SAN MIGUEL CORPORATION

May 6, 2010

Philippine Stock Exchange
Disclosure Department
Listing and Disclosure Group
4thFloor, Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Gentlemen:

Please be advised that we submitted an amended Information Statement to the Securities and Exchange Commission on May 5, 2010 to correct typographical errors. The attached corrected Information Statement will be the one which will be distributed to the Company's stockholders.

Very truly yours,

FRANCIS H. JARDELEZA
Corporate Secretary

COVER SHEET

P	W	-	2	7	7				

S. E. C. Registration Number

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(Company's Full Name)

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

		(632) 632-3000
Contact Person		Company Telephone Number

Amended Definitive Information Statement

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Month			Day				FORM TYPE						Month		Day		

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.		Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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LCU

Document I. D.

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Cashier

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SAN MIGUEL CORPORATION

NOTICE OF REGULAR MEETING OF STOCKHOLDERS
May 31, 2010

The Regular Meeting of the Stockholders of San Miguel Corporation will be held on **Monday, May 31, 2010** 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 23, 2009
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. De-classification of Common Shares
6. Denial of pre-emptive rights to issuance of Common Shares
7. Amendments to Article VII of the Amended Articles of Incorporation of the Company
8. Divestment of ownership in major subsidiaries, resulting in less than 51% interest/ownership in such subsidiaries
9. Appointment of External Auditors
10. Election of the Board of Directors
11. Other Matters
12. Adjournment

Minutes of the last Regular Stockholders' Meeting and resolutions of the Board of Directors from January 1, 2009 will be available for examination during office hours at the office of the Corporate Secretary.

The deadline for submission of proxies is on **May 17, 2010**. For corporations, proxies must be accompanied by its Corporate Secretary's sworn certification setting the corporate officer's authority to represent the corporation in the meeting. Proxies need not be notarized. Validation of proxies will be on **May 24, 2010** 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

   Monday, May 31, 2010 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

   May 7, 2010

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 and Preferred Stock Outstanding as of March 31, 2010
Class "A" Common Shares	**1,460,115,761**
Class "B" Common Shares	**843,119,517**
Series "1" Preferred Shares	**970,506,353**
Total	**3,273,741,631**

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 **May 31, 2010** 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 is first to be sent to security holders approximately on **May 7, 2010**.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Dissenters' Right of Appraisal

Stockholders who shall vote against the proposals to divest ownership in the major subsidiaries of the Company, resulting in less than 51% interest/ownership in such subsidiaries, and the denial of pre-emptive rights to any issuance of common shares as set out in the ***Acquisition or Disposition of Property*** section and ***Modification or Exchange of Securities*** section, respectively, 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 proposals to deny pre-emptive rights to any issuance of common shares and to divest ownership in the major subsidiaries of the Company, resulting in less than 51% interest/ownership in such subsidiaries, 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.

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 March 31, 2010, the Company had the following outstanding shares of common stock:

Title of Class	No. of shares outstanding
Class "A" Common Shares	1,460,115,761
Class "B" Common Shares	843,119,517
Series "1" Preferred Shares	970,506,353
Total	**3,273,741,631**

The record date with respect to this solicitation is on **April 23, 2010.** Only stockholders of record at the close of business on **April 23, 2010** 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 **April 23, 2010**, 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 **May 17, 2010.** Validation of proxies will be on **May 24, 2010** 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.

Owners of more than 5% of the Company's voting[1] securities as of March 31, 2010 were as follows:

[1] *Common stockholders have the right to vote on all matters requiring stockholders' approval. The holders of the Series "1" Preferred shares shall not be entitled to vote except in matters provided for in the Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation or other corporations; investment of corporate funds in another corporation or business; and dissolution.*

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
Series "1" Preferred Shares	CIIF Companies[2] c/o 16/F, UCPB Building, Makati City	CIIF Companies c/o 16/F, UCPB Building, Makati City	Filipino	753,848,312	23.03%
Class "A" Common	ECJ Companies[3] c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	ECJ Companies	Filipino	473,332,727	14.97%
Class "B" Common				16,652,544	
Class "A" Common	Top Frontier Investment Holdings, Inc.[4] 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	Top Frontier Investment Holdings, Inc.	Filipino	745,307,648	26.18%
Class "B" Common				111,808,266	

[2] *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 total issued and outstanding Series "1" Preferred shares as of December 31, 2009 except ASC Investors, Inc.; ARC Investors, Inc., Toda Holdings, Inc., Te Deum Resources, Inc., Rock Steel Resources, Inc., San Miguel Officers Corps., Inc. and Roxas Shares, Inc. (see Top 20 Series "1" Preferred Shareholders in this report.) The administrator of the CIIF Companies is the United Coconut Planters Bank and the Chairman of the Board or its President or the designate of the Chairman is authorized to vote in person or by proxy the shares registered in the name of the CIIF Companies.*

