April 2009), Ginebra San Miguel, Inc. (1998-2004), Manila Standard, Inc. (1998-2004), National Power Corporation (1998-2004) and Philippine National Bank – Hong Kong (1998-2004).

Keisuke Nishimura, Japanese, 52, has been a Director of the Company since March 26, 2009. He is also a director of San Miguel Brewery Inc. (since April 30, 2009). His previous work experience includes: Chairman and CEO of Kirin (China) Investment Company, Limited (2005); and Manager, Corporate Planning Department (2002), Chief Executive Assistant to the Board (2001), Executive Assistant to the President (1997) and Manager, Personnel Department (1992) of Kirin Brewery Company, Limited.

Jesusa Victoria Hernandez-Bautista, Filipino, 41, is a nominee for Director of the Company. Ms. Bautista is a Director of San Miguel Pure Foods Company, Inc., Anchor Insurance Brokerage Corporation and San Miguel Brewery Hong Kong Limited; and President of Realty Company.

She was also previously President of Lady Tiger Realty Inc.; Vice President–Treasurer of RRJ Films Inc. and RRJ Trading and Trucking Inc. and AVP for Administration of Tough Guard Security & Investigation Agency, Inc. and Triple 7 Manpower Services, Inc.

Ferdinand K. Constantino, Filipino, 57 is the Senior Vice President, Chief Finance Officer and Treasurer of the Company since January 1, 2001. He also holds the following positions: Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc., San Miguel Properties, Inc., San Miguel Yamamura Packaging Corporation, Magnolia Inc., San Miguel Foods, Inc. and Bank of Commerce; President of Anchor Insurance Brokerage Corporation; and Chief Finance Officer of Manila Electric Company. Mr. Constantino previously served the Company as Chief Finance Officer of the San Miguel Beer Division (1999-2005), as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007- March 2009) and Chief Finance Officer of Manila Electric Company (February 2009 - May 2009). He has held directorships in various subsidiaries of the Company during the last five years.

Francis H. Jardeleza, Filipino, 59, is the Corporate Secretary (since April 2, 2001), Senior Vice-President and General Counsel (since 1996) and Compliance Officer of the Company. He is also Director, Corporate Secretary and Compliance Officer of San Miguel Brewery Inc.; Corporate Secretary and Compliance Officer of Ginebra San Miguel, Inc., San Miguel Pure Foods Company, Inc., and San Miguel Properties, Inc.; Corporate Secretary of The Purefoods-Hormel Company, Inc. and San Miguel Yamamura Packaging Corporation; Chairman and President of SMC Stock Transfer Service Corporation and Director of San Miguel Beverages, Inc. Atty. Jardeleza has been a director, corporate secretary and/or assistant corporate secretary of various subsidiaries of the Company during the last five (5) years and is a professorial lecturer at the University of the Philippines.

Francisco S. Alejo III, Filipino, 60, 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; Vice-Chairman of San Miguel Foods, Inc.; President of The Purefoods-Hormel Company, Inc., Magnolia Inc. and San Miguel Super Coffeemix Co., Inc.; and Chairman and President of Sugarland Corporation and Star Dari, Inc.

Ferdinand A. Tumpalan, Filipino, 48, is the President of San Miguel Yamamura Packaging Corporation (since September 16, 2005). He is also President of San Miguel Yamamura Asia Corporation, San Miguel Rengo Packaging Corp., Mindanao Corrugated Fibreboard, Inc. and SMC Yamamura Fusso Molds Corporation. He is a former President of the Company's Packaging Products Division (2005).

Roberto N. Huang, Filipino, 60, is a Director (since 2007) and President of San Miguel Brewery Inc. (since April 2009). He also holds the following positions: Senior Vice President of the Company and Director of San Miguel Beverages, Inc. He also served as Director of Ginebra San Miguel, Inc. (2004-2008) and San Miguel Pure Foods Company, Inc. (2004-2008); President of Coca-Cola Bottlers Philippines, Inc., Cosmos Bottling Corporation and Philippine Beverage Partners, Inc. (2003-2007), and Senior Vice President, Corporate Sales for the Food, Beverage, Corporate Key Accounts and Corporate Export Sales Groups of the Company (2002-2003).

Gerardo C. Payumo, Filipino, 51, is the President of Ginebra San Miguel, Inc. (since August 9, 2006). He is a former Senior Vice President and Director of the Corporate Procurement Unit of the Company (1998-2006).

Carlos Antonio M. Berba, 44, is the Chairman and General Manager of San Miguel Brewing International Limited; a Director of San Miguel Brewery Hong Kong Limited (Hong Kong) and a Commissioner of PT Delta Djakarta Tbk (Indonesia). He previously served the Company as President of the San Miguel Beer Division (2006); and Vice President, CFO for International Beer Operations and Director for Business Planning and Information Management, San Miguel Beer Division (2002-2006).

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.

The nominees for election to the Board of Directors on July 23, 2009 are as follows:

1. Eduardo M. Cojuangco, Jr.
2. Ramon S. Ang
3. Estelito P. Mendoza
4. Iñigo Zobel
5. Winston F. Garcia
6. Menardo R. Jimenez
7. Pacifico M. Fajardo
8. Leo S. Alvez
9. Egmidio de Silva Jose
10. Koichi Matsuzawa
11. Hirotake Kobayashi
12. Hector L. Hofileña
13. Carmelo L. Santiago
14. Keisuke Nishimura
15. Jesusa Victoria H. Bautista

Independent Directors

The incumbent independent directors of the Company are as follows:

1. Iñigo Zobel
2. Winston F. Garcia
3. Carmelo L. Santiago

The incumbent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of the incumbent directors are attached hereto as **Annexes "A-1", "A-2" and "A-3"**.

The nominees for election as independent directors of the Board of Directors on July 23, 2009 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Iñigo Zobel	Eduardo M. Cojuangco, Jr.	None
Winston F. Garcia	Eduardo M. Cojuangco, Jr.	None
Carmelo L. Santiago	Eduardo M. Cojuangco, Jr.	None

In approving the nominations for independent directors, the Nominations Committee took into consideration the guidelines and procedures on the nomination of independent directors prescribed in SRC Rule 38.

The nominations for the election of all directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before such date that the Board of Directors may fix, provided that such date shall be prior to the stockholders' meeting. The nominations are forwarded to the Nominations Committee which shall pre-screen the qualifications of the nominees and prepare a final list of nominees eligible for election. No other nominations are entertained after the final list of candidates is prepared.

Under Section 2, Article III of the Company's By-Laws, (i) any stockholder having at least five thousand (5,000) shares registered in his name may be elected Director, and (ii) a person engaged in any business which competes with or is antagonistic to that of the Company as defined in Section 2, Article III of the Company's By-Laws is not qualified or eligible for nomination or election to the Board of Directors.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 2, Article III of the Company's By-Laws.

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.

Certain Relationships and Related Transactions

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) which are not in the Company's ordinary course of business.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the

evaluation of his ability or integrity to hold the relevant position in the Company.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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 ⁵	2009 (estimated)	P 138.1 Million	P 31.6 Million	P 32.6 Million	P 202.3 Million
	2008	P 127.5 Million	P 44.1 Million	P 31.3 Million	P 202.9 Million
	2007	P 126.0 Million	P 97.3 Million	P 39.1 Million	P 262.4 Million
All other officers and directors as a group unnamed	2009 (estimated)	P 115.9 Million	P 37.2 Million	P 41.0 Million	P 194.1 Million
	2008	P 172.2 Million	P 31.3 Million	P 77.8 Million	P 281.3 Million
	2007	P 416.4 Million	P 134.8 Million	P 158.0 Million	P 709.2 Million
Total	2009 (estimated)	P 254.0 Million	P 68.8 Million	P 73.6 Million	P 396.4 Million
	2008	P 299.7 Million	P 75.4 Million	P 109.1 Million	P 484.2 Million
	2007	P 542.4 Million	P 232.1 Million	P 197.1 Million	P 971.6 Million

Section 10 of the Amended By-Laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper.

The Company provides each director with reasonable per diem of P10,000 for each Board and Board Committee meeting attended.

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.

⁵ The Chief Executive Officer and senior executive officers of the Company for 2009 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Carlos Antonio M. Berba, Emmanuel E. Eraña, Virgilio S. Jacinto, Joseph N. Pineda and Sergio G. Edeza; for 2008: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Carlos Antonio M. Berba, Emmanuel E. Eraña, Virgilio S. Jacinto, Joseph N. Pineda and Rosabel T. Balan; and for 2007: 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.

On March 1, 2007, the Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 26, 2008, the Company approved the grant of options to 742 executives consisting of 7.46 million shares.

Options to purchase 12.45 million shares and 6.65 million shares in 2008 and 2007, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 1.76 million shares and 2.48 million shares in 2008 and 2007, respectively.

As of May 31, 2009, the outstanding options under the LTIP held by the above-named Chief Executive Officer and Senior Executive Officers are 6,877,962 Class "A" common shares and 3,892,042 Class "B" common shares, while those held by all officers as a group total 8,669,012 Class "A" common shares and 5,020,356 Class "B" common shares.

None of the above-named key officers of the Company exercised their options under the LTIP in 2008.

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.

ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting:

1. Management Report of the Company for the year ended December 31, 2008;
2. Minutes of the 2008 Annual Stockholders' Meeting with the following items:
 - a) Approval of the Minutes of the 2007 Annual Stockholders' Meeting;
 - b) Approval of Annual Report;
 - c) Ratification of all acts of the Board of Directors and Officers since the 2007 Annual Stockholders' Meeting;
 - d) Approval to authorize the Company to pursue and implement a corporate restructuring plan and to authorize the Board of Directors to approve the implementing transactions of such corporate restructuring plan
 - e) Election of Board of Directors;
 - f) Appointment of External Auditors; and
3. Ratification of all the acts of the Board of Directors and Officers since the 2008 Annual Stockholders' Meeting which include the:
 - a) Approval of investments and divestments in subsidiaries such as the divestment of a portion of the Company's shares in San Miguel Brewery Inc. (SMB) to Kirin Holdings Company, Limited; transfer of the Company's domestic beer and malt-based beverages brands and related intellectual property rights and know-how and certain parcels of land on which the production facilities and sales offices of San Miguel Brewery Inc. are located, to wholly-owned subsidiaries in exchange for shares of such subsidiaries; sale of interests of the Company in such subsidiaries to SMB; entering into a sale and purchase agreement with the Government Service Insurance System to acquire its approximately 27% interest in Manila Electric Company; signing of option agreement by the Company with SEA

Refinery Holdings B.V. (SEA BV) for an option to acquire and purchase up to 100% of SEA BV's interests in its wholly-owned subsidiary SEA Refinery Corp. (SRC), which in turn owns a 50.1% stake in Petron Corporation; and investment of up to 49% in Liberty Telecoms Holdings, Inc.;

- b) Declaration of cash dividends;
- c) Appointment of officers; and
- d) Approval of signing authorities and limits.

Minutes of the 2008 Annual Stockholders' Meeting and resolutions of the Board of Directors since the date of the 2008 Annual Stockholders' Meeting will be available for examination during office hours at the office of the Corporate Secretary.

MODIFICATION OR EXCHANGE OF SECURITIES

Class and Amount of New Securities to be Issued and Securities to be Exchanged Basis and Rationale for Proposed Exchange

On May 21, 2009, the Board of Directors of the Company authorized the Company to present to its shareholders an offer to exchange their Class "A" and Class "B" common shares for a new class of shares to be denominated as Series "1" Preferred shares ("Exchange Offer"). Under the Exchange Offer, the Company proposes to offer for exchange up to 1.104 billion Class "A" and Class "B" common shares, representing up to 35% of the total outstanding shares of the Company, for Series "1" Preferred shares at an exchange ratio of one (1) Series 1 Preferred Share for every one (1) Class "A" or Class "B" common share tendered.

The Series "1" Preferred shares will have a par value of Five Pesos (P5.00) per share. The Board has authorized Management to determine the issue price of the Series "1" Preferred shares ("Issue Price"). Pursuant to this authority, Management has determined that the Issue Price of the Series "1" Preferred shares is Seventy Five Pesos (P75.00) per share.

The Exchange Offer is in relation to the Company's thrust to develop new engines of growth and diversify into new businesses to further augment the gains it has realized from nurturing its current core businesses. During the period in which the Company undertakes such development or diversification, certain shareholders may wish or seek to assume a different risk profile for their investments in the Company. The Exchange Offer enables the Company to take a proactive approach in respect of such shareholders, and through the Exchange Offer, give such shareholders the option to participate as a preferred shareholder rather than as a common shareholder. However, as shareholders are not obliged to take up the Exchange Offer, shareholders who choose not to participate can remain as common shareholders of the Company.

The Exchange Offer, if approved by the stockholders, will only be made available in the Philippines and will be conducted pursuant to requirements under Philippines laws, rules and regulations. The Series "1" Preferred shares will not be registered under the U.S. Securities Act of 1933, as amended.

Description of the New Securities

The Series "1" Preferred Shares will be Philippine Peso-denominated, perpetual, cumulative and non-voting. The shares will have a par value of Five Pesos (P5.00) per share and the following features:

(a) Dividends – The Board of Directors of the Company shall have the sole discretion to declare dividends on the Series “1” Preferred shares. The annual dividends shall be based on the five (5)-year Philippine Dealing System Treasury Fixing treasury securities benchmark rate (“PDST-F Rate”), plus a spread which the Board of Directors of the Company has authorized Management to determine (“Dividend Rate”). On this basis and pursuant to such authority granted to Management, the Dividend Rate has been determined to be eight percent (8%) per annum. The dividends are payable quarterly, beginning on the third month after the issue date thereof (“Issue Date”) and every three months thereafter (“Dividend Payment Date”) and calculated by reference to the Issue Price. Unless the Series “1” Preferred shares are redeemed by the Company at the end of the fifth year from the Issue Date, the Dividend Rate shall be adjusted at the end of the fifth year to the higher of (a) the Dividend Rate, and (b) the prevailing ten (10)-year PDST-F Rate, (or such successor benchmark rate) as displayed under the heading “Bid Yield” as published on the PDEX Page (or such successor page) of Bloomberg (or such successor electronic service provider) at approximately 11:30 a.m. Manila time on the date corresponding to the end of the fifth year from the Issue Date (or if not available, the PDST-F Rate on the banking day prior to such date, or if still not available, the nearest preceding date on which the PDST-F Rate is available, but if such nearest preceding date is more than five (5) days prior to the date corresponding to the end of the fifth year from the Issue Date, the Board of Directors, at its reasonable discretion, shall determine the appropriate substitute rate) plus a spread of up to 300 basis points. The holders of Series “1” Preferred shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payment shall have been made on the said shares.

(b) Redemption – The Company has the option, but not the obligation, to redeem all or part of the Series “1” Preferred shares on the third anniversary from the Issue Date or on any Dividend Payment Date thereafter, at a redemption price equal to the Issue Price of the Series “1” Preferred shares plus all accumulated and unpaid cash dividends. The Series “1” Preferred shares, when redeemed, shall not be considered retired and may be re-issued by the Company at a price to be determined by the Board of Directors.

(c) Liquidation – In the event of liquidation, dissolution, bankruptcy or winding up of the Company, the Series “1” Preferred shares shall have preference in payment, in full or, if the assets of the Company are insufficient, on a pro-rata basis as among holders of Series “1” Preferred shares, of the Issue Price of their shares plus any previously declared and unpaid dividends, before any asset of the Company is paid or distributed to holders of the common shares of the Company.

(d) Voting Rights – Holders of the Series “1” Preferred shares shall not be entitled to vote except in cases expressly provided by law.

(e) Pre-emptive Rights – Holders of the Series “1” Preferred shares shall have no pre-emptive right to any issue or disposition of any share of any class of the Company.

The Series “1” Preferred shares will be listed on The Philippine Stock Exchange, Inc. within one year from the date of their issuance.

General Effect on Rights of Existing Shareholders

In the event that holders of the common shares of the Company take up the Exchange Offer and the Series “1” Preferred shares are issued, holders thereof will enjoy certain preferences over holders of common shares in terms of dividends and in the event of liquidation of the Company. Under the terms of the Series “1” Preferred shares, no dividend shall be declared and

paid on the common shares of the Company unless cash dividends shall have been declared and paid to all Series “1” Preferred shares. Moreover, in the event of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company, holders of Series “1” Preferred shares shall be paid the Issue Price of their shares plus any previously declared and unpaid dividends before any asset of the Corporation is paid or distributed to the holders of the common shares. The issuance of Series “1” Preferred shares under the Exchange Offer will reduce the ownership percentage of common shareholders by up to 35% (in the event that the Exchange Offer is fully taken up).

For a better appreciation of the features of the Series “1” Preferred shares and the effect of the issuance thereof on the rights of the common stockholders, set out below is a comparison of the features of the Company’s common shares with the Series “1” Preferred shares.

	COMMON SHARES	SERIES “1” PREFERRED SHARES
Entitlement to Dividends	<p><u>Declaration of Dividends at the Option of the Board</u></p> <p>The holders of Common shares may be entitled to receive dividends upon declaration made at the sole option of the Board of Directors.</p> <p><u>No Fixed Dividend Rate</u></p> <p>There is no fixed dividend rate for Common shares.</p>	<p><u>Declaration of Dividends at the Option of the Board</u></p> <p>The holders of Series “1” Preferred shares shall be entitled to receive cash dividends upon declaration made at the sole option of the Board of Directors.</p> <p><u>Fixed Dividend Rate</u></p> <p>The annual dividends for Preferred shares shall be based on the Philippine Dealing System Treasury Fixing 5-year treasury securities benchmark rate (the “PDST-F Rate”) plus a spread which the Board of Directors has authorized Management to determine (“Dividend Rate”) calculated in respect of each share by reference to the issue price thereof (the “Issue Price”). On this basis and pursuant to such authority granted to Management, the Dividend Rate has been determined to be eight percent (8%) per annum.</p> <p>Unless the Series “1” Preferred shares are redeemed at the end of the fifth year of the issue date thereof (the “Issue Date”), the</p>

COMMON SHARES**SERIES “1” PREFERRED
SHARES**

Dividend Rate shall be adjusted to the higher of : (i) the Dividend Rate; and (ii) the prevailing 10-year PDST-F Rate (or such successor benchmark rate) as displayed under the heading “Bid Yield” as published on the PDEX page (or successor page) of Bloomberg (or successor electronic service provider) at approximately 11:30 a.m., Manila time on the date corresponding to the end of the fifth year from the Issue Date (or if not available, the PDST-F Rate on the banking day prior to such date, or if still not available, the nearest preceding date on which the PDST-F Rate is available, but if such nearest preceding date is more than five days prior to the date corresponding to the end of the fifth year from the Issue Date, the Board of Directors at its reasonable discretion shall determine the appropriate substitute rate), plus a spread of up to 300 basis points, in either case calculated in respect of each share by reference to the Issue Price.

The dividends declared shall be payable quarterly, beginning on the third month after the Issue Date of the Series “1” Preferred shares and every three months thereafter (each, a “Dividend Payment Date”).

**Subordinate to Series “1”
Preferred shares**

No dividend shall be declared and paid to holders of Common shares unless cash dividends shall have been declared and paid to

	COMMON SHARES	SERIES "1" PREFERRED SHARES
	all holders of the Series "1" Preferred shares.	
	<u>Non-cumulative</u>	<u>Cumulative</u>
	The dividends on the Common shares are non-cumulative.	The dividends on the Series "1" Preferred shares are cumulative. (This means that if the profits in any year are not enough to pay the preferred dividends, the deficiency is made up from the profits of the subsequent year.)
		<u>Non-Participating</u>
		The holders of the Series "1" Preferred shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payment shall have been made on said Series "1" Preferred shares.
Redeemability	<u>Non-redeemable</u>	<u>Redeemable</u>
	Common shares are not redeemable.	The Series "1" Preferred shares are redeemable in whole or in part, at the sole option of the Corporation, at the end of three years from the Issue Date or on any Dividend Payment Date thereafter, at the price equal to the Issue Price plus any accumulated unpaid cash dividends.
		The Series "1" Preferred shares, when redeemed, shall not be considered retired and may be re-issued by the Corporation at a price to be determined by the Board of Directors.
		Series "1" Preferred shares are also perpetual or have no stated maturity.

	COMMON SHARES	SERIES "1" PREFERRED SHARES
Rights Upon Liquidation/Dissolution/Bankruptcy/Winding Up	<p><u>Subordinate to Series "1" Preferred Shares</u></p> <p>The right of the holders of Common shares to receive any asset of the Corporation in case of liquidation, dissolution, bankruptcy or winding up of the Corporation is subordinate to the holders of the Series "1" Preferred Shares.</p>	<p><u>Preference over Common Shares upon Liquidation</u></p> <p>In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Corporation, the holders of the Series "1" Preferred shares shall enjoy preference in the payment, in full, or if the remaining assets of the Corporation are insufficient, on a pro-rata basis as among all holders of outstanding Series "1" Preferred shares, of the Issue Price of their shares plus any previously declared and unpaid dividends, before any asset of the Corporation is paid or distributed to the holders of Common shares.</p>
Voting Rights	<p><u>With Voting Rights</u></p> <p>Common stockholders have the right to vote on all matters requiring stockholders' approval.</p> <p>Under the Corporation Code, the following corporate actions require the approval of the stockholders of a corporation:</p> <ol style="list-style-type: none"> 1. Amendment of articles of incorporation; 2. Adoption and amendment of by-laws; 3. Sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; 4. Incurring, creating or increasing bonded indebtedness; 5. Increase or decrease of capital stock; 	<p><u>No Voting Rights</u></p> <p>The holders of the Series "1" Preferred shares shall not be entitled to vote except in the following instances:</p> <ol style="list-style-type: none"> 1. Amendment of articles of incorporation; 2. Adoption and amendment of by-laws; 3. Sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; 4. Incurring, creating or increasing bonded indebtedness; 5. Increase or decrease of capital stock; 6. Merger or consolidation with another

COMMON SHARES	SERIES "1" PREFERRED SHARES
6. Merger or consolidation with another corporation or other corporations; 7. Investment of corporate funds in another corporation or business; 8. Dissolution; 9. Removal of directors; 10. Ratification of the contract of a self-dealing director or officer/ratification of act of a disloyal director who obtains profits to the prejudice of the corporation; 11. Extension or shortening of the corporate term; 12. Declaration of stock dividends; 13. Approval of management contracts; and 14. Delegation of the power to amend or repeal by-laws or adopt new by-laws to the board of directors or trustees.	corporation or other corporations; 7. Investment of corporate funds in another corporation or business; and 8. Dissolution.

Pre-Emptive Right

With Pre-Emptive Right Except in Certain Instances

Common stockholders enjoy pre-emptive right to subscribe to issues or dispositions of shares of the Corporation in proportion to their shareholdings, except in the following instances, as provided in the Articles of Incorporation:

1. Issuance, sale or disposition of shares to the Corporation's officers and/or

No Pre-Emptive Right

The holders of the Series "1" Preferred shares shall have no pre-emptive right to any issue or disposition of any share of any class of the Corporation.

COMMON SHARES	SERIES “1” PREFERRED SHARES
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- employees pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans; except where the number of such shares exceeds 5% at the time of approval of the plan, in which case, there shall be pre-emptive right with respect to such shares in excess of 5%.
2. Issuance of 442,560,000 Common Class “B” shares from the increase in authorized capital stock from Php15,000,000,000 to Php22,500,000,000.
 3. Issuance of shares relating to equity linked debt or other securities, any class of preferred shares, shares in payment of a previously contracted debt or shares issued in exchange for property needed for corporate purposes.
 4. Issuance of Common shares upon conversion of the Series “2” Preferred shares.

PSE Listing

Listed with the PSE

The Common shares of the Corporation are listed with and traded on the Philippine Stock Exchange.

Not Listed with the PSE

The Series “1” Preferred shares will be listed with the Philippine Stock Exchange within one year from date of issuance.

AMENDMENT TO CHARTER, BY-LAWS OR OTHER DOCUMENTS

To implement the issuance of the Series “1” Preferred shares, Article VII of the Amended Articles of Incorporation of the Company shall be amended to re-classify the existing composition of the authorized capital stock of the Company to accommodate the creation of Series “1” Preferred shares, and provide for the rights, preferences and limitations of the Series “1” Preferred shares as set out in the ***Modification or Exchange of Securities*** of this Information Statement.

The existing authorized capital stock of the Company shall be re-classified **from** Twenty Two Billion Five Hundred Million Pesos (P22,500,000,000.00) consisting of Four Billion Five Hundred Million (4,500,000,000) common shares at par value of Five Pesos (P5.00) per share, which common shares are further divided into Two Billion Seven Hundred Million (2,700,000,000) Class “A” shares and One Billion Eight Hundred Million (1,800,000,000) Class “B” common shares **to** Twenty Two Billion Five Hundred Million Pesos (P22,500,000,000.00) consisting of Three Billion Three Hundred Ninety Million (3,390,000,000) common shares, which common shares are further divided into Two Billion Thirty Four Million (2,034,000,000) Class “A” shares and One Billion Three Hundred Fifty Six Million (1,356,000,000) Class “B” shares, and One Billion One Hundred Ten Million (1,110,000,000) Series “1” Preferred shares, all with par value of Five Pesos (P5.00) per share.

Article VII of the Amended Articles of Incorporation of the Company is proposed to be worded as follows:

Article VII

That the capital stock of the aforementioned Corporation shall be TWENTY TWO BILLION FIVE HUNDRED MILLION PESOS (P 22,500,000,000), Philippine Currency, and that said capital stock is divided into **THREE BILLION THREE HUNDRED NINETY MILLION (3,390,000,000) Common shares and ONE BILLION ONE HUNDRED TEN MILLION (1,110,000,000) Series “1” Preferred shares, all with par value of FIVE PESOS (P5.00) per share.**

The Common shares shall consist of the following two classes:

1. Class “A” shares, which shall comprise sixty per centum (60%) of the said capital stock equivalent to **TWO BILLION THIRTY FOUR MILLION (2,034,000,000)** shares which may be owned by, transferred to or subscribed for by citizens of the Philippines only or corporations or associations at least 60% of the capital of which is owned by citizens of the Philippines; and,

2. Class “B” shares, which shall comprise forty per centum (40%) of the said capital stock equivalent to **ONE BILLION THREE HUNDRED FIFTY SIX MILLION (1,356,000,000)** shares, which may be owned by, transferred to or subscribed for by Filipinos or any person or entity or any nationality or citizenship.

That the issuance, sale or transfer of Class “A” shares to persons or entities not qualified under the provisions of this Article whether such issuance, sale or transfer is voluntary or otherwise, shall not be recognized nor registered in the books of the Corporation.

That in the event the Corporation shall find that a holder of Class “A” Common stock is not qualified or has in any manner become disqualified to own Class “A” Common stock of the Corporation, then the Corporation either by itself or through any qualified and willing person or entity designated by its Board of Directors, shall have the right to forthwith purchase the shares of Class “A” Common stock of the disqualified stockholder at the then prevailing market value of such shares. Upon payment or tender of payment to the qualified stockholder, the Secretary of the Corporation shall have full authority and shall be considered as the attorney-in-fact of the disqualified stockholder to transfer the said stockholder’s shares in favor of the Corporation or in favor of such transferee as may be designated by the Board of Directors. The disqualified stockholder, upon demand, shall surrender to the Corporation for cancellation the corresponding stock certificates duly endorsed. Failure to surrender such stock certificates, however, shall not constitute a bar to the transfer and registration of such transfer in the books of the Corporation. (As amended on May 9, 1978).

The Series “1” Preferred shares shall have the following terms and features:

1. **The holders of the Series “1” Preferred shares shall be entitled to receive cash dividends upon declaration made at the sole option of the Board of Directors. The annual dividends shall be based on the Philippine Dealing System Treasury Fixing 5-year treasury securities benchmark rate (the “PDST-F Rate”) plus a spread which the Board of Directors has authorized Management to determine (“Dividend Rate”) calculated in respect of each share by reference to the issue price thereof (the “Issue Price”). Unless the Series “1” Preferred shares are redeemed at the end of the fifth year from the issue date thereof (the “Issue Date”), the Dividend Rate shall be adjusted to the higher of (i) the Dividend Rate, and (ii) the prevailing 10-year PDST-F Rate (or such successor benchmark rate) as displayed under the heading “Bid Yield” as published on the PDEx Page (or such successor page) of Bloomberg (or such successor electronic service provider) at approximately 11:30 a.m. Manila time on the date corresponding to the end of the fifth year from the Issue Date (or if not available, the PDST-F Rate on the banking day prior to such date, or if still not available, the nearest preceding date on which the PDST-F Rate is available, but if such nearest preceding date is more than five days prior to the date corresponding to the end of the fifth year from the Issue Date, the Board of Directors at its reasonable discretion shall determine the appropriate substitute rate), plus a spread of up to 300 basis points, in either case calculated in respect of each share by reference to the Issue Price.**

2. **The dividends declared shall be payable quarterly, beginning on the third month after the Issue Date of the Series “1” Preferred shares and every three months thereafter (each a “Dividend Payment Date”). The dividends on the Series “1” Preferred shares shall be cumulative. No dividend shall be declared and paid on the common shares unless cash dividends shall have been declared and paid to all holders of the Series “1” Preferred shares. The holders of the Series “1” Preferred shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payment shall have been made on said Series “1” Preferred shares.**

3. The Series "1" Preferred shares are redeemable in whole or in part, at the sole option of the Corporation, at the end of three years from the Issue Date or on any Dividend Payment Date thereafter, at the price equal to the Issue Price plus any accumulated and unpaid cash dividends. The Series "1" Preferred shares, when redeemed, shall not be considered retired and may be re-issued by the Corporation at a price to be determined by the Board of Directors.

4. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Corporation, the holders of the Series "1" Preferred shares shall enjoy preference in the payment, in full or, if the remaining assets of the Corporation are insufficient, on a pro-rata basis as among all holders of outstanding Series "1" Preferred shares, of the Issue Price of their shares plus any previously declared and unpaid dividends, before any asset of the Corporation is paid or distributed to the holders of common shares.

5. The holders of the Series "1" Preferred shares shall not be entitled to vote except in those cases expressly provided by law.

6. The holders of the Series "1" Preferred shares shall have no pre-emptive right to any issue or disposition of any share of any class of the Corporation.

That there shall be no pre-emptive rights with respect to shares of stock to be issued, sold or otherwise disposed of by the Corporation to its officers and/or employees pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans, provided, however, that where the number of shares of stock subject to each stock option, stock purchase, stock subscription or similar plan exceeds five percent (5%) of the outstanding shares of stock at the time of the approval of the plan involved, there shall be pre-emptive rights with respect to such shares in excess of the five percent (5%). (As amended on May 10, 1988)

That there shall be no pre-emptive rights to the issuance of 442,560,000 Common Class "B" shares from the increase in authorized capital stock from Fifteen Billion Pesos (P15,000,000,000) to Twenty Two Billion Five Hundred Million Pesos (P22,500,000,000). (As amended on February 27, 2002).

That there shall be no pre-emptive rights to the issuance of shares relating to equity linked debt or other securities, any class of Preferred shares, shares in payment of a previously contracted debt or shares issued in exchange for property needed for corporate purposes. (As amended on May 17, 2009.)

Should the Exchange Offer and the foregoing proposed amendments to Article VII of the Amended Articles of Incorporation of the Company as a result of the issuance of the Series "1" Preferred shares be approved by the stockholders, Article VII of the Amended Articles of Incorporation shall be re-worded to take into consideration the increase in the authorized capital stock of the Company to implement the issuance of preferred shares (which shall hereinafter, be denominated as the Series "2" Preferred shares), and the other amendments to Article VII to provide for the rights, preferences and limitations of the Series "2" Preferred shares, and include the denial of pre-emptive rights to the issuance of Common shares issued by the Company upon the conversion of Series "2" Preferred shares. The said increase in the authorized capital stock and other amendments were approved by the Company's stockholders during the Annual Stockholders' Meeting held on July 24, 2007.

The resulting language of Article VII of the Amended Articles of Incorporation of the Company in the event of the approval by the stockholders of the Exchange Offer and the amendments to Article VII of the Amended Articles of Incorporation of the Company as a result of the issuance of the Series “1” Preferred shares, and after taking into account the increase in the authorized capital stock of the Company and the amendments to Article VII of the Amended Articles of Incorporation of the Company that were approved during the 2007 Annual Stockholders’ Meeting, shall be as follows:

Article VII

That the capital stock of the aforementioned Corporation shall be **THIRTY SEVEN BILLION FIVE HUNDRED MILLION PESOS (P 37,500,000,000)**, Philippine Currency, and that said capital stock is divided into **FOUR BILLION EIGHT HUNDRED NINETY MILLION (4,890,000,000) Common shares and TWO BILLION SIX HUNDRED TEN MILLION (2,610,000,000) Preferred shares, all with par value of FIVE PESOS (P5.00) per share.**

The Common shares shall consist of the following two classes:

1. Class “A” shares, which shall comprise sixty per centum (60%) of the said capital stock equivalent to **TWO BILLION NINE HUNDRED THIRTY FOUR MILLION SHARES (2,934,000,000)** which may be owned by, transferred to or subscribed for by citizens of the Philippines only or corporations or associations at least 60% of the capital of which is owned by citizens of the Philippines; and,
2. Class “B” shares, which shall comprise forty per centum (40%) of the said capital stock equivalent to **ONE BILLION NINE HUNDRED FIFTY SIX MILLION (1,956,000,000)** shares, which may be owned by, transferred to or subscribed for by Filipinos or any person or entity or any nationality or citizenship.

That the issuance, sale or transfer of Class “A” shares to persons or entities not qualified under the provisions of this Article whether such issuance, sale or transfer is voluntary or otherwise, shall not be recognized nor registered in the books of the Corporation.

That in the event the Corporation shall find that a holder of Class “A” Common stock is not qualified or has in any manner become disqualified to own Class “A” Common stock of the Corporation, then the Corporation either by itself or through any qualified and willing person or entity designated by its Board of Directors, shall have the right to forthwith purchase the shares of Class “A” Common stock of the disqualified stockholder at the then prevailing market value of such shares. Upon payment or tender of payment to the qualified stockholder, the Secretary of the Corporation shall have full authority and shall be considered as the attorney-in-fact of the disqualified stockholder to transfer the said stockholder’s shares in favor of the Corporation or in favor of such transferee as may be designated by the Board of Directors. The disqualified stockholder, upon demand, shall surrender to the Corporation for cancellation the corresponding stock certificates duly endorsed. Failure to surrender such stock certificates, however, shall not constitute a bar to the transfer and registration of such transfer in the books of the Corporation. (As amended on May 9, 1978).

The Preferred shares shall consist of the following series:

1. The Series “1” Preferred shares consisting of ONE BILLION ONE HUNDRED TEN MILLION (1,110,000,000) shares; and

2. The Series “2” Preferred shares consisting of ONE BILLION FIVE HUNDRED MILLION shares (1,500,000,000).

The Series “1” Preferred shares shall have the following terms and features:

a. The holders of the Series “1” Preferred shares shall be entitled to receive cash dividends upon declaration made at the sole option of the Board of Directors. The annual dividends shall be based on the Philippine Dealing System Treasury Fixing 5-year treasury securities benchmark rate (the “PDST-F Rate”) plus a spread which the Board of Directors has authorized Management to determine (“Dividend Rate”) calculated in respect of each share by reference to the issue price thereof (the “Issue Price”). Unless the Series “1” Preferred shares are redeemed at the end of the fifth year from the issue date thereof (the “Issue Date”), the Dividend Rate shall be adjusted to the higher of (i) the Dividend Rate, and (ii) the 10-year PDST-F Rate” (or such successor benchmark rate) as displayed under the heading “Bid Yield” as published on the PDEX Page (or such successor page) of Bloomberg (or such successor electronic service provider) at approximately 11:30 a.m. Manila time on the date corresponding to the end of the fifth year from the Issue Date (or if not available, the PDST-F Rate on the banking day prior to such date, or if still not available, the nearest preceding date on which the PDST-F Rate is available, but if such nearest preceding date is more than five days prior to the date corresponding to the end of the fifth year from the Issue Date, the Board of Directors at its reasonable discretion shall determine the appropriate substitute rate), plus a spread of up to 300 basis points, in either case calculated in respect of each share by reference to the Issue Price.

b. The dividends declared shall be payable quarterly, beginning on the third month after the Issue Date of the Series “1” Preferred shares and every three months thereafter (each a “Dividend Payment Date”). The dividends on the Series “1” Preferred shares shall be cumulative. No dividend shall be declared and paid on the common shares unless cash dividends shall have been declared and paid to all holders of the Series “1” Preferred shares. The holders of the Series “1” Preferred shares shall not be entitled to any participation or share in the retained earnings remaining after dividend payment shall have been made on said Series “1” Preferred shares.

c. The Series “1” Preferred shares are redeemable in whole or in part, at the sole option of the Corporation, at the end of three years from the Issue Date or on any Dividend Payment Date thereafter, at the price equal to the Issue Price plus any accumulated and unpaid cash dividends. The Series “1” Preferred shares, when redeemed, shall not be

considered retired and may be re-issued by the Corporation at a price to be determined by the Board of Directors.

d. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Corporation, the holders of the Series “1” Preferred shares shall enjoy preference in the payment, in full or, if the remaining assets of the Corporation are insufficient, on a pro-rata basis as among all holders of outstanding Series “1” Preferred shares, of the Issue Price of their shares plus any previously declared and unpaid dividends, before any asset of the Corporation is paid or distributed to the holders of common shares.

e. The holders of the Series “1” Preferred shares shall not be entitled to vote except in those cases expressly provided by law.

f. The holders of the Series “1” Preferred shares shall have no preemptive right to any issue or disposition of any share of any class of the Corporation.

The Series “2” Preferred shares shall have the following terms and features:

a. The Series “2” Preferred shares shall be issued further serially, as the Board may determine and authority is hereby expressly granted to the Board of Directors, subject to the provisions of this Article Seventh, to establish and designate series of preferred shares and fix the number of shares to be included in each series.

b. Without limiting the generality of the foregoing, each series of the Series “2” Preferred shares shall have the following rights, preferences and limitations:

i. Dividends

The holders of the Series “2” Preferred shares shall be entitled to receive dividends at such rate or amount, as the Board of Directors, in its sole discretion, shall deem appropriate under the circumstances and considering the rate of return on similar securities at the time of issuance of such shares. The Board of Directors shall likewise determine the terms and conditions upon which dividends shall be payable and whether the right to receive dividends shall be cumulative and if cumulative, the date/s from which dividends shall accumulate.

ii. Voting rights

The holders of the Series “2” Preferred shares shall not be entitled to vote except in those cases expressly provided by law.

iii. Conversion

(1) The Series “2” Preferred shares may be convertible into Common shares of the Corporation within a period, and at a ratio and price, to be determined and fixed by the Board of Directors upon issuance.