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

[4] *The shares owned by Top Frontier Investments Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of April 14, 2010, Top Frontier Investments Holdings, Inc. has voting rights to a total of 2,058,617,950 shares of the Company which represent about 89.50% of the outstanding capital stock of the Company.*

Class "B" Common	Q-Tech Alliance Holdings, Inc. 17th Floor, Tower One, The Enterprise Center, 6766 Ayala Avenue, Makati City[5]	Q-Tech Alliance Holdings, Inc..	Filipino	628,666,675	19.20%

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 March 31, 2010:

Title of Class	**Name of Owner**	**Amount and Nature of Ownership**			**Citizenship**	**Total No. of Shares**
		Class A	**Class B**	**Series "1" Preferred**		
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	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	Alexander J. Poblador	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Jesusa Victoria H. Bautista	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Mirzan Mahathir[(a)]	0	5,000 (D)		Malaysian	5,000 (0.00%)
Common	Carmelo L. Santiago	5,000 (D)	0		Filipino	5,000 (0.00%)
Common	Roberto V. Ongpin	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	215,000 (D)	80,000 (D)		Filipino	505,609 (0.02%)
Series "1" Preferred				210,609 (D)		
Common	Joselito D. Campos, Jr.*	9,149 (D)			Filipino	5,000 (0.00%)
Common	Eric O. Recto*	5,000 (D)			Filipino	5,000 (0.00%)
Common	Francis H. Jardeleza	363,150 (D)	330,000 (D)		Filipino	693,150 (0.02%)
Common	Francisco S. Alejo III	227,585 (D)	125,954 (D)		Filipino	353,539 (0.01%)
Common	Roberto N. Huang	42,430 (D)	32,750 (D)		Filipino	75,180 (0.00%)
Common	Gerardo C. Payumo	348 (D)	20,000 (D)		Filipino	20,348 (0.00%)
Common	Carlos Antonio M. Berba	63,963 (D)	3,508 (D)		Filipino	67,471 (0.00%)

As of April 14, 2010

[(a)] On April 26, 2010, the Company received the Letter Resignation of Mr. Mirzan Mahathir as member of the board of directors of the Company, effective April 15, 2010.

(D) - direct

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of March 31, 2010 is 2,114,007 shares or approximately 0.0646% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of March 31, 2010 is 3,452,832 shares or approximately 0.1055% of the Company's outstanding capital stock.

[5] *The shares owned by Q-Tech Alliance Holdings, Inc. are voted, in person or by proxy, by its authorized designate*

Voting Trust

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Changes in Control

As of April 14, 2010, Top Frontier Investments Holdings, Inc. has voting rights to a total of 2,058,617,950 shares of the Company which represent about 89.50% of the outstanding capital stock of the Company.

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. He is also the 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 is a former Director of Manila Electric Company (February 2009-May 2009).

Ramon S. Ang, Filipino, 56, is the Vice Chairman (since January 28, 1999), President and Chief Operating Officer (since March 6, 2002) of San Miguel Corporation. He is also a Member of the Company's Executive Committee and Nomination and Hearing Committee. He also holds, among others, the following positions: Chairman of San Miguel Brewery Inc.; Chairman of San Miguel Properties, 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 The Manila Electric Company; Director of Top Frontier Investment Holdings, Inc.; and an Independent Director of Philweb Corporation. Mr. Ang has held directorships in various subsidiaries of SMC in the last five years.

Estelito P. Mendoza, Filipino, 80, has been a Director of the Company since April 21, 1998. He is a Member of the Company's Executive Committee, Audit Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is also a Director of Petron Corporation, Manila Electric Company and Philippine Airlines, Inc., and Chairman of Prestige Travel, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office. He is also a former Chairman of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank.

Iñigo Zobel, Filipino, 53, has been a Director of the Company since May 5, 1999. 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 Chairman 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 Brewery Inc., Ginebra San Miguel Inc., San Miguel Pure Foods Company, Inc. and San Miguel Properties, Inc..

Winston F. Garcia, Filipino, 51, is an Independent Director of the Company and has been a Director of the Company since February 1, 2001. He is also a Member of the Company's Audit Committee, Executive Compensation Committee and Nomination and Hearing 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., Asean Forum, Incorporated and Philippine Social Security Association; Director of Philippine National Construction Corporation, and Philippine Health Insurance Corporation; Board Member of Asean Social Security Association; and a Member of the International Insurance Society, Inc., International Social Security Association, and Federation of Afro Insurers and Reinsurers. Atty. Garcia is a practicing lawyer since 1983.

Menardo R. Jimenez, Filipino, 77, has been a Director of the Company since February 27, 2002 and the Chairman of the Company's Executive Compensation Committee and a Member of the Executive Committee. He is also 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 Development Corporation; Chairman and President of Majent Management and Development Corporation, Majent Agro Industrial Corporation, M. A. Jimenez Enterprises, Inc., Pac Rim Realty Development Corporation, Television International Corporation, Alta Tierra Resources, Inc. and Fibers Trading, Inc.; Chairman of Cable Entertainment Corporation, Majent Foundation, Inc., Marathon Building Technologies, Inc. and Meedson Properties Corporation; and a Director of First Metro Investment Corporation, Cunickel Mining Corporation, Electronic Realty Associates, Inc., Mabuhay Philippines Satellite Corporation, Franchise One Corporation, CBTL Holdings, Inc., CCC Insurance Corporation and Pan-Phil Aqua Culture Corporation.

Pacifico M. Fajardo, Filipino, 66, has been a Director of the Company since November 4, 2004 and for the years 2002 to 2004, and a 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, 67, has been a Director of the Company since February 27, 2002 and a Member of the Company's Nomination and Hearing 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, 63, has been a Director of the Company since April 20, 2004 and a 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.

Hector L. Hofileña, Filipino, 80, has been a Director of the Company since July 24, 2008 and a Member of the Company's Executive Committee and 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 Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is an Independent Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc. San Miguel Properties, Inc. Anchor Insurance Brokerage Corporation, San Miguel Brewery Hong Kong Limited (Hong Kong) 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 founder of Wagyu Restaurant.

Jesusa Victoria H. Bautista, Filipino, 42, has been a Director of the Company since July 23, 2009 and a Member of the Company's Nomination and Hearing Committee. Ms. Bautista is a Director of San Miguel Pure Foods Company, Inc., San Miguel Foods, Inc., San Miguel Mills, Inc. and Anchor Insurance Brokerage Corporation; 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.

Roberto V. Ongpin, Filipino, 73, has been a Director of the Company since September 1, 2009. He also holds the following positions: Director of Petron Corporation, Araneta Properties, Inc., Top Frontier Investment Holdings, Inc. and Shangri-La Asia (Hong Kong); Chairman of PhilWeb Corporation, ISM Communications Corporation, Eastern Telecommunications Philippines, Inc. Developing Countries Investment Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc., and Acentic GmbH; Non-executive Director, Forum Energy PLC (UK) and Deputy Chairman, South China Morning Post (Hong Kong).

Alexander J. Poblador, Filipino, 56, has been a Director of the Company since September 1, 2009. He is the Founding Partner and Chairman of the Executive Committee of Poblador Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization.

Mirzan Mahathir,[6] Malaysian, 51, has been a Director of the Company since September 1, 2009. He is also a Director of Petron Corporation and Emerson Radio Corporation; Executive Chairman and Chief Executive Officer of Crescent Capital Sdn Bhd (Malaysia), Chairman and Chief Executive Officer of Crescent Energy Sdn Bhd (Malaysia) and Amona International Ventures Sdn Bhd; and Chairman and Director of AHB Holdings Berhad (Malaysia). Mr. Mahathir has served as Executive Chairman and President of Konsortium Logistik Berhad (Malaysia) (1992-2007) and holds directorships in several private limited companies in and outside Malaysia.

[6] *On April 26, 2010, the Company received the Letter Resignation of Mr. Mirzan Mahathir as member of the board of directors of the Company, effective April 15, 2010.*

Joselito D. Campos, Jr., Filipino***,*** 58, is a nominee for Director of the Company. He is the Managing Director and Chief Executive Officer and a Director of Del Monte Pacific Ltd (DMPL). He is also the President and Chief Executive Officer of Del Monte Philippines, Inc. He also holds the following positions: Chairman and CEO of the NutriAsia Group of Companies; Chairman of Fort Bonifacio Development Corp; Vice Chairman of Ayala-Greenfield Development Corp; Director of FieldFresh Foods Private Ltd, a joint venture of DMPL with the Bharti Group of India. He was formerly Chairman and CEO of United Laboratories, Inc and its regional subsidiaries and affiliates. Mr Campos is the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and is a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and the World Wildlife Fund-Philippines. Mr Campos holds an MBA from Cornell University.