The conversion price, rate of conversion and exchange and the method, if any, of adjusting the same, shall be determined by the Board of Directors taking into consideration a predetermined historical trading average of the shares of the Corporation.

(2) The conversion of the Series “2” Preferred shares shall be made upon surrender of the corresponding stock certificates for the Series “2” Preferred shares being converted duly endorsed or accompanied by proper instruments of transfer to the Corporation. The holders of the Series “2” Preferred shares shall be entitled to receive one or more certificates for the number of Common shares into which such Preferred shares shall at the time be convertible.

iv. Redemption

The Series “2” Preferred shares shall be redeemable at the option of the Corporation at a price and at such period to be determined by the Board of Directors. The Board of Directors shall prescribe and regulate the procedure to be followed and the details concerning the redemption of the Series “2” Preferred shares.

v. No Preference or Participation With Respect to Liquidation of Assets

In the event of liquidation or dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Series “2” Preferred shares shall have no preference over holders of Common Shares in the distribution of the assets of the Corporation.

To the extent not set forth in this Article Seventh, the terms of each such series of Series “2” Preferred shares shall be specified in the resolution or resolutions adopted by the Board of Directors pursuant to the authority granted herein, which resolutions shall be recorded with the Philippine Securities and Exchange Commission and thereupon be deemed a part of these Articles of Incorporation.

That there shall be no pre-emptive rights with respect to shares of stock to be issued, sold or otherwise disposed of by the Corporation to its officers and/or employees pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans, provided, however, that where the number of shares of stock subject to each stock option, stock purchase, stock subscription or similar plan exceeds five percent (5%) of the outstanding shares of stock at the time of the approval of the plan involved, there shall be pre-emptive rights with respect to such shares in excess of the five percent (5%). (As amended on May 10, 1988)

That there shall be no pre-emptive rights to the issuance of 442,560,000 Common Class “B” shares from the increase in authorized capital stock from Fifteen Billion Pesos (P15,000,000,000) to Twenty Two Billion Five Hundred Million Pesos (P22,500,000,000). (As amended on February 27, 2002).

That there shall be no pre-emptive rights to the issuance of shares relating to equity linked debt or other securities, any class of preferred shares, shares in payment of a previously contracted debt or shares issued in exchange for property needed for corporate purposes. (As amended on May 17, 2005)

That there shall be no pre-emptive rights to the Common shares issued by the Corporation upon conversion of the Series “2” Preferred shares convertible into Common shares.”

VOTING PROCEDURES

In the election of directors, the 15 nominees with the greatest number of votes will be elected as directors. For the proposal to amend the Company’s Amended Articles of Incorporation, a vote by stockholders, in person or by proxy, representing at least 2/3 of the outstanding capital stock is required for the approval thereof. For the other proposals or matters submitted to a vote, a vote of the majority of the shareholders present or represented by proxy at the meeting is necessary for the approval of such proposal or matter. Shareholders vote *viva voce*, unless a motion to cast votes by ballot is made and duly seconded, and approved by the majority of the shareholders present or represented at the meeting as the method of voting for any or all of the proposals or matters submitted to a vote at the meeting.

In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner to one vote. In case of election of directors, cumulative voting as set out in page 4 of this information statement shall be adopted.

Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretaries with the assistance of the independent auditors and the Company's stock transfer agent.

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

San Miguel Corporation (SMC or the Parent Company), together with its subsidiaries (collectively referred to as the Group), is the largest publicly listed food, beverage and packaging company in Southeast Asia. SMC is also authorized to invest corporate funds and/or engage in the

power generation/transmission, water and other utilities, mining and infrastructure business. Established in 1890 as a single-product brewery, the Group today has over 100 facilities in the Philippines, Southeast Asia and China. In 2008, the Group accounts for about 2.03% of the country's gross national product and 2.24% of the country's gross domestic product.

The Group's extensive product portfolio includes beer, hard liquor and non-carbonated non-alcoholic beverages processed and packaged food products, meat, poultry, dairy products, flour, pancake mix, snack foods, coffee, vegetable oils, animal and aquatic feeds and a number of packaging products.

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

Through partnerships it has forged with major international companies, the Group has gained access to the latest technologies and expertise, thereby enhancing the Group's status as a world-class organization. The Parent Company has strategic partnerships with international companies, among them Kirin Holdings Company, Limited, one of the largest beer manufacturing companies in Japan, Nihon Yamamura Glass Company, Ltd., Rengo Co., Ltd. (NYG) of Japan and Hormel Foods International Corporation of the United States.

The Group is one of the nation's biggest private employers with more than 15,000 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 Group are discussed in Management's Discussion and Analysis of Financial Conditions and Results of Operations, and in Note 10 of the 2008 Audited Consolidated Financial Statements

Beverages

The domestic beer operations of the Group are carried out by the Company's subsidiary, San Miguel Brewery Inc. (SMB), following the transfer by the Company of the domestic beer assets of the Company's beer division in October 2007 to SMB in exchange for shares in SMB. SMB has five breweries in the Philippines strategically located in Luzon, Visayas and Mindanao. A public offering of SMB's shares was conducted during the last week of April to the first week of May in 2008. SMB's shares were listed on the First Board of the Philippine Stock Exchange on May 12, 2008. On April 30 and May 22, 2009, SMC sold shares in SMB totalling approximately 43.249% of the outstanding capital stock of SMB, to Kirin Holdings Company, Limited.

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

Apart from beer, the Group also produces hard liquor through its majority-owned subsidiary, Ginebra San Miguel, Inc. (GSMI). GSMI is 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.

The Group also produces non-carbonated ready-to-drink tea and fruit juices in the Philippines, Thailand, China and Indonesia through its subsidiaries GSMI, San Miguel Beverages, Inc., and San Miguel Foods & Beverage International Limited.

Food

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

The Food Group offers a complete line of food products and services for both individual and food service customers. Its businesses range from animal and aquatic feeds, flour and flour-based products, poultry, fresh and processed meats, coffee, snacks, noodles, cooking oils and dairy products, to food service. The Group carries some of the best-known brands in the Philippine food industry, among them Magnolia, Monterey, Star, Purefoods, Dari Crème, Pure Blend and B-Meg.

The Food group's partner in its processed foods business is Hormel Foods International Corporation of the United States.

Expansion in the region came from the 75% increase in equity participation of SMPFC 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. The Food Group also maintains a hogs and feed mill business in Binh Duong, Vietnam through the acquisition of San Miguel Pure Foods Investment (BVI) Limited, a joint venture between San Miguel Foods and Beverage International (BVI) Limited and Hormel Netherlands B.V. ,who owns 100% of San Miguel Pure Foods (VN) Co., Ltd.

The establishment of San Miguel Super Coffeemix Company, Inc. (SMSCCI), through 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.

Packaging

The San Miguel Packaging Group (Packaging Group) is a total packaging solutions business servicing many of the region's leading food, pharmaceutical, chemical, beverages, and personal care manufacturers. With clients in the Asia-Pacific, Middle East, Africa and U.S. markets, the Packaging Group is involved in the production and marketing of the various packaging products, such as, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, polypropylene/Kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, films, pails, tubs, crates and trays and plastic pallet leasing, industrial laminates, woven products, metal closures, two-piece aluminum cans and radiant barriers; and offers PET bottle filling graphics design, packaging research and testing services, packaging development and consultation, contract packaging and trading. With a facility dedicated to the recycling of PET containers, the Packaging Group manages Asia's first food-grade recycling system.

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, Coca-Cola and Pepsi-Cola Products Phils., Inc.

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

In January 2008, SMC finalized a joint venture agreement with NYG pursuant to which NYG purchased 35% of San Miguel Packaging Specialists, Inc. (SMPSI) and San Miguel Packaging International Limited (SMPIL). SMPSI owns all of the domestic plants of the Packaging Group, except the two corrugated carton plants (i.e. San Miguel Rengo Packaging Corporation and Mindanao Corrugated Fibreboard, Inc.), and of San Miguel Yamamura Asia Corp., which is already an existing joint venture between SMC and NYG. SMPIL's subsidiaries are composed of the Packaging Group's international facilities.

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

Properties

San Miguel Properties, Inc. (SMPI) was created in 1990 as an independent developer. It is the Group's primary property subsidiary, currently owned 98.45% by SMC. 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. On December 9, 2002, SMPI merged with another subsidiary, HOC Realty, Inc. with SMPI as the surviving entity.

SMPI is presently engaged in the development, sale and lease of real properties. It is the corporate real estate arm of the Group. SMPI also has a significant interest in Bank of Commerce which has been serving the Philippine banking community for over 15 years.

New Businesses

In line with SMC's plans to participate in high-growth industries such as mining, power, infrastructure, water and other utilities, SMC entered into a sale and purchase agreement with the Government Service Insurance System ("GSIS") in 2008 to acquire GSIS' 27% stake in the Manila Electric Company. SMC likewise entered into an option agreement with SEA Refinery Holdings B.V. ("SEA BV") for an option to acquire and purchase from SEA BV up to 100% of its interests in SEA Refinery Corporation ("SRC"). SRC is a wholly-owned subsidiary of SEA BV, which in turn currently owns 50.1% of the outstanding shares of Petron Corporation. The option may be exercised by SMC within a period of two (2) years from December 24, 2008. SMC and SEA BV have agreed that SMC shall have representation in the board and management of Petron Corporation. On May 21, 2009, the Board authorized SMC to invest in up to 49% of the capital stock of Liberty Telecoms Holdings, Inc. (32.7% of which to be acquired from existing shareholders and the balance in coordination with its joint venture partner, Qatar Telecom QSC).

Financial Statements

The Statement of Management's Responsibility and Audited Consolidated Financial Statements of the Company as of December 31, 2008 are attached hereto as **Annex "B."** The Unaudited Financial Statements of the Company as of March 31, 2009 are attached hereto as **Annex "C"**. The notes to the 2008 Audited Consolidated Financial Statements of the Company are in its annual report previously distributed to the shareholders. On June 10, 2009, the SEC approved

the Company's distribution of its Definitive Information Statement to its shareholders without the said notes to the 2008 Audited Consolidated Financial Statements.

Management's Discussion and Analysis or Plan of Operation

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2008 and March 31, 2009 are attached hereto as **Annex "D"** and **Annex "E"**, respectively
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.

Audit and Audit Related Fees

The Parent Company paid the external auditor Audit Fees amounting to P9 million and P6 million in 2008 and 2007, respectively.

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.

Market Price of and Dividends on the Company'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 and for the first quarter of 2009 are as follows:

Quarter	2008				2007			
	Class A		Class B		Class A		Class B	
	High	Low	High	Low	High	Low	High	Low
1 st	61.50	38.50	62.00	39.00	67.50	61.00	79.50	69.50
2 nd	47.00	38.00	49.00	38.50	80.00	64.00	88.00	71.50
3 rd	61.00	39.00	62.00	39.00	76.50	59.00	87.00	59.50
4 th	59.50	39.50	60.00	40.50	65.00	42.50	67.00	43.00
	2009							
	Class A				Class B			
	High	Low			High	Low		
1 st	52.00	39.00			52.50	39.50		

The closing prices as of June 1, 2009 are as follows:

Common Class "A" ₱ 53.50
Common Class "B" ₱ 54.00

The approximate number of shareholders as of May 31, 2009 is 42,152. The number of Treasury Shares as of May 31, 2009 is 54,662,760 for Common Class "A" shares and 10,812,611 for Common Class "B" shares.

The top 20 stockholders as of May 31, 2009 are as follows:

Rank	Name of Stockholders	Class "A"	Class "B"	Total No. of Shares	Percentage
1	San Miguel Corporation Retirement Plan ⁶	745,307,648	111,808,267	857,115,915	27.14%
2	Q-Tech Alliance Holdings, Inc.	0	628,666,675	628,666,675	19.91%
3	ASC Investors, Inc.	144,673,424	22,809,671	167,483,095	5.30%
4	ARC Investors, Inc.	12,160,662	93,528,698	105,689,360	3.35%
5	Primavera Farms, Inc.	94,738,250	0	94,738,250	3.00%
6	PCD Nominee Corporation (Non-Filipino)	0	82,084,480	82,084,480	2.60%
7	Toda Holdings, Inc.	74,880,174	0	74,880,174	2.37%
8	Misty Mountains Agricultural Corp.	63,158,769	0	63,158,769	2.00%
9	Black Stallion Ranch, Inc.	63,158,769	0	63,158,769	2.00%
10	Pastoral Farms, Inc.	63,158,769	0	63,158,769	2.00%
11	Te Deum Resources, Inc.	58,483,000	4,823	58,487,823	1.85%
12	Rock Steel Resources, Inc.	4,138,792	54,098,611	58,237,403	1.84%
13	San Miguel Officers Corp., Inc.	35,719,434	18,143,601	53,863,035	1.71%
14	Roxas Shares, Inc.	7,032,718	45,782,476	52,815,194	1.67%
15	Silver-Leaf Plantations, Inc.	47,369,061	0	47,369,061	1.50%
16	Meadow-Lark Plantations, Inc.	47,369,039	0	47,369,039	1.50%
17	PCD Nominee Corporation (Filipino)	39,060,125	950	39,061,075	1.24%
18	AP Holdings, Inc.	33,592,251	1,077,154	34,669,405	1.10%
19	Valhalla Properties Limited, Inc.	13,700,183	17,711,665	31,411,848	1.00%
20	Soriano Shares, Inc.	0	30,123,850	30,123,850	0.95%

Cash dividends per share amounted to P1.40 in 2008 and 2007.

Independent Public Accountants

The accounting firm of Manabat Sanagustin & Company ("MSC") served as the Company's external auditors for the last fiscal year. The Board of Directors will again nominate MSC for re-appointment this fiscal year.

Representatives of MSC 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. MSC has been the Company's external auditors since 2006. As such, the Company is not subject to the rule on rotation for the signing partner every after five (5) years under SRC Rule 68 (3) (b) (iv) in respect of its engagement of MSC.

Compliance with leading practice on Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. Compliance by the Board of Directors and top level management with the Manual is evaluated on the basis of their compliance with the policies and procedures of the Company specifically adopted for good corporate governance.

⁶ These shares exclude shares lodged with the PDTC.

On the basis of such compliance, the Compliance Officer has certified that, save for the requirement under the Manual for the Company's directors, before assuming their positions as such, to attend a seminar on corporate governance conducted by a duly recognized private or government institution, for 2008, the Company has substantially adopted all the provisions of the Manual.

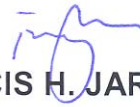
Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures in order to ensure that such policies and procedures are consistent with leading practices on good corporate governance.

UNDERTAKING

Upon the written request of the stockholder, the Company undertakes to furnish such stockholder with a copy of SEC Form 17-A free of charge. Such written request for a copy of SEC Form 17-A shall be directed to the Office of the Corporate Secretary, 7/F SMC-HOC Building, No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and behalf, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on June 11, 2009.


FRANCIS H. JARDELEZA
Corporate Secretary

S.A.C.

JUL 29 2008

19

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **INIGO ZOBEL**, Filipino, of legal age with address at 5th Floor ENZO Building, 399 Sen. Gil Puyat Avenue, Makati City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am an independent director of San Miguel Corporation.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
E. Zobel, Inc.	President and CEO	1992 to present
Ginebra San Miguel, Inc.	Independent Director	2004 to present
San Miguel Brewery Inc.	Independent Director	2007 to present
San Miguel Pure Foods Company, Inc.	Independent Director	2006 to present
San Miguel Properties, Inc.	Independent Director	2005 to present
Calatagan Resort, Inc.	Director	1985 to present
Calatagan Gulf Realty, Inc.	Director	1998 to present
Mermac, Inc.	Director	1996 to present
Calatagan Golf Club, Inc.	Director and President	1987 to present
Hacienda Bigaa, Inc.	Director and President	1981 to present
Ayala Espafia, S.A.	Director and President	1991 to present
E. Zobel Foundation, Inc.	Trustee	1991 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of San Miguel Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this JUL 25 day of 2008, 2008 at Makati City.

INIGO ZOBEL
Affiant

SUBSCRIBED AND SWORN to before me this JUL 25 day of 2008 at Makati, Metro Manila, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 10691825 issued at Calatagan, Batangas on January 16, 2008.

Doc. No. 503;
Page No. III;
Book No. I;
Series of 2008.

PATRICK T. LUGUE
NOTARY PUBLIC
Until December 31, 2008
LPU No. 0993324; 01-09-2008; Q.C.
PDR No. 745624; 01-17-2008; Makati City
RPN No. 1010119; 12, 1993

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **CARMELO L. SANTIAGO**, Filipino, of legal age with address at 1730 Banyan Street, Damariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of San Miguel Corporation
2. I am affiliated with the following companies or organizations:

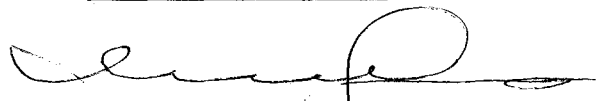
Company/Organization	Position/Relationship	Period of Service
	Please see attached Annex "A"	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of San Miguel Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this JUN 08 2009 day of _____, 2009 at MANDALUYONG CITY.


CARMELO L. SANTIAGO
 Affiant

JUN 08 2009

SUBSCRIBED AND SWORN to before me this _____ day of _____ at MANDALUYONG CITY, affiant personally appeared before me and exhibited to me his Passport No. XX3061169 issued at Manila on February 19, 2009.

Doc. No. 214 ;
 Page No. 44 ;
 Book No. III ;
 Series of 2009.


MAJALLA S. BAUN
 Commission No. 0223-09
 Notary Public for Mandaluyong City
 Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45349
PTR No. 0364071; 1/5/09; Mandaluyong City
IFB NO. 763641; 11/26/08; Makati City

ANNEX "A"

CARMELO L. SANTIAGO

1. July 1987 to present: Founder and Chairman-Melo's Chains of Restaurants
2. July 2008 to present: Independent Director – San Miguel Corporation
3. November 2008 to present: Independent Director – Anchor Insurance Brokerage Corporation
4. December 2008 to present: Independent Director-Liberty Telecoms Holdings, Inc.
5. 2001-2004; May 2008 to date: Independent Director – San Miguel Properties, Inc.
6. 2003-2005; September 2007 to date: Independent Non-Executive Director – San Miguel Brewery Hong Kong Limited
7. March 2005 to date: Director – Terbo Concept, Inc.
8. 1998-2004: Director – Manila Standard, Inc.
9. 1998-2004: Director – National Power Corporation
10. 1998-2004: Director – Ginebra San Miguel, Inc.
11. 1998-2004: Director – Philippine National Bank-Hong Kong
12. 1998-2000: Chairman – Western Visayas Sugar Mills
13. 1975-1980: Director – Guinoo Publication, Inc.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **WINSTON F. GARCIA**, Filipino, of legal age and a resident of 86 Juan Luna Street, San Lorenzo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of San Miguel Corporation.
2. I am affiliated with the following companies or organizations:

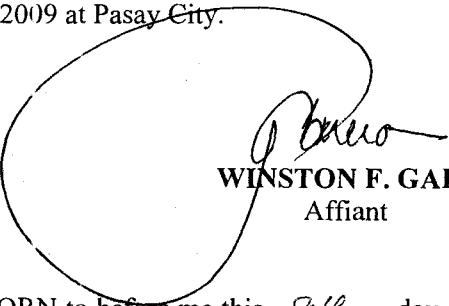
Company/Organization	Position/Relationship	Period of Service
GSIS	Pres. & Gen. Mgr	Jan. 25, 2001 to present
GSIS	Vice Chairman - Board of Trustees	Jan. 25, 2001 to present
National Reinsurance Corporation of the Phils.	CHAIRMAN	Jan. 24, 2002 to present
GSIS Mutual Fund, Inc.	CHAIRMAN	Nov. 17, 2005 to present
Asian Forum Incorporated	CHAIRMAN	Jan. 25, 2001 to present
Philippine Health Insurance Corporation	DIRECTOR	Jan. 25, 2001 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

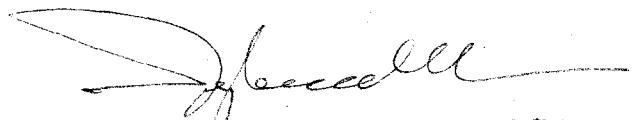
5. I shall inform the Corporate Secretary of San Miguel Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of June, 2009 at Pasay City.


WINSTON F. GARCIA
 Affiant

SUBSCRIBED AND SWORN to before me this 9th day of June 2009 at Pasay City, affiant personally appeared before me and exhibited to me his/her Community Tax Certificate No. 09062351 issued at Cebu City on January 14, 2009.

Doc. No. 162;
 Page No. 34;
 Book No. 1;
 Series of 2009.


GLENN RAYMOND O. PARADELA

Notary Public for Pasay City
 Commission Expires on 12/31/2010
 GLO, GSIS Bldg., Pasay City
 Roll No. 55132
 IBP No. 740762; 1/6/09; Cavite
 PTR No. 8398603; 1/6/09; Cavite

ANNEX “B”

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008, 2007 and 2006



SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

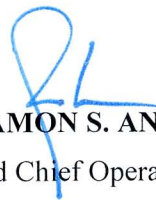
The management of San Miguel Corporation is responsible for all information and representations contained in the consolidated financial statements which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

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

Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the stockholders.

-Out-of-the-Country-
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

SUBSCRIBED AND SWORN to before me this APR 15 2009 day of April 15, 2009, affiant exhibiting to me their passports, as follows:

<u>Name</u>	<u>Passport No.</u>	<u>Date & Place of Issue</u>
FERDINAND K. CONSTANTINO	XX0167306	11-24-07 / Manila
RAMON S. ANG	ZZ202387	12-20-06 / Manila

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

WITNESS MY HAND AND SEAL this APR 15 2009 at Mandaluyong City.


MARJALLA SUBAUN
Commission No. 0223-09
Notary Public for Mandaluyong City
Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45349
PTR No. G384071; 1/5/09; Mandaluyong City
IPB NO. 763541; 11/26/08; Makati City

Doc. No. 182 ;
Page No. 38 ;
Book No. II ;
Series of 2009.



Manabat Sanagustin & Co.
Certified Public Accountants
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches · Subic · Cebu · Bacolod · Iloilo

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
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 Subsidiaries which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.



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 Subsidiaries as of December 31, 2008 and 2007, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2008, in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO.

JORGE MA. S. SANAGUSTIN

Partner

CPA License No. 0030399

SEC Accreditation No. 0026-AR-2

Tax Identification No. 124-282-616

BIR Accreditation No. 08-001987-7-2007

Issued July 10, 2007; Valid until July 9, 2010

PTR No. 1564070MB

Issued January 5, 2009 at Makati City

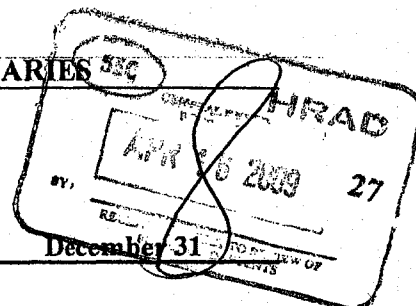
March 26, 2009

Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Millions)



	<i>Note</i>	2008	2007
ASSETS			
Current Assets			
Cash and cash equivalents	7, 36, 37	P116,939	P93,281
Trade and other receivables - net	4, 8, 36, 37	50,814	61,879
Inventories - net	4, 9	27,710	23,852
Current portion of biological assets - net	4, 13	2,932	2,324
Prepaid expenses and other current assets	31, 36, 37	5,868	5,677
		204,263	187,013
Assets held for sale	6, 10	-	5,792
Total Current Assets		204,263	192,805
Noncurrent Assets			
Investments and advances - net	4, 10, 36, 37	32,253	771
Property, plant and equipment - net	4, 11, 28	68,313	64,355
Investment properties - net	4, 12	1,838	1,648
Biological assets - net of current portion	4, 13	1,814	1,319
Goodwill - net	2, 4, 10, 14, 28	5,201	5,348
Other intangible assets - net	4, 14	3,812	3,202
Deferred tax assets	4, 20	7,638	4,973
Other noncurrent assets - net	4, 10, 15, 28, 31, 36, 37	14,241	13,688
		135,110	95,304
Total Noncurrent Assets		135,110	95,304
		P339,373	P288,109
LIABILITIES AND EQUITY			
Current Liabilities			
Drafts and loans payable	16, 36, 37	P48,560	P44,231
Accounts payable and accrued expenses	17, 31, 36, 37	23,292	20,311
Income and other taxes payable	20	4,429	3,327
Dividends payable	32	1,563	1,494
Current maturities of long-term debt - net of debt issue costs	19, 36, 37	9,044	1,222
		86,888	70,585
Liabilities directly associated with assets held for sale	6	-	3,642
Total Current Liabilities		86,888	74,227

Forward

December 31			
	<i>Note</i>	2008	2007
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	19, 36, 37	P40,719	P54,612
Deferred tax liabilities	20	17,851	12,721
Other noncurrent liabilities	30, 31, 36, 37	25,691	456
Total Noncurrent Liabilities		84,261	67,789
Equity			
	21, 32, 35		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		16,112	16,109
Additional paid-in capital		31,183	30,930
Revaluation increment		18	18
Cumulative translation adjustments		4,837	4,834
Retained earnings:			
Appropriated for expansion projects		5,522	6,034
Unappropriated		96,298	80,855
Treasury stock		(4,053)	(4,053)
		149,917	134,727
Amounts recognized directly in equity relating to assets held for sale	6	-	37
		149,917	134,764
Non-controlling Interests		18,307	11,329
Total Equity		168,224	146,093
		P 339,373	P288,109

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In Millions, Except Per Share Data)

		2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
	<i>Note</i>	2008	
SALES		P168,041	P148,022
COST OF SALES	22	124,072	110,062
GROSS PROFIT		43,969	37,960
SELLING AND ADMINISTRATIVE EXPENSES	23	(29,151)	(26,333)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	16, 19, 26	(6,032)	(7,117)
INTEREST INCOME	27	6,630	2,087
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES	6, 10	(1,132)	164
GAIN ON SALE OF INVESTMENTS AND PROPERTY, PLANT AND EQUIPMENT	6, 10, 11	8,746	2,224
OTHER INCOME (CHARGES) - Net	28	(2,262)	3,614
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		20,768	12,599
INCOME TAX EXPENSE	20	6,098	4,520
INCOME FROM CONTINUING OPERATIONS		14,670	8,079
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS	6	5,413	272
NET INCOME		P20,083	P8,351
Attributable to:			
Equity holders of the Parent Company		P19,348	P8,630
Non-controlling interests		735	(279)
		P20,083	P9,899
Earnings Per Share From Continuing Operations, attributable to equity holders of the Parent Company	33		
Basic		P4.41	P2.59
Diluted		P4.40	P2.58

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In Millions)

			2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
	<i>Note</i>	2008		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations		P20,768	P12,599	P12,037
Income (loss) before income tax from discontinued operations	6	(19)	2,681	2,822
Gain (loss) from disposal of discontinued operations	6	5,425	(1,235)	-
Income before income tax		26,174	14,045	14,859
Adjustments for:				
Depreciation, amortization and others - net	5	9,677	11,140	11,875
Interest expense and financing charges	6, 26	6,032	10,101	10,762
Interest income		(6,630)	(2,404)	(2,994)
Equity in net losses (earnings) of associates	10	1,132	(246)	(170)
Loss (gain) from disposal of discontinued operations	6	(5,425)	1,235	-
Gain on sale of investments and property and equipment		(8,746)	(2,219)	(272)
Operating income before working capital changes		22,214	31,652	34,060
Changes in noncash current assets, certain current liabilities and others	34	(1,288)	15,205	822
Cash generated from operations		20,926	46,857	34,882
Interest paid		(6,039)	(10,353)	(12,698)
Income taxes paid		(7,835)	(6,201)	(4,895)
Net cash flows provided by operating activities		7,052	30,303	17,289
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	34	-	-	(4,981)
Additions to investments and advances		(6,667)	-	(3)
Additions to property, plant and equipment	11	(6,437)	(9,310)	(12,593)
Increase in other noncurrent assets and others		(16,010)	(14,820)	(4,931)

Forward

			2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
	<i>Note</i>	2008		
Payment by (advances to) a related party	8, 29	P31,708	(P35,721)	P -
Proceeds from sale of investments and property and equipment		13,663	6,269	2,741
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	6	9,083	90,684	-
Interest received		6,558	2,374	3,015
Dividends received		-	59	73
Net cash flows provided by (used in) investing activities		31,898	39,535	(16,679)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		608,756	345,789	232,386
Long-term borrowings		64	84,398	17,354
Payments of:				
Short-term borrowings		(605,088)	(337,512)	(222,865)
Long-term borrowings		(13,336)	(88,342)	(19,892)
Cash dividends paid	32	(4,463)	(3,228)	(4,369)
Issuances of capital stock	21, 35	-	490	600
Dividends paid to non-controlling shareholders		(393)	(123)	(157)
Increase in non-controlling interests		592	-	480
Net cash flows provided by (used in) financing activities		(13,868)	1,472	3,537
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(1,424)	(1,016)	(743)
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,658	70,294	3,404
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		93,281	24,280	20,876
CASH AND CASH EQUIVALENTS ASSOCIATED TO ASSETS HELD FOR SALE	6, 7	-	(1,293)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P116,939	P93,281	P24,280

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In Millions)

Equity Attributable to Equity Holders of the Parent Company									Non- controlling Interests	Total Equity
<i>Note</i>	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2008	P16,109	P30,930	P18	P4,871	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(218)	-	-	-	(218)	-	(218)
Net effect of translation adjustments	-	-	-	184	-	-	-	184	-	184
Net income for the year	-	-	-	-	-	19,348	-	19,348	735	20,083
Total income and expense for the year	-	-	-	(34)	-	19,348	-	19,314	735	20,049
Issuances of capital stock <i>21, 35</i>	3	-	-	-	-	-	-	3	-	3
Stock options <i>35</i>	-	253	-	-	-	-	-	253	-	253
Addition in non-controlling interests	-	-	-	-	-	-	-	-	6,751	6,751
Appropriations - net <i>21</i>	-	-	-	-	(512)	512	-	-	-	-
Cash dividends <i>32</i>	-	-	-	-	-	(4,417)	-	(4,417)	(508)	(4,925)
At December 31, 2008 <i>21</i>	P16,112	P31,183	P18	P4,837	P5,522	P96,298	(P4,053)	P149,917	P18,307	P168,224

Forward

Equity Attributable to Equity Holders of the Parent Company										Non-controlling Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2007		P16,067	P30,211	P18	P4,577	P6,036	P76,637	(P4,053)	P129,493	P21,604	P151,097
Changes in the fair value of cash flow hedges, net of tax		-	-	-	162	-	-	-	162	-	162
Net effect of translation adjustments		-	-	-	95	-	-	-	95	-	95
Net income for the year		-	-	-	-	-	8,630	-	8,630	(279)	8,351
Total income and expense for the year		-	-	-	257	-	8,630	-	8,887	(279)	8,608
Issuances of capital stock	21, 35	42	461	-	-	-	-	-	503	-	503
Stock options	35	-	258	-	-	-	-	-	258	-	258
Reduction in non-controlling interests		-	-	-	-	-	-	-	-	(1,058)	(1,058)
Non-controlling interests associated with discontinued operations	6	-	-	-	-	-	-	-	-	(8,824)	(8,824)
Appropriations - net	21	-	-	-	-	(2)	2	-	-	-	-
Cash dividends	32	-	-	-	-	-	(4,414)	-	(4,414)	(114)	(4,528)
	21	16,109	30,930	18	4,834	6,034	80,855	(4,053)	134,727	11,329	146,056
Amounts recognized directly in equity relating to assets held for sale	6	-	-	-	37	-	-	-	37	-	37
At December 31, 2007		P16,109	P30,930	P18	P4,871	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093

Forward

Equity Attributable to Equity Holders of the Parent Company										Non-controlling Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2006,		P16,031	P29,647	P18	P5,619	P6,087	P69,581	(P4,053)	P122,930	P14,013	P136,943
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 for the year		-	-	-	-	-	10,306	-	10,306	(407)	9,899
Total income and expense for the year		-	-	-	(1,042)	-	10,306	-	9,264	(407)	8,857
Issuances of capital stock	21, 35	36	376	-	-	-	-	-	412	-	412
Stock options	35	-	188	-	-	-	-	-	188	-	188
Addition in non-controlling interests		-	-	-	-	-	-	-	-	1,234	1,234
Reclassification of redeemable preferred shares to equity	18	-	-	-	-	-	-	-	-	6,917	6,917
Appropriations - net	21	-	-	-	-	(51)	51	-	-	-	-
Cash dividends	32	-	-	-	-	-	(3,301)	-	(3,301)	(153)	(3,454)
At December 31, 2006	21	P16,067	P30,211	P18	P4,577	P6,036	P76,637	(P4,053)	P129,493	P21,604	P151,097

See Notes to the Consolidated Financial Statements.

ANNEX “C”

SAN MIGUEL CORPORATION
AND SUBSIDIARIES

Consolidated Financial Statements
For the period ending March 31, 2009
(with comparative figures for 2008)

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 March 31, 2009 and December 31, 2008
(Amounts in Millions)

ASSETS

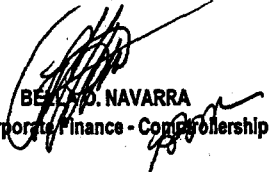
	2009 Unaudited	2008 Audited
Current Assets		
Cash and cash equivalents (Notes 8 and 9)	P 117,999	2 116,939
Trade and other receivables - net (Notes 3, 8 and 9)	51,495	50,814
Inventories - net	29,255	27,710
Current portion of biological assets - net	3,299	2,932
Prepaid expenses and other current assets (Notes 8 and 9)	5,905	5,868
Total Current Assets	207,953	204,263
Noncurrent Assets		
Investments and advances - net (Notes 8 and 9)	32,479	32,253
Property, plant and equipment - net (Note 4)	66,383	68,313
Investment properties - net	1,837	1,838
Biological assets - net of current portion	1,797	1,814
Goodwill - net	5,195	5,201
Other intangible assets - net	3,779	3,812
Deferred tax assets	7,454	7,638
Other noncurrent assets - net (Notes 3, 8 and 9)	14,751	14,241
Total Noncurrent Assets	133,675	135,110
	P 341,628	P 339,373

LIABILITIES AND EQUITY

	2009 Unaudited	2008 Audited
Current Liabilities		
Drafts and loans payable (Notes 8 and 9)	P 51,302	P 48,560
Accounts payable and accrued expenses (Notes 3, 8 and 9)	20,372	23,292
Income and other taxes payable	4,968	4,429
Dividends payable	1,452	1,563
Current maturities of long-term debt - net of debt issue costs (Notes 8 and 9)	28,540	9,044
Total Current Liabilities	106,634	86,888
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 8 and 9)	22,560	40,719
Deferred tax liabilities	16,951	17,851
Other noncurrent liabilities (Notes 8 and 9)	25,692	25,691
Total Noncurrent Liabilities	65,203	84,261
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	16,113	16,112
Additional paid-in capital	31,192	31,183
Revaluation increment	18	18
Cumulative translation adjustments	5,035	4,837
Retained earnings:		
Appropriated for expansion projects	5,554	5,522
Unappropriated	97,863	96,298
Treasury stock	(4,053)	(4,053)
	151,722	149,917
Non-controlling interests	18,069	18,307
Total Equity	169,791	168,224
	P 341,628	P 339,373

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

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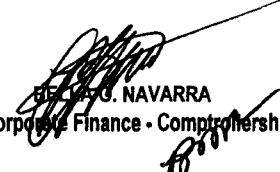

BENITO D. NAVARRA
 VP, Corporate Finance - Corporate Partnership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions, Except Earnings Per Share)

	2009	2008
	Unaudited	Unaudited (As Restated)
SALES (Note 2)	P 41,921	P 38,976
COST OF SALES	30,511	28,487
GROSS PROFIT	11,410	10,489
SELLING AND ADMINISTRATIVE EXPENSES	(7,122)	(6,633)
INTEREST EXPENSE AND FINANCING CHARGES	(1,488)	(1,489)
INTEREST INCOME	1,071	1,381
EQUITY IN NET EARNINGS OF ASSOCIATES	228	3
GAIN ON SALE OF INVESTMENTS AND PROPERTY, PLANT & EQUIP'T.	243	1,435
OTHER INCOME (CHARGES) - Net	(978)	2,782
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,364	7,968
INCOME TAX EXPENSE	803	2,442
INCOME FROM CONTINUING OPERATIONS	2,561	5,526
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS (Note 5)	-	5,663
NET INCOME	P 2,561	P 11,189
Net Income Attributable to :		
Equity holders of the Parent Company	P 2,702	P 11,035
Non-controlling interests	(141)	154
	P 2,561	P 11,189
Basic Earnings Per Share attributable to equity (Note 6)		
holders of the Parent Company:		
From Continuing Operations	P 0.86	P 1.70
From Discontinued Operations	-	1.80
	P 0.86	P 3.50
Diluted Earnings Per Share attributable to equity (Note 6)		
holders of the Parent Company:		
From Continuing Operations	P 0.86	P 1.70

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

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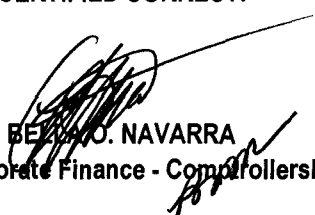

R. G. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions, Except Earnings Per Share)

	<u>2009</u>	<u>2008</u>
	<u>Unaudited</u>	<u>Unaudited</u>
NET INCOME	<u>P 2,561</u>	<u>P 11,189</u>
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	237	(1,127)
NET GAIN ON CASH FLOW HEDGES	39	-
INCOME TAX	(12)	-
NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	1
INCOME TAX	-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD - NET OF TAX	<u>264</u>	<u>(1,126)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD - NET OF TAX	<u>P 2,825</u>	<u>P 10,063</u>
Comprehensive Income Attributable to :		
Equity holders of the Parent Company	P 2,900	P 9,829
Non-controlling interests	<u>(75)</u>	<u>234</u>
	<u>P 2,825</u>	<u>P 10,063</u>

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

CERTIFIED CORRECT:


BEZILLO O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions)

	Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total	Non-controlling Interests	Total Equity		
				Translation Reserve	Hedging Reserve	Fair Value Reserve	Appropriated	Unappropriated						
Balance at January 1, 2009 (Audited)	P 16,112	P 31,183	P 18	P 4,882	P (123)	P 78	P 5,622	P 96,298	P (4,053)	P 149,917	P 18,307	P 168,224		
Foreign currency translation differences	-	-	-	171	-	-	-	-	-	171	61	232		
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	27	-	-	-	-	27	10	37		
Total income and expense recognized directly in equity	-	-	-	171	27	-	-	-	-	198	71	269		
Net income for the period	-	-	-	-	-	-	-	2,702	-	2,702	(141)	2,561		
Total recognized income and expense	-	-	-	171	27	-	-	2,702	-	2,900	(70)	2,830		
Issuances of capital stock	1	9	-	-	-	-	-	-	-	10	-	10		
Appropriations - net	-	-	-	-	-	-	32	(32)	-	-	-	-		
Cash dividends (Note 7)	-	-	-	-	-	-	-	(1,105)	-	(1,105)	(168)	(1,273)		
Balance at March 31, 2009 (Unaudited)	P 16,113	P 31,192	P 18	P 5,053	P (96)	P 78	P 5,554	P 97,863	P (4,053)	P 151,722	P 18,069	P 169,791		
Balance at January 1, 2008 (Audited)	P 16,109	P 30,930	P 18	P 4,698	P -	P 173	P 6,034	P 80,855	P (4,053)	P 134,764	P 11,329	P 146,093		
Foreign currency translation differences	-	-	-	(1,207)	-	-	-	-	-	(1,207)	80	(1,127)		
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	-	1	-	-	-	1	-	1		
Total income and expense recognized directly in equity	-	-	-	(1,207)	-	1	-	-	-	(1,206)	80	(1,126)		
Net income for the period	-	-	-	-	-	-	-	11,035	-	11,035	154	11,189		
Total recognized income and expense	-	-	-	(1,207)	-	1	-	11,035	-	9,829	234	10,063		
Issuances of capital stock	3	57	-	-	-	-	-	-	-	60	-	60		
Addition in non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,133	5,133		
Appropriations -net	-	-	-	-	-	-	183	(183)	-	-	-	-		
Cash dividends (Note 7)	-	-	-	-	-	-	-	(1,105)	-	(1,105)	(48)	(1,153)		
Balance at March 31, 2008 (Unaudited)	P 16,112	P 30,987	P 18	P 3,491	P -	P 174	P 6,217	P 90,602	P (4,053)	P 143,548	P 16,648	P 160,196		

CERTIFIED CORRECT:

BRIAN NAVARRA
VP, Corporate Finance - Controllership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions)

	2009	2008
	Unaudited	Unaudited (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	P 3,364	P 7,968
Loss before income tax from discontinued operations		(3)
Income from disposal of discontinued operations		5,665
Income before income tax	3,364	13,630
Adjustments for :		
Depreciation, amortization and others - net	2,152	1,122
Interest expense and financing charges	1,488	1,489
Interest income	(1,071)	(1,381)
Equity in net earnings of associates	(228)	(3)
Gain from disposal of discontinued operations	-	(5,665)
Gain on sale of investments and property and equipment	(243)	(1,435)
Operating income before working capital changes	5,462	7,757
Changes in noncash current assets, certain current liabilities and others	(2,369)	1,771
Cash generated from operations	3,093	9,528
Interest paid	(1,580)	(1,684)
Income taxes paid	(192)	(180)
Net cash flows provided by operating activities	1,321	7,664
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(955)	(1,475)
Increase in other noncurrent assets and others	(637)	(1,817)
Advances to a related party - net	(3,179)	(2,421)
Proceeds from sale of investments and property and equipment	355	5,985
Proceeds from disposal of discontinued operation, net of cash disposed of	-	9,452
Interest received	945	1,281
Net cash flows provided by (used in) investing activities	(3,471)	11,005
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from :		
Short-term borrowings	150,946	143,565
Long-term borrowings	989	1,590
Payment of:		
Short-term borrowings	(148,264)	(149,312)
Long-term borrowings	(451)	(6,094)
Cash dividends paid	(1,093)	(1,159)
Issuances of capital stock	-	60
Dividends paid to minority shareholders	(292)	(34)
Net cash flows provided by (used in) financing activities	1,835	(11,384)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,375	1,018
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,060	8,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	116,939	93,281
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 117,999	P 101,584

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

CERTIFIED CORRECT:

BETTY D. NAVARRA
VP, Corporate Finance - Comptrollership



SAN MIGUEL CORPORATION

ANNEX “D”

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation (the Parent Company) and its subsidiaries (collectively referred to as the “Group”) for the three-year period ended December 31, 2008. The following discussion should be read in conjunction with the attached audited consolidated balance sheets of the Group as of December 31, 2008 and 2007, 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, 2008. All necessary adjustments to present fairly the Group’s consolidated financial position as of December 31, 2008 and the results of operations and cash flows for the year ended December 31, 2008 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 Parent Company’s functional currency under Philippine Financial Reporting Standards (PFRS). 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 PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine interpretations from International Financial Reporting Interpretation Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Significant Accounting Policies

The accounting policies presented in Note 3 of the attached Notes to the Consolidated Financial Statements have been applied consistently to all periods presented except for the following new and amended PAS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC), which were adopted starting January 1, 2008:

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*: This interpretation addresses how to apply PFRS 2, *Share-based Payment* to share-based payment arrangements involving equity instruments of the parent company, where a parent company grants rights to its equity instruments to the employees of its subsidiary or a subsidiary grants rights to equity instruments of its parent company to its employees. The adoption of this interpretation did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*: This interpretation provides general guidance on how to assess the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The adoption of this interpretation did not have a material effect on the consolidated financial statements.
- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, *Financial Instruments: Disclosures*: This standard permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the trading category in certain circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that otherwise would have met the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future. The adoption of these amendments to standard did not have an effect on the consolidated financial statements.

II. RESULTS OF OPERATIONS

The results of operations of Agribusiness (a Division of Parent Company) in 2008, 2007 and 2006, San Miguel Foods Australia Holdings Pty. Ltd. (SMFAH) and San Miguel Australia Holdings Ltd. (SMAH) in 2007 and 2006 and Coca-Cola Bottlers Philippines, Inc. (CCBPI) for the period ended February 22, 2007 and December 31, 2006, were presented as a separate item under "Income After Income Tax from Discontinued Operations" in the consolidated statements of income. Accordingly, the comparable 2007 and 2006 consolidated statements of income were restated.

Comparisons of key operating results for the last three years are summarized in the following tables.

	Years Ended December 31		
	2008	2007 (As Restated)	2006 (As Restated)
		(In Millions)	
Sales	P168,041	P148,022	P135,095
Gross Profit	43,969	37,960	35,532
Selling and Administrative Expenses	(29,151)	(26,333)	(22,654)
Financing Income (Charges) - net	598	(5,030)	(4,334)
Equity in Net Earnings (Losses) of Associates	(1,132)	164	56
Gain on Sale of Investments and Property, Plant and Equipment	8,746	2,224	245
Other Income (Charges)	(2,262)	3,614	3,192
Income from Continuing Operations	14,670	8,079	8,090
Income after Income Tax from Discontinued Operations	5,413	272	1,809
Net Income Attributable to Equity Holders of the Parent Company	19,348	8,630	10,306

2008 vs. 2007

The Group's 2008 consolidated sales revenue amounted to ₱ 168,041 million, 14% above last year as most businesses registered double digit revenue growth versus 2007.

This resulted to a consolidated operating income of ₱ 14,818 million, 27% higher than last year. Beer domestic operation's income performance was consistently good in 2008. Beer international ended the year with a positive contribution, turning around from an operating loss reported in 2007. Packaging business performance ended the year significantly better than a year ago with improved glass and plastic sales performance. These were, however, partially offset by slowdown in food and hard liquor's operating income performance with the higher costs of operations.

2008 net financing income is ₱ 598 million with the interest income on our cash balance.

Equity in net losses include San Miguel Properties, Inc.'s (SMPI) share in net losses of Bank of Commerce (BOC) partly offset by the equity in net income of Meralco.

Gain on sale of investments and property, plant and equipment include gain from the initial public offering of San Miguel Brewery Inc. (SMB) shares, sale of KSA Realty Corporation (KSA) shares and 35% stake in the domestic and regional packaging businesses and the sale of Aurora property.

Other charges include mainly from marked-to-market loss on commodity and foreign currency derivatives, net of foreign exchange gains, which ended at ₱2,262 million.

With this, profit from continuing operations for 2008 amounted to ₱14,670 million, significantly higher than last year. Coupled with the gain from discontinued operations, consolidated net income amounted to ₱19,348 million, significantly higher than last year.

Without the non-recurring gains on sale of investments and properties, 2008 net income would have been ₱ 7,221 million, 4% higher than the comparable net income in 2007.

2007 vs. 2006

Consolidated sales revenue grew 10% to ₱148,022 million. Operating income was down 10% to ₱11,627 million over 2006 due to several factors: a.) having to absorb an 8% increase in excise tax on the liquor business implemented in January, 2007; b.) the cyclical downtrend for glass bottle requirements; c.) significant increases in raw materials and fuel costs that affected the food businesses; and d.) increase in ad and promo expenses for new products launched in 2007.

Consolidated net financing charges ended at ₱5,030 million due to higher interests from borrowings.

Gain on sale of investments and property, plant and equipment in 2007 pertains mainly to the sale of Del Monte Pacific Ltd.

With the strengthening of Philippine peso and other Asian currencies versus the United States dollar (USD), foreign exchange gain in 2007 reached ₱ 6,587 million, a significant increase from ₱ 2,768 million in 2006. Thus, consolidated other income mainly represents foreign exchange gains, partly offset by losses on foreign exchange swaps and impairment losses of the Yuen

Long plant of San Miguel Brewery Hong Kong Limited (SMBHK) and of certain idle assets of San Miguel Packaging Specialists, Inc. (SMPSI), renamed as San Miguel Yamamura Packaging Corporation (SMYPC) .

Income from continuing operations ended slightly lower at ₱8,079 million in 2007.

The income from discontinued operations amounted to ₱272 million. This includes the income and losses recognized from the sale of CCBG and SMFAH and the net consolidated losses of CCBG, SMFAH, SMAH and Agribusiness in 2007.

Thus, net income attributable to equity holders of the Parent Company ended at ₱8,630 million, 16% lower than 2006.

CONTINUING OPERATIONS

2008 vs. 2007

BEVERAGE

Beer Domestic

SMB sustained its volume uptrend in 2008 despite market difficulties with the economic slowdown and rising commodity prices. Total SMB volumes grew by 4% to reach 174.5 million cases that brought in revenues of ₱48,787 million, 11% higher than last year, in spite of the price increase implemented in April to cover escalating costs. Volume expansion was driven by intensified and innovative sales and marketing activities which enabled SMB to further strengthen its market position reaching 96%.

These initiatives included various tactical consumer and trade promotions and efforts to gain exclusive on-premise selling activities in key large-scale fiestas. Volume-generating and “occasion creation” programs such as *Territoryo* San Miguel, Beer Plazas, Beer Drinking Contests, Payday Special and outlet-based events were also implemented to further spur consumption.

The brands San Mig Light, Red Horse and Gold Eagle all grew in volume over 2007, even as San Miguel Pale Pilsen (SMPP) embarked on its biggest Oktoberfest yet in 2008. The annual beer fest was transformed into the SMB’s grandest and longest-running fiesta with nationwide events lined up during the Oktoberfest’s three-month launch.

SMB sponsored viewing parties for its top endorser, boxing great Manny Pacquiao, in his well-publicized matches. Visibility for the brand was also achieved through the sponsorship of concerts by international acts, namely Maroon 5 and Alicia Keys.

To further strengthen SMB’s brand portfolio and grow the upscale segment market, SMB launched at the Oktoberfest kick-off party, San Miguel Premium All-Malt Beer and its seasonal offering, San Miguel Oktoberfest brew.

To chart SMB’s future, it crafted its vision-mission with the tagline “Drink to Life” as it aims to make every occasion a celebration through SMB’s products and services.

All these resulted in an operating income to ₱15,636 million, a 27% growth from ₱12,273 million in 2007.

Beer International

The performance of Beer International continues to be encouraging, as the business gains traction from its efforts to improve its structure and operations.

Volume sales of 48.4 million cases, registered growth of 1% from 2007, the bulk of which can be attributed to Indonesia's strong performance and improved sales in Thailand, Hong Kong and San Miguel Brewing International Ltd's (SMBIL) export sector.

Sales revenue ended at US\$283 million, 24% above 2007. Operating income was at US\$1.97 million, a rebound from last year's loss of US\$4.35 million which came from gains from Indonesia, North China, Thailand, Hong Kong, and SMBIL Exports. The significant turn-around in SMBIL's profitability was the result of business restructuring initiatives, outlet-based promotion programs, sales mix improvements and continuous efficiency enhancements.

In Hong Kong, domestic volumes posted a 5% growth from last year with SMPP reversing previous year's declining trend. This was boosted by its integrated marketing activations in outlets and special events with good output from the retail chains.

South China's domestic volumes suffered from the economic downturn in Foshan City and the closure of several key Chinese restaurants and open air outlets due to food safety concerns. However, exports and tolling volumes had offset much of the shortfall, thus registering a consolidated volume growth of 4%.

PT Delta Djakarta Tbk (PT-Delta) capped a stellar performance in 2008 registering domestic volume growth of 18% from 2007 level coming from the positive performance of Anker brand, San Miguel brand and Carlsberg. Thus, operating income grew 47% versus 2007 driven by strong volumes, better efficiencies and price increases.

Vietnam volumes remained lower than last year which resulted from competitor buy-outs and termination of sponsorships.

In Thailand, domestic volumes grew double digit from last year, driven by higher sales of SMPP and San Mig Light. Tolling and export volumes also grew, contributing significantly to the marked improvement in over-all profitability of the Thailand operations. San Miguel brands continued its second year of growth in 2008 which nearly doubled from last year, benefiting greatly from the increase in number of penetrated outlets ending at 9,386 outlets by year-end.

Export volumes for the year grew 22% against last year driven by SMPP and other San Miguel brands, particularly Red Horse. Overall, the Middle East and North American markets contributed the biggest growth over last year.

Liquor and Spirits

In line with a vision to create a total beverage company out of Ginebra San Miguel, Inc. (GSMI) and further strengthen its operations beyond the mature liquor and spirits market into faster-growing areas of the non-alcoholic beverage businesses, the board of GSMI approved last October the purchase of the non-alcoholic beverage assets and operations of San Miguel Beverage, Inc (SMBI).

GSMI's GSM Blue and Gran Matador delivered substantial volume gains during the year, with hard liquor domestic volume growing 9% higher than last year. Following efforts to improve availability and product penetration, volumes of GSM Blue grew significantly from last year. Gran Matador's 1-liter format also enjoyed strong volume growth.

Sales revenue grew 18% to ₱15,428 million. However, operating income ended at ₱431 million, 33% lower than last year on account of the rise in alcohol and packaging costs, higher ad spend to support the year's strong volume growth and increased administrative expenses.

With fuel prices rising since the start of 2008 until the 3rd quarter, GSMI entered into a hedge arrangement to protect GSMI from further surges in fuel prices. However, with the downturn of prices during the 4th quarter, this resulted to a marked-to-market loss on our hedged fuel prices. All these dampened profitability, resulting in GSMI ending the year with a net loss of ₱279 million.

FOOD

Commodity costs were a challenge across the food industry in 2008. Several initiatives were implemented to help the Food Group improve its efficiencies, lower its production costs and generate savings so as to remain competitive in view of the difficult market and operating conditions.

While volumes contracted across most of the business segments, revenues were nevertheless robust, with poultry, feeds, flour, value-added meats and Vietnam operations posting double digit growth rates. Food Group revenues reached ₱73,880 million, up by 16%, as the businesses took some pricing measures to cover rising input costs.

Despite the slowdown in consumer spending, the Food Group managed to maintain market leadership in a majority of its product segments as major innovations were introduced to keep its offerings relevant and affordable to consumers.

The integration of outbound logistics allowed the business to maximize synergies among its branded businesses and standardize outbound logistics processes, policies and guidelines, resulting in annual savings of about P6 million.

Raw material substitution has been intensified resulting in savings of ₱217 million.

To secure higher margins and manage volatilities in the global commodity markets, the Food Group continued to pursue efforts towards developing more value-added products. To-date, the contribution has already gone up to almost 50% from total sales, evidenced by new products launched during the year - Ulam King, Purefoods Tender Juicy Sweet Corn, San Mig Coffee 2-in-1 coffeemix, and relaunched Magnolia Chicken Stations and Monterey Meatshops, were just some of the initiatives in 2008 designed to skew the Food Group's product portfolio toward the high-margin, more stable value-added segment. These new product lines are currently enjoying a favorable response from consumers.

Despite these efforts, the Food group's operating income fell short of last year due to high raw material costs, soft consumer demand and increased fixed costs spending.

Agro-Industrial Cluster

Integrated Agro-Industrial Zone. Poultry volumes registered positive growth throughout the year while the feeds and basic meats posted slight decline from last year. Aided by favorable prices, sales revenue amounted to ₱48,811 million, 15% higher than 2007.

The Magnolia Chicken Stations yielded rewards for the Poultry sector. From 217 outlets in 2007 to 296 in 2008 delivering 28.7% volume growth and generated revenues of ₱3.76 million for the year.

The Feeds Business introduced various sales recovery programs to preserve profitability amid a weak market that resulted in lower volumes.

With more than 166 Monterey Neighborhood Meatshops and 250 Monterey Supermarket Meatshops, the business continued to expand distribution and widen product availability, which helped in driving sales.

Milling. Our milling operations saw a surge in wheat costs coupled with price controls which held back its performance. However, with price increases and the growing value-added flour segment allowed the business to post revenue of ₱8,684 million, a 30% growth from last year.

On the other hand, the business' efforts in moving flour from basic to customized flour and premixes have started to pay off, protecting margins and locking in key customers.

Two new product categories were introduced: Magnolia Real Good Instant Noodles and E-Aji Thin and Light snacks. Both have the "no added MSG" component to address the health and wellness needs of consumers.

Branded and Value Added Businesses

Processed Meats. Sustained growth in all segments allowed Purefoods-Hormel to increase volumes by 4% which brought in revenue of ₱11,567 million, 11% higher than last year. The segment's operating income was ₱626 million, 13% higher than last year.

Innovation paved the way for the business to sustain its strong performance with new product introductions like Tender Juicy Sweet Corn Hotdog, new and exciting shapes for Chicken Fun Nuggets, and Ulam King, a new line of affordable canned viands. The health benefits of Chick N Tasty Hotdog were also emphasized with its choline (an essential food nutrient) component. These new products further bolstered the business' portfolio of high-quality and value-for-money offerings.

Dairy, Oils & Fats. Magnolia Inc's. (Magnolia) performance for the year was adversely affected by the rising costs of raw materials. Volumes fell across all major categories, except for ice cream. While price increases were implemented across all product lines, sales revenue slipped 7% below the previous year.

Butter, margarine and cheese continued to dominate the market with their flagship brands – Magnolia and Star Margarine. Products were also launched which aimed to suit to prevailing consumer disposal income (e.g., Daily Queso, Dairy Blend and new ice cream flavors).

Food Service.

Great Foods Solutions continued to partner with foodservice giants such as the Jollibee Group, Lots'A Pizza, 7-Eleven and the Bistro Group, among many others. With sustained innovation, product customization, co-branding activities with key accounts, complemented by the aggressive technical, culinary and food safety training of all GFS front liners, the business gained significant improvement in its performance.