Eric O. Recto, Filipino, 46, is a nominee for Director of the Company. He is a director of Petron since July 31, 2008 and President of Petron since October 7, 2008. He is also the President of Top Frontier Investment Holdings, Inc. and Q-Tech Alliance Holdings, Inc., ISM Communications Corporation and Reyes Equity and Development Corporation. He also holds the following positions: Chief Executive Officer of Eastern Telecommunications Philippines, Inc.; Chairman of PNB Securities, Inc.; Vice Chairman of Atok- Big Wedge Co., Inc., Macondray Plastics Inc., Alphaland Corporation and Philweb Corporation; Director of Philippine National Bank, La Flor Isabel, Inc., Philex Petroleum Corporation and Petron Energy Resources Corporation. He was previously Undersecretary of the Department of Finance, in charge of both the International Finance Group and the Privatization Office; Chief Finance Officer of Alaska Milk Corporation and Belle Corporation.

Ferdinand K. Constantino, Filipino, 58, is a nominee for Director of the Company. He is Senior Vice President, Chief Finance Officer and Treasurer of San Miguel Corporation. He also holds, among others, the following positions: President of Anchor Insurance Brokerage Corporation; and a Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc., San Miguel Yamamura Packaging Corporation, Bank of Commerce and Top Frontier Investment Holdings, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009) and San Miguel Properties, Inc. (2001-2009); and Chief Finance Officer of Manila Electric Company (2009) He has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Francis H. Jardeleza, Filipino, 60, 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 San Miguel Yamamura Packaging Corporation and Top Frontier Investment Holdings, Inc.; and Chairman and President of SMC Stock Transfer Service Corporation. Mr. Jardeleza has been a director, corporate secretary and/or assistant corporate secretary of various subsidiaries of San Miguel Corporation during the last five (5) years and is a professorial lecturer at the University of the Philippines.

Francisco S. Alejo III, Filipino, 61, 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, 49, 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 Fuso Molds Corporation. He is a former President of the Company's Packaging Products Division (2005).

Roberto N. Huang, Filipino, 61, is the President of San Miguel Brewery Inc. He also served as General Manager of San Miguel Brewery Inc. (2007-2009); Director of Ginebra San Miguel, Inc. (2004-2008), San Miguel Pure Foods Company, Inc. (2004-2008); President of San Miguel Beverages, Inc. (2007-2008); and President of Coca-Cola Bottlers Philippines, Inc., Cosmos Bottling Corporation and Philippine Beverage Partners, Inc. (2003-2007).

Gerardo C. Payumo, Filipino, 52, is the President of Ginebra San Miguel, Inc. (since August 9, 2006). He was a former Senior Vice President and Director of the Corporate Procurement Unit of San Miguel Corporation (1998-2006).

Carlos Antonio M. Berba, 45, is the Managing Director of San Miguel Brewing International (since January 1, 2008). He is also currently Director of San Miguel Brewery Hong Kong Limited (Hong Kong) and a Commissioner of PT Delta Djarkarta Tbk (Indonesia). He previously served SMC 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 May 31, 2010 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. Hector L. Hofileña
10. Carmelo L. Santiago
11. Roberto V. Ongpin
12. Alexander J. Poblador
13. Joselito D. Campos, Jr.
14. Eric O. Recto
15. Ferdinand K. Constantino

Independent Directors

The incumbent independent directors of the Company are as follows:

1. Winston F. Garcia
2. 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"** and **"A-2"**.

The nominees for election as independent directors of the Board of Directors on May 31, 2010 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Winston F. Garcia	Ramon S. Ang	None
Carmelo L. Santiago	Ramon S. Ang	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

Mr. Eric O. Recto, a nominee for election as director of the Company, is the nephew of Mr. Roberto V. Ongpin, an incumbent director of the Company.

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[7]	2010 (estimated)	P151.9 Million	P 49.2 Million	P 26.7 Million	P 227.8 Million
	2009	P143.9 Million	P 126.7 Million	P 36.6 Million	P 307.2 Million
	2008	P127.5 Million	P 44.1 Million	P 31.3 Million	P 202.9 Million
All other officers and directors as a group unnamed	2010 (estimated)	P 68.2 Million	P 22.1 Million	P 23.7 Million	P 114.0 Million
	2009	P 115.7 Million	P 39.9 Million	P 43.9 Million	P 199.5 Million
	2008	P 172.2 Million	P 31.3 Million	P 77.8 Million	P 281.3 Million

[7] *The Chief Executive Officer and senior executive officers of the Company for 2010 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Eduardo Sergio G. Edeza Virgilio S. Jacinto, Joseph N. Pineda, Manuel M. Agustin and Bella O. Navarra; 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 Rosabel T. Balan; 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;*

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total	2010 (estimated)	P 220.1 Million	P 71.3 Million	P 50.4 Million	P 341.8 Million
	2009	P 259.6 Million	P 166.6 Million	P 80.5 Million	P 506.7 Million
	2008	P 299.7 Million	P 75.4 Million	P 109.1 Million	P 484.2 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.