Emerging Businesses.

The Super Coffeemix business has sustained its revenue growth. Wider distribution, supported by sampling campaigns, new billboards and ad campaigns strengthened San Mig Coffee's hold of the market. The introduction of San Mig Coffee 2-in-1 Coffeemix also complemented the range of San Mig Coffee offerings.

The Food Shops' Snack Bar stations continue to draw customers. Fourteen Food Shops nationwide are currently in operation to continue providing additional distribution channels to the wide spectrum of San Miguel products.

Regional Operations

San Miguel Pure Foods Vietnam continued to be a bright spot in the Food Group operations with revenue and operating income growing 23% and 42% respectively.

Nine more Monterey Meatshop outlets were opened in 2008, with sales volume rising phenomenally every month. Today, there are 14 Monterey meatshops in Vietnam that are performing well.

On the other hand, San Miguel Pure Foods Indonesia's net loss narrowed down during the year, a big improvement from last year. Revenue grew by 9% as PT San Miguel Pure Foods Indonesia (SMPFI) focused on internal improvements, market innovation and expanded reach.

SMPFI continues to be the leading producer and marketer of halal processed meat products for retail and institutional customers and now ranks second in the processed meats industry with four core brands: Vida, Farmhouse, PF Choice and Gusto.

PACKAGING

The Packaging Group posted a solid recovery this year with sales revenue growing 6% to ₱ 19,852 million, the result of robust demand from the glass and plastic businesses. Improvements in the group's cost structure and a renewed focus on developing overseas markets have also helped.

The Packaging Group has entered into long-term contracts with major external customers such as Del Monte, Coca-Cola Bottlers Phils., Unilab, Kraft and Fonterra and retained other larger customers among them, Nestle and Pepsi.

New products were launched to further diversify markets. The Plastics business began commercial production of margarine tubs and its proprietary chicken flooring. It also established its plastic pallet leasing operations in Mindanao. The PET business developed tennis ball canisters using pre-forms with recycled PET content.

The Packaging Group continued its aggressive expansion into export markets outside Asia, developing more customers and products for Australia, South Africa and the Middle East. Its glass packaging subsidiary in China further deepened its penetration of the U.S. market with new customers and distributors.

The Packaging Group was likewise confronted with higher costs for oil and key raw materials. Packaging Group responded to this with pervasive cost and working capital reduction as well as value-enhancing programs across the organization. Thus, operating income of ₱ 1,315 million is significantly higher than the previous year.

PROPERTY

SMPI's performance ended 2008 with a 212% growth in net income attributable to equity holders of SMPI from ₱380 million to ₱1,186 million. The sharp increase was due to the disposal of real property and divestment of shares of stock.

SMPI's turnaround was also helped by the new initiatives in the areas of project development and operations, sales and marketing and project finance. Among these initiatives: the launching of Bel Aldea and Maravilla projects and expanded channels of distribution. SMPI signed a joint venture agreement with the Government Service Insurance System (GSIS) to develop a high-end service apartment in Makati City.

Its associate, BOC is supporting SMPI's operations by way of providing ready and easy access to mortgage financing. This one-stop-shop concept has since launched the 100%-Guaranteed Loanable Bank Financing Facility for potential buyers of SMPI projects.

While domestic demand remains strong, SMPI plans to tap the international market, targeting overseas foreign workers in Asia and the Middle East.

SMPI will also expand its competencies in the area of property management, with the recent transfer in management of SMC Tagaytay Training Center.

2007 vs. 2006

BEVERAGE

Beer Domestic

Since March 2007, SMB chalked up consecutive months of sustained volume and revenue growth. Volume grew by almost 8% while revenue and operating income posted a parallel growth of 9% at ₱44,139 million and ₱12,273 million, respectively. Volume expansion was driven by SMB's intensified marketing and sales programs which were helped along by a more robust Philippine economy and greater consumer confidence.

SMB undertook various brand activation and marketing initiatives such as the Jet Li campaign and the highly popular Manny Pacquiao-Erik Morales TVCs. SMB also sponsored the 2007 World Pool Championships, and co-sponsored concerts by internationally renowned music acts. The National Beer Drinking Contest likewise strengthened SMPP's equity among local drinkers.

The 632-BEER delivery project was also introduced in selected upscale areas to address consumer preference for convenience.

On top of the other sales, marketing and cost-management initiatives, outlet-based programs aimed at increasing consumer off take, brand-building and penetration will be sustained to further expand coverage, volumes and maintain strong profitability.

Beer International

Beer International operations continued to post improved profitability with revenue of \$229 million, higher by 5% versus 2006 despite lower volumes in several key markets.

Operating loss of US\$4 million ended significantly lower than 2006 as almost all operating units registered growth improvements – a result of sustained programs in improving sales, operational efficiencies and continued vigilance in costs.

The rationalization of the Group's operations in Hong Kong and the former Guangzhou brewery will significantly streamline costs and improve the long-term overall profitability of the business. The decision to restructure operations came as a result of relatively higher production and operating costs in these locations as compared to SMBHK's other South China brewery, San Miguel Guangdong Brewery (SMGB).

Hong Kong saw further recovery in the economy and implemented a reduction of excise duty tax from 40% to 20% in 2007. SMBHK's domestic volume grew 2% over 2006 and gained significant growth rate in the high-priced brands as the consumer preferences have slightly shifted out of economy brands.

In South China, profit significantly improved resulting from the shift to higher growth markets and categories.

SMGB continued to register strong growth in 2007 led by domestic sales and tolled volumes, mainly on the strength of Dragon brand. The continued airing of the "Refreshing to Fly" TVC and presence of effective brand signage in outlets in Shunde and nearby countries have further improved the brand equity of Dragon and reinforced its market leadership. The steady volume growth significantly contributed to the improvement of its operating income over 2006.

SMGB completed Phase 1 of its expansion program in 2006 and has moved to the next stage to support the growing requirements of SMBHK, GSMB, domestic and toll-packed volumes.

Guangzhou San Miguel Brewery (GSMB) achieved profitability gains following the restructuring and streamlining of operations in South China. This was further boosted by the modest growth of San Miguel brands driven by San Mig Light's strong performance through continuous effort to reinforce the brand value.

In North China, overall volumes grew for the 6th consecutive year bannered by Blue Star brands. Volumes increased 7% year-on-year despite flat beer-industry growth and intensified competition in the Hebei province.

Volumes in Indonesia declined slightly resulting from confluence of different factors – a price adjustment in late 2006, an increase in the excise tax and an ongoing inventory and receivable management program.

In Vietnam, volume expansion was accelerated in 2007 propelled by continued growth of W1N Bia and tolled volumes for Hue Brewery. Total volumes improved by 21% in 2007 which resulted to further reduction of operating loss.

In Thailand, volumes more than tripled, buoyed by exports and higher sales of San Mig Light. Expanded coverage and outlet-based initiatives for the brand, particularly in selected areas in Greater Bangkok and Central Thailand, pushed volumes higher.

Export volumes grew 8% due to higher Red Horse sales to the Middle East and bigger shipments of other San Miguel brands to Malaysia, South Korea, United Arab Emirates and Taiwan. Volume growth was likewise propelled by expansion to new markets and development of new products for selected areas.

Liquor and Spirits

GSMI posted 8% higher volumes in 2007, lifted by its core brands, that in turn delivered ₱13,111 million, 5% higher revenues versus 2006.

Despite a slowdown in brandy's sales, the strong performance of GSM Blue, which almost doubled from 2006, and the resurgence of Ginebra San Miguel Bilog offset the decline in Gran Matador volumes.

Sustained efforts at reinforcing core brand equity proved effective as sales of flagship gin products responded positively, even without a commensurate price increase. These included the sponsorship of high-profile sporting events.

Lower operating costs were achieved through a bottle retrieval system that brought down costs for packaging materials. The use of imported alcohol and favorable molasses prices also helped keep costs in check.

These initiatives in all paved the way for a steadily improving operating performance. Although operating income of ₱643 million fell short of 2006 levels, performance during the second half has showed significant improvements.

Effective working capital and inventory management system allowed GSMI to further strengthen its balance sheet and reduce dependence on debt – cutting down on interest and other expenses and boosting profitability in the process.

Overseas, the joint venture with the Thai Life Group completed construction of its production facilities in November 2007 and is primed for commercial run. This is expected to raise GSMI's profile as a regional total liquor company.

FOOD

The food business under San Miguel Pure Foods further reinforced its operational platform – both in terms of its value-added business proposition and pursuit of an integrated, efficient and more profitable organization.

Food Group's revenue grew 11% to ₱63,526 million on account of higher volumes and favorable selling prices pushing operating income 11% higher year-on-year brought in by increased turnover from the businesses and effective cost reduction programs.

The drive towards improving efficiencies and lowering costs through raw material substitution has gathered pace. Over 25,000 hectares of cassava were planted which significantly reduced input costs.

A total of 146 new products across all businesses expanded the line up of high value, great tasting and superior quality food products. In addition, the increase in retail channels, reaching nearly 900 from over 700 in 2006, provided adequate exposure and shelf-space to ensure availability of the Food Group's portfolio among a wider consumer base.

Agro-Industrial Cluster

Integrated Agro-Industrial Zone. The agro-industrial business cluster did better than 2006 despite weaker basic meats volumes. New higher-value added and better margin variants were introduced to preserve profitability despite the dip in volumes.

Revenue of ₱42,313 million rose 13%, largely on improved selling prices and higher volumes from poultry and feeds, ushering in an operating income of ₱1,491 million.

Milling. Revenue of ₱6,699 million from the milling business sustained an impressive 12% growth with income from operation amounting to ₱558 million as volumes from new products, four variants of E-Aji Potato Chips launched in October 2007, combined with favorable selling prices for bagged and bulk flour offset rising raw material and freight costs.

Exports of customized flour to Thailand as well as shipments of Pancake Mix to the Middle East and Vietnam and E-Aji Dip Snacks to several markets around the world also added incremental sales.

Branded and Value Added Businesses

Processed Meats. Volumes of the value-added meats business improved with revenue of ₱10,449 million growing 6%. With better margins accruing to these new and existing products like Mom's Kitchen, Purefoods Ham Selections, and Purefoods Flavored Burgers in Cheese, Spicy and Chorizo variants, operating income ended 9% higher at ₱554 million.

Dairy, Oils & Fats. For the dairy, oils & fats segment, Magnolia registered volume growth across all categories with revenue registering at ₱5,177 million, up by 8%. However, operating income of ₱63 million fell below 2006 as increasing cost of major imported raw materials and unfavorable mix of low margin products persisted.

Food Service. Great Food Solutions, the food service unit, added to its roster of institutional clients through sustained product innovation. Revenue of ₱5,512 million was up by 16% and operating income ending at ₱94 million.

Emerging Businesses. From the new businesses, total revenue reached ₱539 million, higher by 36% from 2006, mainly coming from higher coffee volume. Operating loss of ₱32 million significantly improved versus 2006.

In addition, 18 San Miguel Food Shops already in operation continue to provide additional distribution channels for the Food Group's growing portfolio.

Regional Operations

San Miguel Pure Foods Vietnam. (SMPFV) continued its advance to a branded food platform generating revenue and income of US\$38 million and US\$1 million, respectively, significantly higher than 2006. The acquisition of Le Gourmet and the opening of six Monterey Meat Shops in the country provided a vehicle for branded meat products and distribution system.

PT San Miguel Pure Foods Indonesia. PT San Miguel Pure Foods Indonesia however, reported revenue of US\$15 million, up by 14% but ended with an operating loss of US\$1 million as prevailing market conditions favored the cheaper and unbranded products available in the market.

PACKAGING

Packaging Group's performance continued to lag as internal demand remained weak, with below break-even levels resulting in a corresponding drop in revenue by 3% at ₱18,777 million. While improvements were noted in the glass, plastics and metal segments, these still fell short to boost the weak performance from other segments with operating income significantly lower than 2006.

Expanded capacities in glass have already attracted large international customers, bringing in foreign revenues to augment domestic sales. The rehabilitation and upgrades in some of its key facilities have improved efficiencies – making it more equipped to meet the growing and diversifying demand for more sophisticated packaging solutions both here and abroad.

PROPERTY

SMPI posted 44% growth in net income attributable to equity holders of SMPI from ₱263 million to ₱380 million.

The SMPI's rental income in 2007 recorded 8% growth, from ₱438 million to ₱475 million, due primarily to the increase in the occupancy rates of San Miguel Properties Centre and the leasing of 38th floor of The Enterprise.

Apart from delivering strong results across most of its business segments, SMPI made a major acquisition, signing a share purchase agreement for the acquisition of 30% stake in BOC. The bank will support SMPI's operations by providing prospective customers ready access to mortgage financing.

At the end of 2007, SMPI also entered into a share purchase agreement to sell its shares in KSA to Shang Properties, Inc.

III. FINANCIAL CONDITIONS

2008 vs. 2007

The Group's consolidated total assets as of December 2008 amounted to ₱339,373 million, ₱ 51,264 million higher than 2007, basically due to investment in Meralco and net increase in cash amounting to ₱30,845 million and ₱23,658 million, respectively.

Below were the major developments in 2008:

INVESTMENTS AND ACQUISITIONS

- On December 8, 2008, the BOD of the Parent Company approved the transfer of certain parcels of land used in the domestic beer operations to Brewery Properties, Inc. (BPI), a wholly-owned realty subsidiary in exchange for shares of stock.

On December 16, 2008, the Parent Company formed BPI with an authorized capital stock of P1. BPI was incorporated primarily to own, use, improve, develop, sell, exchange, lease and hold investment or otherwise, real estate of all kinds, including buildings and other structures. BPI has not yet started commercial operations as of December 31, 2008.

- On December 8, 2008, the BOD of the Parent Company approved the transfer of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to Iconic Beverages, Inc (IBI), a wholly-owned subsidiary in exchange for shares of stock.

On December 16, 2008, the Parent Company formed IBI with an authorized capital stock of P1. IBI was incorporated primarily to engage in the manufacturing, buying, selling (on wholesale) and dealing in alcoholic and non-alcoholic beverages and to own, purchase, license and/or acquire such trademarks and other intellectual property rights necessary for the furtherance of its business. On the same date, the BOD and stockholders of IBI approved the increase in its authorized capital stock from P1 to P10,000 divided into 100,005,000 shares at P100 par value per share. The Parent Company and IBI executed a Deed of Assignment of Domestic Intellectual Rights dated December 16, 2008 as supplemented by a Supplement to the Deed of Assignment of Domestic Intellectual Property Rights dated January 23, 2009 for the transfer of the IP Rights in exchange for common shares in IBI.

IBI has not yet started commercial operations as of December 31, 2008.

- On October 27, 2008, the Parent Company entered into a sale and purchase agreement with the GSIS to acquire the latter's 300,963,189 shares in Meralco, representing 27% stake for a total consideration of ₱27,087 million plus an additional fixed term interest of ₱3,758 million. On November 10, 2008, the Parent Company paid ₱5,417 million representing downpayment for said shares with the balance payable in three (3) years.

The Group recognized equity in net earnings of Meralco amounting to ₱126 million, representing its share in Meralco's net income from the period November 1 to December 31, 2008.

- On May 12, 2008, SMB listed its shares in the Philippine Stock Exchange pursuant to its listing application approved on March 26, 2008. SMB sold 77,052,000 shares to the public by way of a primary offer, and the Parent Company sold to the public 809,050,000 shares of its existing shares in SMB (including shares to cover for over-allotments) by way of a secondary offer, pursuant to a registration statement rendered effective by the Securities and Exchange Commission on April 28, 2008. The total shares offered represents 5.75% stake in SMB. The Group recognized a gain of P5,650 million from the transaction.
- In April 2008, SMPI and San Miguel Corporation Retirement Plan (SMCRP) paid the balance of its payable to BOC for its subscription amounting to P1,500 million, of which P1,249 million and P251 million were paid by SMPI and SMCRP, respectively.

In May 2008, SMPI and SMCRP entered into a subscription agreement with BOC for a total of 10,000,000 additional shares in BOC, wherein SMPI subscribed to an additional 3,001,779 shares, from the increase in the authorized capital stock of BOC with an aggregate par value of P300 (P100 per share) for P600 (P200 per share) to maintain its 30% stake in BOC, while SMCRP will increase its holdings in BOC to 21%. As of December 31, 2008, SMPI has made an advance payment of P150 million which is presented as part of noncurrent receivables and deposits under “Other noncurrent assets” account.

- On January 30, 2008, effective on the closing of the SMPSI Stock Purchase Agreement (SMPSI SPA) on January 31, 2008, the Parent Company and Nihon Yamamura Glass Co., Ltd (NYG) entered into a deed of assignment of shares of stock pursuant to which the Parent Company assigned, transferred and ceded all its rights, interest and/or title over the Parent Company’s 3,756,501 shares in SMPSI for P4,317 million. On the same date, and effective on the closing of the SMPIL SPA on January 31, 2008, San Miguel Holdings, Limited (SMHL) and NYG entered into a deed of assignment of shares of stock pursuant to which SMHL assigned, transferred and ceded all its rights, interest and/or title over SMHL’s 20,726,119 shares in SMPIL for US\$21 million.

Also on January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, SMPSI and NYG entered into a deed of assignment of shares pursuant to which NYG assigned its 20% stake in SYFMC with an aggregate book value of P23 million as full payment for its subscription of 19,659 SMPSI shares. On March 14, 2008, the SEC approved the valuation of NYG’s shares in SYFMC. The relevant Certificate of Approval of Valuation was amended on April 23, 2008 to rectify the typographical error in the corporate name of SMPSI from “San Miguel Packaging Specialist, Inc.” to “San Miguel Packaging Specialists, Inc.”.

On the closing of the SMPSI SPA and the SMPIL SPA both on January 31, 2008, the Parent Company and SMHL received P3,691 million and US\$17 million, respectively, from NYG.

Pending completion of the closing audit, the Group recognized a gain of P154 million from the sale of 35% interest in SMPSI and SMPIL.

In connection with the sale, SMPSI changed its corporate name to “San Miguel Yamamura Packaging Corporation” as approved by the SEC on June 4, 2008. In addition, the BOD of SMPIL likewise approved the change in the corporate name of SMPIL to “San Miguel

Yamamura Packaging International Limited” on January 3, 2008, and such change became effective on June 11, 2008.

- On January 14, 2008, SMPI completed the sale of its 354,863 common shares (equivalent to 29.38% ownership) in KSA with carrying amount equivalent to its acquisition cost plus accumulated equity in net earnings of ₱468 million to Shang Properties, Inc. (SPI) for a total consideration of ₱1,812 million. The Group recognized a gain of ₱1,182 million, net of capital gains tax of ₱162 million.
- On January 2, 2008, San Miguel Beverages (L) Pte. Ltd. (SMBPL) completed the sale of J. Boag to Lion Nathan Ltd. The Group received A\$277 million as payment of purchase price and recognized a gain of ₱5,425 million, net of deferred income tax.

Detailed discussion of developments relating to the Group’s investments in shares of stock of subsidiaries is presented in Note 10 of the attached Notes to the Consolidated Financial Statements.

OTHER RECEIVABLES

In 2008, SMCPR paid the Parent Company P31,708 million (inclusive of P3,411 interest) for its advances.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

BORROWINGS

The Parent Company partially paid off its long-term debt by US\$277 million decreasing its loan balance from US\$1,200 million to US\$923 million.