On March 1, 2007, the Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and 26, 2008, the Company approved the grant of options to 755 executives consisting of 5.777 million shares and to 742 executives consisting of 7.46 million shares, respectively.

Options to purchase 34.05 million shares and 12.45 million shares in 2009 and 2008, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 3.23 million and 1.76 million shares in 2009 and 2008, respectively.

As of March 31, 2010, the outstanding options under the LTIP held by the above-named Chief Executive Officer and Senior Executive Officers are 7,406,080 Class "A" common shares and 4,401,993 Class "B" common shares, while those held by all officers and middle managers as a group total 11,029,586 Class "A" common shares and 7,401,198 Class "B" common shares.

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, 2009;

2. Minutes of the 2009 Annual Stockholders' Meeting with the following items:

a) Approval of the Minutes of the 2008 Annual Stockholders' Meeting;
b) Approval of Annual Report;
c) Ratification of all acts of the Board of Directors and Officers since the 2008 Annual Stockholders' Meeting;
d) Approval of Offer of Exchange of Common Shares for Preferred Shares
e) Amendments to Article VII of the Amended Articles of Incorporation of the Company
f) Election of Board of Directors;
g) Appointment of External Auditors; and

3. Ratification of all the acts of the Board of Directors and Officers since the 2009 Annual Stockholders' Meeting which include the:

a) Approval of 1) investments in Sual Power Plant, Limay Power Plant and San Roque Power Plant; 2) sale of i) the international beer and malt-based beverages business to San Miguel Brewery Inc.; ii) 40% interest in San Miguel Pure Foods Company, Inc. (SMPFC); iii) food-related brands to SMPFC (iv) 51% interest in San Miguel PureFoods Investment Limited to SMPFC; 3) acquisition of: i) 35% stake in Private Infra Dev Corp.; ii) majority interest in Caticlan International Airport Development Corporation; iii) majority interest in Universal MRT7 Corporation, the consortium tasked to build MRT7 Project and iv) 100% stake in Daguma Agro Minerals, Inc.;
b) Declaration of cash dividends;
c) Appointment of officers; and
d) Approval of signing authorities and limits.

Minutes of the 2009 Annual Stockholders' Meeting and resolutions of the Board of Directors since the date of the 2009 Annual Stockholders' Meeting will be available for examination during office hours at the office of the Corporate Secretary.

MODIFICATION OR EXCHANGE OF SECURITIES

De-Classification of Common Shares

The current authorized capital stock of the Company is TWENTY TWO BILLION FIVE HUNDRED MILLION PESOS (P22,500,000,000.00). The authorized 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 consist of two classes: Class "A" shares of TWO BILLION THIRTY FOUR MILLION (2,034,000,000) shares and Class "B" shares of ONE BILLION THREE HUNDRED FIFTY SIX MILLION (1,356,000,000) shares. The Common Class "A" shares and Common Class "B" shares have the same rights and privileges as are accorded common shares under the Corporation Code of the Philippines and the Amended Articles of Incorporation of the Company, except that Common Class "A" shares are transferable to Philippine nationals only as provided in the Company's Amended Articles of Incorporation.

It is proposed that the classification of the common shares of the Company into Common Class "A" shares and Common Class "B" shares be removed ("De-classification"), and accordingly, all of the Company's common shares will henceforth become unclassified (the "Common Shares"). Following the De-classification, the current authorized capital stock of the Company of TWENTY TWO BILLION FIVE HUNDRED MILLION PESOS (P22,500,000,000.00) shall consist of 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 holders of the Common Shares shall enjoy the same rights and privileges as previously granted to holders of Common Class "A" shares and Common Class "B" shares, except that Common Shares may now be transferred to any person of any nationality, provided that no transfer of stock or interest which will reduce the ownership and voting equity of Philippine nationals to less than the required percentage of the capital stock under applicable law shall be allowed or permitted to be recorded on the books of the Company. In this connection, the Company currently owns land and is thus required under the law at all times to be held and/or owned up to at least sixty percent (60%) of its issued and outstanding capital stock by Philippine nationals.

The De-classification will allow holders of the Common Shares to freely transfer their shares to persons of any nationality, subject to applicable laws on nationality requirements, thereby facilitating a broader investor base and greater public/investor participation in the Company.

The listing of the Common Shares of the Company in the Philippine Stock Exchange will not be affected by the De-classification.

Denial of pre-emptive rights to any issuance of Common Shares

The Company is seeking approval from shareholders holding common and Series "1" Preferred shares to waive pre-emptive rights on any issuance of Common Shares. Given that the Company's diversification plans are now gathering pace, the waiver of pre-emptive rights will give the Company flexibility when it comes to fund raising and financing its growth through acquisitions or investments as well as bolster its capital base.

AMENDMENT TO CHARTER, BY-LAWS OR OTHER DOCUMENTS

On April 14, 2010, the Board of Directors of the Company approved the following amendments to Article VII of the Amended Articles of Incorporation of the Company to reflect (a) the De-classification of the Company's Common Class "A" and Common Class "B" shares, and (b) denial of pre-emptive rights with respect to the issuance of Common Shares, as described in the following sections:

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).~~

No transfer of stock or interest which will reduce the ownership and voting equity of Philippine nationals to less than the required percentage of capital stock under applicable law shall be allowed or permitted to be recorded on the books of the Corporation.

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.)

That there shall be no pre-emptive rights to any issuance of common shares.

ACQUISITION OR DISPOSITION OF PROPERTY

The Board of Directors of the Company, at its April 14, 2010 meeting, approved the sale of the Company's stake in its major subsidiaries such as beer, food and packaging, resulting in less than 51% interest/ownership of the Company in such subsidiaries. The authority to sell is in line with the Company's strategy of diversifying further into heavy industries and to significantly enhance and create long-term shareholder value by looking at new drivers of growth, which may require the further sell down of the Company's stake in existing core businesses. This will give Management the ability to act with speed when there is an opportunity to divest at an attractive price. Also, having strategic partners in beer, food and packaging subsidiaries will improve the Company's ability to focus on the new portfolio of energy, power, infrastructure, and mining assets, while at the same time helping fund expansion in the Company's core businesses.

The Company will seek stockholders' authorization to sell the Company's stake in its major subsidiaries such as beer, packaging and food, resulting in less than 51% interest/ownership of the Company in such subsidiaries, and authorization of the Board of Directors to approve the implementing transactions of such sale after evaluation and study by Management.

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 de-classify the Common Class "A" and Common Class "B" shares to Common Shares, deny pre-emptive rights to any issuance of Common Shares, amend the Company's Amended Articles of Incorporation to reflect the De-classification and the denial of pre-emptive rights, and divest the Company's stake in major subsidiaries, resulting in less than 51% interests/ownership in such subsidiaries a vote by stockholders of Common Class "A" and Class "B" shares and Series "1" Preferred shares, 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 common 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 common 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 (who is entitled to vote on such particular matter) 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. Established in 1890 as a single-product brewery, the Group today has over 100 facilities in the Philippines, Southeast Asia and China. In 2009, the Group accounts for about 2.00% of the country's gross national product and 2.27% 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, flour, dairy products 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 brands in Southeast Asia.

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

The Group's food operations includes the production and marketing of fresh, ready-to-cook and processed chicken, fresh pork and beef and processed meats, milk, butter, cheese, margarine, ice cream, flour products, coffee, cooking oil and animal and aquatic feeds.

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

The Parent Company has strategic partnerships with international companies, among them Nihon Yamamura Glass Company, Ltd. (NYG), Hormel Foods International Corporation (HFIC) of the United States, Super Coffee Corporation Pte Ltd (SCCPL) of Singapore and Kirin Holdings Company, Limited (Kirin), one of the largest beer manufacturing company in Japan.

Following the shareholders' approval it has obtained in 2007, SMC has since diversified into such industries as power, energy, banking, telecommunications, mining and infrastructure.

The Group is one of the nation's biggest private employers with an estimated 14,600 employees in 2009. 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, attached herein as **Annex "C"**, and in Notes 6, 10, 37 and 38 of the Audited Consolidated Financial statements, attached herein as **Annex "B"**.

Beverages

The Beverages Group of SMC is divided into alcoholic and non-alcoholic beverages. For the alcoholic beverages, the operations of the Beverages Group are further classified into beer and hard liquor.

a. Beer - Domestic

The domestic beer and malt-based 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 operations are supervised by San Miguel Brewing International Limited (SMBIL), a company incorporated in the British Virgin Islands. In late January 2010, SMB completed the purchase of all the shares of San Miguel Holdings Limited, a wholly owned subsidiary of SMC, in SMBIL, comprising 100% of the issued and outstanding capital of SMBIL. With the purchase, SMBIL became a direct wholly-owned subsidiary of SMB. The international beer group operates 1 brewery each in Indonesia, Vietnam, Thailand and Hong Kong and 2 breweries in China (Shunde and Baoding).

c. Hard Liquor

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.

d. Non-alcoholic

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

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. (SMFI), San Miguel Mills, Inc. (SMMI), The Purefoods-Hormel Company, Inc. (PF-Hormel), Magnolia Inc. (Magnolia), San Miguel Super Coffeemix Co. (SMSCCI), Inc. and Monterey Foods Corporation (Monterey).