ACQUISITION/SALE OF ASSETS

- In July 2008, SMPI sold its Aurora, Quezon City property to Robinsons Land Corp. for a total consideration of ₱1,616 million. The Group recognized a gain of ₱1,230 million as of December 31 2008.
- In April 2008, SMPI completed the acquisition of the ₱704 million Boracay property with a total area of 281,566 square meters pursuant to the Asset Purchase Agreement entered into by SMPI and Boracay Property Holdings, Inc. in October 2007.

2007 vs. 2006

The Group's consolidated total assets as of December 2007 amounted to ₱288,109 million, ₱ 59,684 million lower than 2006 basically due to the sale of investment in National Foods Limited's (NFL).

Below were the major developments in 2007:

INVESTMENTS AND ACQUISITIONS

- a. Effective January 1, 2007, subject to necessary approvals, the Parent Company transferred its share interest in San Miguel Foods Inc. (SMFI), Magnolia and Monterey Foods Corporation (Monterey) in exchange for equivalent shares in San Miguel Pure Foods Company, Inc. (SMPFC). The shares of SMFI, Magnolia and Monterey were valued using their respective book values as of September 30, 2006 totaling ₱4,591. Following the SEC's approval, SMPFC, issued to the Parent Company in November 2007, 70,865,078 shares valued at the latest trading price as of September 30, 2006. This resulted to an increase in the Parent Company's ownership from 99.83% to 99.92%.
- b. In April 2007, the Parent Company, through San Miguel Foods Asia Limited, entered into a Share Purchase Agreement with Well Grounded Limited for the sale of the Group's 42.22% equity and other interest in NutriAsia San Miguel Holdings Limited (NSMH) for US\$150 million. The amount of US\$130 million was received on April 25, 2007 as partial payment for the transaction. The balance of US\$20 million, including interest of 7.2% p.a., is due and payable on April 24, 2009. The Group recognized a gain from the said transaction amounting to US\$46 million (₱2,149 million).
- c. On February 22, 2007, the Parent Company and Coca-Cola South Asia Holdings, Inc. (CCSAHI) executed a Deed of Sale of Shares of Stock covering the Parent Company's 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class A preferred shares for US\$590 million. The payments to the Parent Company are scheduled on various dates over a five year period subject to fulfillment of specific conditions attached to each and every payment due. As of December 31, 2008, receivable from CCSAHI of P4,752 million is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account.

On August 23, 2007, the closing audit for the sale transaction was completed and the selling price was adjusted to US\$520 million. The gain realized from the sale amounted to P824 million, net of P376 million net loss of CCBPI (from January 1 to February 22, 2007).

The adjustment in selling price from US\$590 million to US\$520 million (net of the assigned receivables amounting to US\$17 million) is a result of a compromise agreement between the Parent Company and CCSAHI.

- c. On November 8, 2007, the Parent Company, through San Miguel Foods (L) Pte. Limited has reached an agreement with Kirin Holdings (Australia) Pty Ltd. to sell its Australian dairy and juice business, SMFAH for a purchase price of A\$752 million, (net of external debt and shareholder loans), subject to adjustments at completion of closing audit. The sale includes NFL's shares in Berri Ltd., King's Creameries (S) Pte. Ltd. and Lactos Pty. Ltd.

On December 27, 2007, the Parent Company received A\$2,090 million representing payment of purchase price and settlement of shareholder loans.

Based on the results of the closing audit on April 30, 2008, an adjustment in the purchase price of A\$28 million was received by the Parent Company five business days after completion of the closing audit. The Group recognized a loss on the sale amounting to ₱513 million, net of ₱1,922 million net income in 2007.

- e. On November 8, 2007, the Parent Company, through SMBPL signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag & Son Limited to Lion Nathan Australia Pty Limited, an Australian alcoholic beverages company, for a purchase price of A\$325 million, subject to adjustment at completion of closing audit.

The closing audit was completed on January 2, 2008 and SMBPL received A\$277 million as payment of purchase price, net of adjustments.

The assets, liabilities and equity of J. Boag were classified as items held for sale in the consolidated balance sheets as of December 31, 2007.

- f. Pursuant to the stockholders' approval obtained on July 24, 2007, the Parent Company transferred its domestic beer business net assets as of June 30, 2007, excluding land, brands and certain payables to its new wholly-owned subsidiary, SMB, in exchange for additional shares of stocks effective October 1, 2007. Equivalent to the net assets transferred, SMB issued the Parent Company 15,308,416,960 shares under a tax-free asset-for-share arrangement as confirmed by the BIR on October 9, 2007.
- h. In October 2007, SMPI and SMCRP entered into a subscription agreement pursuant to which SMPI and SMCRP agreed to subscribe, subject to certain terms and conditions, to the unissued and unsubscribed common shares of capital stock of BOC, equivalent to 34% stake for ₱2,000 million, with SMPI holding approximately 30% and SMCRP at approximately 4%. As of December 31, 2007, SMPI have paid ₱500 million to BOC.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

OTHER RECEIVABLES

The Parent Company has outstanding advances to SMCRP amounting to ₱35,721 million as of December 31, 2007, (presented under "Trade and other receivables" in the consolidated balance sheets) subject to interest rate of 6.5% p.a. SMCRP used the proceeds of the advances mainly for the purchase of the Parent Company's common shares.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

BORROWINGS

To have the needed flexibility in its financial ratio covenants, the Parent Company refinanced a portion of its short-term loans and the remaining balance of its US\$ and Peso-denominated long-term loan with a new unsecured US\$1,200 million term loan facility in September 2007.

MATERIAL CHANGES PER LINE OF ACCOUNT

2008 vs. 2007

Cash and cash equivalents increased by 25% from ₱93,281 million in 2007 to ₱116,939 million in 2008 primarily due to the collection of advances to a related party, proceeds from sale of investments in: J. Boag; SM Brewery shares ; 35% stake in packaging business and KSA shares; partly offset by loan and dividend payments, and investment made in the shares of stock of Meralco and BOC.

Receivables decreased by ₱11,065 million from ₱61,879 million in 2007 mainly due to collection of advances to a related party, and collection of receivables of the Parent Company's Agribusiness Division, net of increase in advances to suppliers.

The increase in inventories of ₱3,858 million from ₱23,852 million in 2007 is primarily attributed to the increasing costs of major raw materials such as wheat, corn, soy bean meal, cassava, oils and cheese curd of the Food Group and of malt and hops of SMB, and higher production volume of GSMI.

Current biological assets increased by 26% to ₱2,932 million in 2008 due to increase in volume of growing poultry livestock and goods in process coupled with higher feed costs of broilers and hogs.

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 J. Boag and KSA in January 2008.

Investments increased from ₱771 million to ₱32,253 million in 2008 mainly due to investments made in the stocks of Meralco and BOC.

Property, plant and equipment increased by ₱3,958 million from ₱64,355 million in 2007 due to various capital expenditures (i.e., on-going expansion of SMGB and multi-product beverage plant in China and Vietnam; installation of new bottling line for the non-alcoholic beverages, SMCSL's acquisition of two barges and two tug boats; construction of Sumilao hog farm; rehabilitation of pier facility in Tabangao and renovation of Hormel's Cavite plant and capacity expansion of Rightpack and upgrade of various plant machineries of GSMI and SMYAC) net of depreciation and disposals for the year.

Investment properties increased by 12% from ₱1,648 million in 2007 mainly due to reclassification of the Parent Company's Agribusiness Division's property and equipment to investment properties and additional foreclosed properties of SMPFC from its dealers, net of disposal and amortization.

Noncurrent biological assets increased by 38% to ₱1,814 million due to the start of operations of the Sumilao farm in 2008 and the increase in volume of Monterey and Poultry's breeding stocks coupled with higher growing costs.

Other intangible assets increased by ₱610 million from ₱3,202 million in 2007 due to reclassification of certain land and land improvements to land used rights by San Miguel

Guangdong Food and Beverage Corp., and additional computer software (SAP and Microsoft) of PF Hormel and SMB, net of amortization.

Deferred tax assets increased by 54% from ₱4,973 million in 2007 to ₱7,399 million in 2008 due to the effect of recognition of deferred tax on: a.) marked-to-market losses, b.) inventory obsolescence of SMB and additional set-up of NOLCO and MCIT.

Drafts and loans payable increased by 10% from ₱44,231 million in 2007 mainly due to net availments for working capital requirements.

Accounts payable and accrued expenses increased by 15% from ₱20,311 million in 2007 mainly due to increase in derivative liabilities and increase in trade payables mostly on imported raw materials as a result of price increases.

Income and other taxes payable increased by ₱1,102 million to ₱4,429 million in 2008, mainly due to higher income tax due.

Dividends payable increased by 5% mainly due to higher dividends declared in 2008 compared to 2007.

Long-term debt decreased by 11% from ₱55,834 million in 2007 to ₱49,763 million in 2008 mainly due to partial payments made during the year, net of amortization of debt issue costs.

Deferred tax liabilities increased by 40% mainly due to the set up of deferred income tax on the gain from sale of J. Boag.

Other noncurrent liabilities increased by ₱25,235 million from ₱456 million in 2007 mainly due to the unpaid balance on the acquisition of the investment in shares of stock of Meralco.

Non-controlling interests increased by 62% from ₱11,329 million in 2007, mainly due to the recognition of additional non-controlling interests as a result of the sale of 35% stake in the domestic and regional packaging businesses to NYG and 5.75% stake in SM Brewery.

The increase in equity in 2008 is due to:

<i>(In millions)</i>	2008
Income during the period	₱20,083
Increase in non-controlling interests	6,751
Issuance of capital stock and stock options	256
Effect of translation adjustments	(34)
Cash dividends	(4,925)
	<u>₱22,131</u>

2007 vs. 2006

Cash and cash equivalents increased by ₱69,001 million mainly due to proceeds from sale of SMFAH, its Australian dairy and juice business.

Trade and other receivables increased by 44% due to the following: (a) increase in non-trade receivable mainly due to advances to the SMC Retirement Plan; (b) remaining balance of the proceeds from the sale of CCBG; (c) net of decrease in trade receivables due to the deconsolidation of CCBG and SMFAH balances and (d) reclassification of SMAH balances to assets held for sale.

Inventories decreased by ₱ 18,698 million from ₱ 42,550 million in 2006 due to the deconsolidation of CCBG and SMFAH, lower finished goods inventory of packaging group and lower alcohol inventories and packaging materials of GSMI.

Current biological assets increased by 24% to ₱2,324 million due to the increase in volume of livestock (poultry and hogs) and higher feed costs.

Prepaid expenses and other current assets increased by 8% to ₱5,677 million in 2007 due to increase in derivative assets and prepaid insurance, net of decrease due to the deconsolidation of CCBG and SMFAH balances and reclassification of J. Boag's prepaid expenses to assets held for sale.

Assets held for sale pertains to the total assets of J. Boag amounting to ₱5,324 million and carrying value of investment in shares of stock of KSA amounting to ₱468 million.

Investments and advances decreased by ₱5,218 million from ₱5,989 million in 2006 mainly due to the sale of the equity holdings and other interest in Del Monte Pacific, Ltd., and reclassification of investment in shares of stock of KSA to assets held for sale.

Property, plant and equipment decreased by ₱33,631 million from ₱97,986 million in 2006 as a result of the (a) deconsolidation of CCBG and SMFAH balances; (b) reclassification of ₱1,572 million J. Boag's properties to assets held for sale; (c) impairment of SMB Hong Kong's plant and equipment; and (d) reclassification of certain idle assets of SMPPI.

Investment properties decreased by 6% mainly due to the lower value of properties in SMBIL as a result of changes in foreign exchange rates and amortizations for the year.

Noncurrent biological assets increased by 5% to ₱1,319 million in 2007 mainly due to the effect of changes in foreign exchange rate to the revaluation of San Miguel Pure Foods (VN) Co. Ltd.'s assets.

Goodwill decreased by 93% from ₱72,899 million in 2006 to ₱5,348 million in 2007 mainly due to deconsolidation of CCBPI and SMFAH balances and reclassification of SMAH balance to Assets held for sale.

Other intangible assets decreased by 89% mainly due to deconsolidation of the balances of CCBG and SMFAH amounting to ₱22,597 million and reclassification of J. Boag's intangible assets to assets held for sale.

Deferred tax assets decreased by 28% from ₱6,871 million in 2006 due to deconsolidation of CCBG and SMFAH balances net of Parent Company's deferred tax on its net operating loss carry over (NOLCO) for the year.

Other noncurrent assets decreased by 14% from ₱15,952 million in 2006 to ₱13,688 million in 2007 mainly due to deconsolidation of CCBG and SMFAH balances, net of the noncurrent receivables for the sale of CCBPI and NSMH shares.

Accounts payable and accrued expenses decreased by ₱19,191 million in 2007 due to deconsolidation of CCBG and SMFAH balances, net of increase in derivative liabilities.

Income and other taxes payable increased by ₱312 million to ₱3,327 million in 2007 mainly due to higher VAT and income tax payable of SMPFC.

Dividends payable increased by ₱1,176 million due to cash dividend declaration in the fourth quarter.

Liabilities directly associated with noncurrent assets classified as held for sale pertains to the total liabilities of J. Boag.

Long-term debt decreased by ₱40,081 million from ₱95,915 million in 2006 mainly due to deconsolidation of CCBG and SMFAH balances net of availments of the Parent Company, SMY Asia, SMFBIL, SMB Hong Kong and GSMI and the effect of the lower US dollar exchange rate.

Deferred tax liabilities decreased by 5% from ₱13,434 million in 2006 to ₱12,721 million in 2007 due to deconsolidation of CCBG and SMFAH balances.

Other noncurrent liabilities decreased by ₱1,701 million to ₱456 million in 2007 mainly due to deconsolidation of SMFAH balances.

Non-controlling interests decreased by 48% mainly due to the deconsolidation of CCBG.

The decrease in equity in 2007 is due to:

<i>(In millions)</i>	2007
Net income for the year	₱8,351
Issuance of capital stock and stock options	761
Effect of translation adjustments	257
Amount recognized directly in equity relating to assets held for sale	37
Non-controlling interest associated with discontinued operations	(8,824)
Cash dividends	(4,528)
Reduction in non-controlling interests	(1,058)
	<u>(₱5,004)</u>

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2008	2007	2006
		<i>(In Millions)</i>	
Net cash flows from operating activities	₱7,052	₱30,303	₱17,289
Net cash flows provided by (used in)			
investing activities	31,898	39,535	(16,679)
Net cash flows provided by (used in) financing activities	(13,868)	1,472	3,537

Net cash from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

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

	December 31		
	2008	2007	2006
		<i>(In Millions)</i>	
Acquisition of subsidiaries, net of cash acquired	₱-	₱-	(₱4,981)
Additions to investments and advances	(6,667)	-	(3)
Additions to property, plant and equipment	(6,437)	(9,310)	(12,593)
Proceeds from sale of investments and property and equipment	13,663	6,269	2,741
Proceeds from sale of discontinued operations, net of cash disposed of	9,083	90,684	-
Interest received	6,558	2,374	3,015
Payment by (advances to) a related party	31,708	(35,721)	-
Increase in other noncurrent assets and others	(16,010)	(14,820)	(4,931)
Dividends received	-	59	73

Major components of cash flow provided by financing activities are as follows:

	December 31		
	2008	2007	2006
		<i>(In Millions)</i>	
Proceeds from short-term borrowings	₱608,756	₱345,789	₱232,386
Payments of short-term borrowings	(605,088)	(337,512)	(222,865)
Proceeds from long-term borrowings	64	84,398	17,354
Payments of long-term borrowings	(13,336)	(88,342)	(19,892)
Cash dividends paid	(4,856)	(3,351)	(4,526)
Increase in non-controlling interests	592	-	480
Issuance of capital stocks	-	490	600

The effect of exchange rate changes on cash and cash equivalents amounted to (₱1,424 million), (₱1,016 million) and (₱743 million) in December 31, 2008, 2007 and 2006 respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2008	2007
	<i>(In Millions)</i>	
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	₱57,482	₱44,199
Treasury stock	(4,053)	(4,053)

VI. KEY PERFORMANCE INDICATORS

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

	December 31	
	2008	2007
Liquidity:		
Current Ratio	2.35	2.60
Solvency:		
Debt to Equity Ratio	1.02	0.97
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	13.59%	6.53%
Operating Efficiency:		
Volume Growth	4%	5%
Revenue Growth	14%	10%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Non-current)}}{\text{Non-controlling Interest + Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior period Net Sales}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$

VII. OTHER MATTERS

a. Subsequent Events

Sale of Assets

On January 27, 2009, the Parent Company's BOD approved the sale of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to SMB, through the sale of all its interests in IBI, to which the Parent Company transferred the IP Rights pursuant to a Deed of Assignment of Domestic Intellectual Property Rights dated December 16, 2008 as supplemented by a Supplement to the Deed of Assignment of Domestic Intellectual Property Rights dated January 23, 2009 executed between IBI and the Parent Company, in exchange for common shares in IBI to SMB. The BOD of SMB approved on the same date, the purchase of the IP Rights through the purchase of all of the Parent Company's interests in IBI after the completion of such transfer to IBI by the Parent Company of the IP Rights to IBI. The price is P32,000 million.

On the same date, the BOD of the Parent Company likewise approved the sale of the parcels of land used in domestic beer operations, partly to Brewery Land Holdings, Inc. (BLI), a wholly-owned subsidiary of San Miguel Brewery Retirement Plan (SMBRP) at P239 million, and the rest to SMB by the sale of all its interests in BPI, to which the rest of such parcels of land will be transferred.

SMB's BOD also approved on January 27, 2009, the purchase of all the interests of the Parent Company in BPI after completion of the transfer by Parent Company of the said parcels of land to BPI in exchange for BPI common shares and after SMBRP has transferred its shares in BLI to BPI in exchange for BPI preferred shares. The purchase price will be at the appraised value of the land transferred by the Parent Company to BPI amounting to P6,829 million. The proposed acquisitions will be financed by SMB through borrowings.

The sale by the Parent Company of its interests in IBI and BPI will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

On January 28, 2009, the BOD of BPI approved the increase in the par value of its common shares from P100 to P350 and the increase in its authorized capital stock from P1 divided into 10,000 shares with a par value of P100 per share to P800 divided into 2,400,000 preferred shares and 1,600,000 common shares with a par value of P100 and P350 per share, respectively.

On February 27, 2009, the SEC approved the transfer of the Parent Company's IP rights to IBI and the increase in the authorized capital stock of IBI. Shares totaling 100,000,000 were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the Bureau of Internal Revenue (BIR) in its certification No. SN-405-2008 dated December 24, 2008.

Pursuant to the approvals of the BOD of BPI and the Parent Company, a Master Deed of Assignment of Land dated March 12, 2009 as superseded by a Master Deed of

Assignment of Land dated March 25, 2009 was filed with SEC in connection with BPI's application for increase in its par value of common shares and authorized capital stock.

As of March 26, 2009, the application for increase in the par value of BPI's common share and authorized capital stock and the transfer by the Parent Company of certain parcels of land used in the domestic beer business to BPI are still pending approval of the SEC.

SMB Bond Issuance

Pursuant to an order by the SEC rendering SMB's registration statement effective and the permit to offer securities for sale issued by the SEC, both dated March 17, 2009, SMB offered for sale and subscription to the public Philippine peso-denominated fixed rate bonds in the aggregate principal amount of P38,800 (Bonds) Series A Bonds with the aggregate principal amount of P13,590 million having a term of 3 years beginning on Issue Date and ending on April 3, 2012, with a fixed interest rate of 8.250% per annum; Series B Bonds with an aggregate principal amount of P22,400 having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate principal amount of P2,810 million having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.50% per annum. Proceeds from the issuance of the bonds will be used to finance SMB's acquisition of the interests of the Parent Company in IBI and BPI. The offer period for the Bonds is from March 18 to March 27, 2009, and issue date is on April 3, 2009.