SMPFC holds in its portfolio the names of some of the most formidable brands in the Philippine food industry, among them, Magnolia, Pure Foods, Monterey, Star, Dari Crème, B-Meg, and Pure Blend. To date, SMPFC has a product line up that is unparalled in the industry, offering a variety of food products and services for both individual and food service customers. Its products range from cooking oils, feeds, flour and flour-based products, poultry, fresh and processed meats, breadfill, dairy and coffee. 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, 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. Ltd. who owns 100% of San Miguel Pure Foods (VN) Co., Ltd. (SMPFVCL).

The establishment of SMSCCI, through partnership with Super Coffeemix Manufacturing Ltd. of Singapore, marked the entry of SMPFC in the coffee business. SMSCCI imports, packages, 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 the U.S. markets, the Packaging Group is involved in the production and marketing of the following packaging products, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene/kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, crate and plastic pallet leasing, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in PET bottle filling, graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

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, plastic), Vietnam (glass, metal) and Malaysia (flexibles, 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.

San Miguel Yamamura Packaging Corporation (SMYPC) and San Miguel Yamamura Packaging International Limited (SMYPIL) are 65%-35% joint venture companies between SMC and NYG following NYG's purchase of SMC's 35% interest in SMPSI and SMYPIL in 2008. SMYPC owns all of the domestic plants of the Packaging Group, except the corrugated carton plant, Mindanao Corrugated Fibreboard, Inc., and San Miguel Yamamura Asia Corporation, which is already an existing joint venture between SMC and NYG, while SMPIL's subsidiaries are composed of the Packaging Group's international facilities.

In December 2009, SMYPIL acquired a 65% stake in James Huntly Knox Investments Pty Ltd. (JHK Investments), the parent company of the Cospak Group. JHK Investments was subsequently renamed "San Miguel Yamamura Knox Pty. Ltd." in February 2010.

Properties

San Miguel Properties, Inc. (SMPI) was created in 1990 as an independent developer. It is the Group's primary property subsidiary, currently owned 99.68% by SMC. SMPI was created 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. ("HRI"), with SMPI as the surviving entity.

SMPI is presently engaged primarily in the development, sale and lease of real properties. It is the corporate real estate arm of the Group. As of year end 2009, SMPI also has a 31.23% in Bank of Commerce ("BOC"), which has been serving the Philippine banking community for over 15 years.

New Businesses

Following the diversification of the Parent Company into other businesses, the Parent Company entered into a share purchase agreement for a 27% stake in The Manila Electric Company, the Philippines' biggest power distribution company; and acquired an option to acquire a 50.1% stake in Petron Corporation, the Philippines' largest oil refinery and retail distributor. Through its subsidiaries, it has acquired a 32.7% stake in Liberty Telecoms Holdings Inc., which owns 4th generation frequencies; a 35% stake in Private Infra Development Corporation which will undertake the construction of the Tarlac-Pangasinan-La Union Tollway; the Independent Power Producer Administration of the 2x500 MW Sual Power Plant and 345 MW San Roque Multi-Purpose Hydro Power Plant; the 620 MW Limay Power Plant; a 100% stake in Daguma Agro-Minerals Inc., a coal mine located in South Cotabato; and a 31% stake in Bank of Commerce.

SMC is continuously evaluating possible investments in the exploration and development of natural resources such as coal, oil and gas, as well as infrastructure projects in furtherance of its corporate strategy to diversify into non-core businesses.

Financial Statements

The Audited Consolidated Financial Statements of the Company as of December 31, 2009, including the Company's Statement of Management's Responsibility, are attached hereto as **Annex "B"**. The notes to the 2009 Audited Consolidated Financial Statements of the Company are in its annual report in CD format distributed to the shareholders. On April 30, 2010, the SEC approved the Company's distribution of its Definitive Information Statement to its shareholders without the said notes to the 2009 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, 2009 is attached hereto as **Annex "C".**

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 P10 million and P9 million in 2009 and 2008, 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 2010 are as follows:

	2008				2009				2010			
	Class A		Class B		Class A		Class B		Class A		Class B	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1st	61.50	38.50	62.00	39.00	52.00	39.00	52.50	39.50	74.50	66.50	74.50	67.00
2nd	47.00	38.00	49.00	38.50	66.00	49.50	65.50	50.00				
3rd	61.00	39.00	62.00	39.00	69.50	56.00	70.00	57.00				
4th	59.50	39.50	60.00	40.50	71.50	63.00	71.50	65.00				

The closing prices as of April 28, 2010, the latest practicable trading date, are as follows:

Class "A" Common P 73.50
Class "B" Common P 73.50

The approximate number of shareholders as of March 31, 2010 is 41,411.