Sale of SMB Shares

On February 20, 2009, the Parent Company signed a share purchase agreement for the acquisition by Kirin Holdings Company, Limited ("Kirin"), of a 43.249% stake in SMB. Under the terms of the agreement, purchase price of the shares amounts to P8.841 per share, implying a total acquisition price at P58,924 million. Further to the agreement, the Parent Company, Kirin and SMB will undertake to negotiate exclusively for SMB's potential purchase of shares in SMC's overseas beer business. The exclusivity period is for six months following SMC's offer to sell the shares in its overseas beer business.

Parent Company Loan Availment

On February 17, 2009, the Parent Company issued floating rate notes amounting to P1,000 million. The net proceeds of the term loan facility will be used by the Parent Company for general financing and corporate requirements.

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 Parent Company was assessed by the BIR for deficiency excise tax on one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Parent Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it. An independent Certified Public Accountant commissioned by the CTA to conduct an examination, verification and audit to validate the documents supporting the claim for refund has submitted a report stating, among other things, that the claim is properly supported by the relevant documents.

On November 27, 2007, the Parent Company filed with the CTA, under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. An independent Certified Public Accountant was likewise commissioned by the CTA in this case for the purpose of conducting an examination, verification and audit of the documents supporting the aforesaid claim. In a report recently submitted to the CTA, the independent CTA stated that the second claim is properly supported by the relevant documents.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 “in order to obviate the necessity of issuing a Warrant of Distrainment and Garnishment and/or Levy”. The Parent Company’s external counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distrainment and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company’s pending claims for refund. As of March 26, 2009, the BIR has taken no further action on the matter.

c. Option Agreement with Sea Refinery Holdings B.V. (SEA BV)

On December 24, 2008, the Parent Company entered into an option agreement with SEA BV pursuant to which SEA BV granted to the Parent Company an option to acquire and purchase up to 100% of its interests in SEA BV’s wholly-owned subsidiary, SEA Refinery Corporation (SRC), consisting of 40,000,000 shares of stock with a par value of P1 per share (Option Shares). SRC owns 50.1% stake in Philippine oil refinery, Petron Corporation. The option may be exercised by the Parent Company within a period of two (2) years from December 24, 2008. The exercise price for the Option Shares will be the sum of (a) the paid-up capital of SEA BV in SRC amounting to P40 and (b) the value of the shares acquired by SRC in Petron Corporation plus the assumption of, if any, liability or obligation and expenses incurred by SRC for the acquisition of the said shares. The Parent Company and SEA BV have agreed that the Parent Company shall have representation in the board and management of Petron Corporation.

d. Commitments

The outstanding purchase commitments of the Group as of December 31, 2008 amounted to ₱20,656 million.

Amount authorized but not yet disbursed for capital projects as of December 31, 2008 is approximately ₱7,571 million.

e. Memorandum of Understanding with Qatar Telecom

On December 8, 2008, the Parent Company's BOD allowed management to pursue a joint venture partnership with Qatar Telecom QSC (QTel) to look into opportunities in the wireless broadband, mobile and mobile broadband businesses in the Philippines. QTel is an integrated telecommunications player based in Qatar, and a majority owned by the State of Qatar.

On December 15, 2008, the Parent Company signed a memorandum of understanding with QTel to partner in wireless broadband and mobile communications projects in the Philippines. The Parent Company is in talks with QTel for a possible investment in Liberty Telecoms Holdings Inc.

f. Authority to Invest Corporate Funds and /or Engage in Other Businesses

On July 24, 2007, the shareholders authorized the Parent Company to invest corporate funds and/or engage in new businesses like power generation or transmission, water, other utilities, mining and infrastructure. Together with the core business of food, beverage and packaging - which will form the bulk of the portfolio - these new businesses aim to provide better aggregate growth margins and a stronger growth platform moving forward.

g. Restructuring Plan

At the annual stockholders' meeting held on July 24, 2008, the stockholders authorized (i) the Parent Company to pursue and implement a corporate restructuring plan which may require, among others, the divestment of the Parent Company's interest in its major subsidiaries, such as beer, food and packaging subsidiaries, with the Parent Company retaining controlling interests/ownership of at least 51% in each of these major subsidiaries, and (ii) the Board of Directors to approve the implementing transactions of such corporate restructuring plan after evaluation and study by Management, subject to applicable laws.

h. The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of ₱47.52 in 2008 and ₱41.28 in 2007 for balance sheet accounts; and average rates of ₱44.47 in 2008, ₱46.18 in 2007 and ₱51.32 in 2006 for income and expense accounts.

i. 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.

- j. 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.
- k. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- l. 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.
- m. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date, except for Note 21 (c) of the 2008 Audited Consolidated Financial Statements and Note b of Section VII above, that remain outstanding as of December 31, 2008. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- n. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period December 31, 2008.
- o. The effects of seasonality or cyclicity on the interim operations of the Groups's businesses are not material.



SAN MIGUEL CORPORATION

ANNEX “E”

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, 2009 (with comparative figures as of December 31, 2008 and for the period ended March 31, 2008). All necessary adjustments to present fairly the consolidated financial position, results of operations, and cash flows of the Group as at March 31, 2009, 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 Philippine Financial Reporting Standards have been omitted.

I. 2009 TRANSACTIONS

- On January 27, 2009, the Parent Company’s Board of Directors (BOD) approved the sale of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to San Miguel Brewery Inc. (SMB), through the sale of all its interests in Iconic Beverages, Inc. (IBI), to which the Parent Company transferred the IP Rights pursuant to a Deed of Assignment of Domestic Intellectual Property Rights dated December 16, 2008 as supplemented executed between IBI and the Parent Company, in exchange for common shares in IBI to SMB. The BOD of SMB approved on the same date, the purchase of the IP Rights through the purchase of all of the Parent Company’s interests in IBI after the completion of such transfer to IBI by the Parent Company of the IP Rights to IBI. On April 29, 2009, the Parent Company sold its 100% interest in IBI to SMB for a total purchase price of P32,000 million.

SMB’s BOD also approved on January 27, 2009, the purchase of all the interests of the Parent Company in Brewery Properties, Inc. (BPI) after completion of the transfer by Parent Company of certain parcels of land to BPI in exchange for BPI common shares and after San Miguel Brewery Retirement Plan has transferred its shares in Brewery Landholdings, Inc. (BLI) to BPI in exchange for BPI preferred shares. The purchase price will be at the appraised value of the land transferred by the Parent Company to BPI amounting to P6,829 million. The sale of the Parent Company’s interest in BPI to SMB will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

- On February 20, 2009, the Parent Company and Kirin Holdings Company Limited (Kirin) signed a share purchase agreement for the acquisition by Kirin of f the Parent Company’s shares in SMB equivalent to a 43.249% stake in SMB. On April 30, 2009, the Parent Company sold 2,185,402,491 shares in SMB, which comprise a portion of the said 43.249% stake in the Company, and Kirin paid for such shares amounting to ₱19,321 million.
- On February 17, 2009, the Parent Company issued ₱1,000 million -floating rate corporate note, to be used for general financing and corporate requirements.

- On February 25, 2009, the Parent Company sold certain parcels of land to BLI for a total consideration of ₱239 million and recognized a gain of ₱232 million.
- On February 27, 2009, the SEC approved the assignment of 100,000,000 shares of IBI to the Parent Company under a tax-free asset-for-share agreement in exchange for certain domestic beer brands and related intellectual property rights and know-how of the Parent Company.
- Pursuant to an order by the SEC rendering SMB's registration statement effective and the permit to offer securities for sale issued by the SEC, both dated March 17, 2009, SMB offered for sale and subscription to the public Philippine peso-denominated fixed rate bonds in the aggregate principal amount of ₱38,800 million (Bonds) Series A Bonds with an aggregate principal amount of ₱13,590 million having a term of 3 years beginning on Issue Date and ending on April 3, 2012, with a fixed interest rate of 8.25% per annum; Series B Bonds with an aggregate principal amount of ₱22,400 million having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate principal amount of ₱2,810 million having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.5% per annum. Proceeds from the issuance of the bonds will be used to finance SMB's acquisition of the interests of the Parent Company in IBI and BPI.

II. RESULTS OF OPERATIONS

2009 vs. 2008

San Miguel Corporation's 2009 consolidated sales revenue amounted to ₱41,921 million, 8% above last year as most businesses ended the first quarter of 2009 with strong revenue growth versus 2008.

This resulted to a consolidated operating income of ₱4,288 million, 11% higher than last year. Hard liquor generated strong volumes. Beer and Packaging businesses were helped by cost containment efforts. While most of the food business benefited from favorable selling prices.

Net financing charges for the period is higher by ₱309 million.

Equity in net earning of associates represents the Group's share in income of Meralco and Bank of Commerce.

Gain on sale of investments and property, plant and equipment represents mainly the sale of land to BLI while the balance in 2008 represents the gain from sale of shares of stock in KSA Realty Corporation (KSA) and from the restructuring of the packaging group.

Other charges represents mainly the impairment losses on San Miguel Guangdong Brewery in China while other income in 2008 pertains to foreign exchange gains of ₱4,128 million partially offset by losses on derivatives amounting to ₱1,169 million.

Last year's net income includes gain from sale of shares of stock in J. Boag amounting to ₱5,665 million.

With this, income from continuing operations and consolidated net income attributable to equity holders of the Parent Company for the first quarter of 2009 totaled ₱ 2,561 million and ₱ 2,702 million, respectively, both lower than last year.

Without one-off items, net income should have been ₱ 3,355 million, 18% lower than the comparable amount of ₱ 4,114 million last year. Excluding the effect of net - foreign exchange gains in 2009, net income is 25% higher than last year.

2008 vs. 2007

The results of operations of Agribusiness Division in 2008 and the gain on sale of J. Boag in January 2008 were presented as a separate item in the consolidated statements of income under “Income after Income Tax from Discontinued Operations”.

For the first quarter of 2008, the Group generated consolidated sales revenue of ₱38,976 million, 13% above 2007. All businesses registered revenue growth versus 2007.

With the increased sales and managed fixed costs, consolidated operating income is at ₱ 3,856 million, 41% higher than 2007.

The Company’s net financing charges, on the other hand, amounted to ₱108 million for the first quarter of 2008.

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.

Gain on sale of investments and property plant and equipment represents the gain from sale of shares of stock in KSA and due to restructuring of the packaging group.

Other income includes foreign exchange gain, net of losses on foreign exchange swaps.

With these, profit from continuing operations for the first quarter amounted to ₱5,526 million, significantly higher than 2007.

Gain from discontinued operations of ₱ 5,663 million represents the gain on sale of the investment in J. Boag and results of operations of Agribusiness Division.

This resulted to a consolidated net income attributable to equity holders of the Parent Company of ₱11,035 million, significantly higher than 2007’s ₱2,389 million.

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

1. BEVERAGES

2009 vs. 2008

a. Beer

San Miguel Brewery Inc.(SMB) San Miguel Brewery Inc.'s first quarter revenues ended at ₱12,426 million, slightly higher than last year with 9% decline in volume due to economic slow down . However, SMB generated operating income of ₱3,873 million, greater by 3% than last year due to cost control efforts.

San Miguel Beer International (SMBIL) Beer International consolidated revenues for the first quarter stood at US\$57 million, below last year's level by 10%. This was due to lower sales volume.

b. Ginebra San Miguel, Inc. (GSMI)

Ginebra San Miguel, Inc. posted consolidated revenues of ₱4,560 million for the first three months, higher by 35% than last year's level. Gross contribution margins also grew with sustained improvements in alcohol production and product distribution costs. This brought in GSMI's operating income of ₱417 million, significantly higher than last year.

2008 vs. 2007

a. Beer

San Miguel Brewery Inc.(SMB) Domestic Beer operations' operating income for the first quarter of 2008 reached ₱3,748 million, 39% above 2007. This is attributed mainly to improved sales volume and lower fixed operating costs. March 2008 volume reached 47.3 million cases that brought in revenues of ₱12,257 million, 13% higher than 2007. Red Horse, Gold Eagle and San Mig Light were the growth drivers surpassing 2007's volumes by large margins.

San Miguel Beer International (SMBIL) Beer International operations staged a good start with achieved first quarter sales volume of over 10.2 million cases, 9% up than 2007. Corresponding sales revenue of US\$63.1 million was 40% above 2007.

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 in 2007 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 in 2007. 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-2007 contribution margin. These resulted to first quarter operating income of ₱200 million, a 52% increase versus 2007.

2. PACKAGING

2009 vs. 2008

The Packaging group started off positively in the beginning of 2009 garnering total sales revenue of ₱5,005 million for the first quarter, slightly higher than last year. Operating income for the quarter is ₱562 million, significantly higher than last year.

2008 vs. 2007

The Packaging group's sales performance for the 2008 first quarter was up by 8% versus 2007 at ₱4,963 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 ₱330 million was significantly above 2007's level.

3. FOOD

2009 vs. 2008

San Miguel Food Group's consolidated revenues for the first quarter of 2009 reached ₱18,493 million, an 11% growth vs. last year. Poultry, feeds, and fresh meats businesses showed strong performance posting double-digit growth rates driven by price increases and volume growth. Value-added meats business sustained its revenue growth due to the effect of price increases in the last quarter of 2008. Dairy business was helped by ice cream business' 22% volume growth and price adjustments across all product lines. With better prices, food group consolidated 2009 first quarter operating income was ₱535 million, 19% higher 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 ₱13,062 million, 18% 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 ₱2,441 million, 6% above last year due to the effect of price increases in the last quarter of 2008.

c. Flour Milling

The milling cluster posted a three-month revenue of ₱2,043 million, 4% lower than last year.

d. Magnolia Inc.

Magnolia Inc. contributed revenues at ₱1,181 million, 5% higher than last year, helped by ice cream business' 22% volume growth and price adjustments across all product lines.

2008 vs. 2007

The San Miguel Food Group's consolidated revenues reached ₱16,714 million, exceeding 2007's level 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 ₱451 million.

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 2007 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 2007 and operating income of ₱82 million, 8% better than 2007 due to favorable average selling prices.

c. Flour Milling

The milling cluster posted a three-month revenue of ₱2,121 million, 39% higher than 2007, due to higher flour selling prices.

d. Magnolia Inc.

Magnolia Inc. contributed revenues at ₱1,123 million, 6% higher than 2007, due to higher selling prices and volume growth of butter, margarine, ice cream and salad aids.

III. FINANCIAL CONDITIONS

2009 vs. 2008

The increase in inventories of ₱1,545 million from ₱27,710 million in 2008 is attributed to the increasing costs of major raw materials, purchase of soy bean meal and increase in production volume of the hard liquors business.

Current biological assets increased by 13% to ₱3,299 million in 2009 due to increase in volume and growing capacity of poultry livestock and hogs and increase in average cost per kilogram of goods in process.

Drafts and loans payable increased by 6% from ₱48,560 million in 2008 mainly due to net availments and translation adjustments.

Accounts payable and accrued expenses decreased by 13% from ₱23,292 million in 2008 mainly due to decrease in derivative liabilities which is attributable to the depreciation of foreign exchange rate relative to strike prices and the increase in market price of fuel and net payment of payables outstanding as of December 31, 2008.

The increase in income and other taxes payable of ₱539 million from ₱4,429 million in 2008 to ₱4,968 million in 2009, represents the net income tax due for the first quarter of 2009.

Dividends payable decreased by 7% mainly due to the lower amount of declaration, net payments for the period.

Long-term debt increased by ₱1,337 million from ₱49,763 million in 2008 mainly due to the issuance of floating rate corporate note by the Parent Company, translation adjustments and amortization of debt issue costs, net of partial payments.

Deferred tax liabilities decreased by 5% mainly due to decrease of deferred income tax on the undistributed net earnings of foreign subsidiaries and unrealized foreign exchange gains.

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 J. Boag, KSA, and 35% stake in San Miguel Yamamura Packaging Corporation (SMYPC, formerly San Miguel Packaging Specialists, Inc.) and San Miguel Yamamura Packaging International Limited (SMYPIL, formerly San Miguel Packaging International Limited) shares.

Receivables decreased by ₱858 million from ₱61,879 million in 2007 due to collection of December trade receivables of San Miguel Pure Foods Company, Inc. (SMPFC), Centralized Key Account Group, Agribusiness, and SMYPC 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 Bank of Commerce 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 J. Boag.

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

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 J. Boag 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 Nihon Yamamura Glass.

Equity

The increase in equity is due to:

<i>(In millions)</i>	March 31	
	2009	2008
Income during the period	₱2,561	₱11,189
Increase in non-controlling interests	-	5,133
Issuance of capital stock	10	60
Effect of translation adjustments	232	(1,127)
Changes in fair value of cash flow hedges	37	1
Cash dividends	(1,273)	(1,153)
	₱1,567	₱14,103

Current ratio was 1.95 in 2009 and 2.35 in 2008. Debt to equity ratio was 1.01 and 1.02 as of 2009 and 2008, respectively.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In millions)</i>	March 31	
	2009	2008
Net cash flows provided by operating activities	₱1,321	₱7,664
Net cash flows provided by (used in) investing activities	(3,471)	11,005
Net cash flows provided by (used in) financing activities	1,835	(11,384)

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	
	2009	2008
Additions to property, plant and equipment	(₱955)	(₱1,475)
Proceeds from sale of investments and property and equipment	355	5,985
Proceeds from sale of discontinued operation, net of cash disposed of	-	9,452
Interest received	945	1,281
Advances to a related party	(3,179)	(2,421)
Increase in other noncurrent assets and others	(637)	(1,817)

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

<i>(In millions)</i>	March 31	
	2009	2008
Proceeds from (payments of) short-term loan - net	₱2,682	(₱5,747)
Proceeds from (payments of) long-term debt - net	538	(4,504)
Payments of dividends	(1,385)	(1,193)
Other financing activities	-	60

The effect of exchange rate changes on cash and cash equivalents amounted to ₱1,375 million and ₱1,018 million in March 31, 2009 and 2008, respectively. The exchange rates used for net assets in March 31, 2009 are ₱48.33 to US\$1 (₱47.52 in December 31, 2008) and ₱47.79 to US\$1 as of March 31, 2009 (₱40.95 as of March 31, 2008) for income and expense items.

V. 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 2009	December 2008
<u>Liquidity:</u>		
Current Ratio	1.95	2.35
<u>Solvency:</u>		
Debt to Equity Ratio	1.01	1.02
<u>Profitability:</u>		
Return on Average Equity	1.79%	13.59%
	Period Ended March 31	
	2009	2008
<u>Operating Efficiency:</u>		
Volume Growth (Decline)	(1%)	9%
Revenue Growth	8%	13%
Operating Margin	10.23%	9.89%

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	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Return on Average Equity	$\frac{\text{Net Income*}}{\text{Average Equity}}$

$$\text{Volume Growth} \quad \left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior period Net Sales}} \right) - 1$$

$$\text{Revenue Growth} \quad \left(\frac{\text{Current period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$$

$$\text{Operating Margin} \quad \frac{\text{Income from Operating Activities}}{\text{Net Sales}}$$

* *Annualized for quarterly reporting*

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