The top 20 common and preferred stockholders as of March 31, 2010 are as follows:

Rank	Name of Stockholders	Class "A"	Class "B"	Preferred Shares – Series "1"	Total No. of Shares
1	Top Frontier Investment Holdings, Inc.**	745,307,648	111,808,266	0	857,115,914
2	Q-Tech Alliance Holdings, Inc.	0	628,666,675	0	628,666,675
3	ASC Investors, Inc.	0		167,483,095	
4	ARC Investors, Inc.			105,689,360	
5	Primavera Farms, Inc.	94,738,250	0	0	94,738,250
6	Toda Holdings, Inc.			74,880,174	
7	Pastoral Farms, Inc.	63,158,769	0	0	63,158,769
8	Black Stallion Ranch, Inc.	63,158,769	0	0	63,158,769
9	Misty Mountains Agricultural Corp.	63,158,769	0	0	63,158,769

Rank	Name of Stockholders	Class "A"	Class "B"	Preferred Shares – Series "1"	Total No. of Shares
10	Te Deum Resources, Inc.	0		58,487,823	58,487,823
11	Rock Steel Resources, Inc.	0		58,237,403	58,237,403
12	PCD Nominee Corporation (Filipino)	34,906,466	19,038,174	0	53,994,640
13	San Miguel Officers Corps, Inc.	0	0	53,863,035	53,863,035
14	Roxas Shares, Inc.	0	0	52,815,194	52,815,194
15	San Miguel Corporation Retirement Plan	0	15,001	48,694,406	48,709,407
16	Silver Leaf Plantations, inc.	47,369,061	0	0	47,369,061
17	Meadow-Clark Plantations, inc.	47,369,039	0	0	47,369,039
18	Union Bank of the Philippines	0	0	37,693,500	37,693,500
19	AP Holdings, Inc.	0	0	34,669,405	34,669,405
20	Valhalla Properties, Inc.	0	0	31,411,848	31,411,848

**

As of April 14, 2010, Top Frontier Investments Holdings, Inc. has voting rights to a total of 2,058,617,950 shares of the Company which represent about 89.50% of the outstanding capital stock of the Company.

Cash dividends declared per common share amounted to P1.40 and P0.70 in 2009 and 2008, respectively.

Description of the following securities of the Group may be found in the indicated Notes to the 2009 audited Consolidated Financial Statements, attached herein as **Annex "B"**:

Long-term Debt	Note 18
Stockholders' Equity	Note 20
Share-Based Transactions	Note 34

There were no securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code (SRC), except for the issuance of Series "1" Preferred Shares under the exchange offer of the Parent Company under Section 10.1(j) in September 2009; issuance of additional Series "1" Preferred Shares in December 2009 under Section 10 (k) and (l); and issuance of floating rate corporate notes in February 2009 and common shares under the LTIP and employee stock purchase plan Section 10.2 of the SRC.

Independent Public Accountants

The accounting firm of Manabat Sanagustin & Co., CPAs ("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. 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 institute, for 2009, the Company has substantially adopted all the provisions of the Manual, save for the Company's undertaking under Section 4.2 of the Manual in respect of Mr. Hirotake Kobayashi and Mr. Keisuke Nishimura, former directors, who were not able to attend a seminar on corporate governance before assuming such position and resigned prior to attending one; and Mr. Mirzan Mahathir who was not able to attend a seminar on corporate governance before assuming such position in September 2009.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders. On April 14, 2010, the Board of Directors amended the Manual pursuant to the Revised Code of Corporate Governance issued by the SEC under its Memorandum Circular No. 6, series of 2009.

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 April 30, 2010.

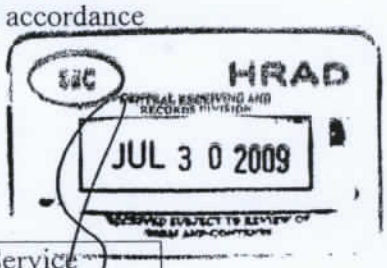
SAN MIGUEL CORPORATION

By:

FRANCIS H. JARDELEZA
Corporate Secretary

ANNEX "A-1"

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
Philippine National Construction Corporation	DIRECTOR	Feb. 08, 2001 to present
Philippine Social Security Association	CHAIRMAN	July 21, 2009

3. I posses 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 28th day of July, 2009 at Pasay City.

WINSTON F. GARCIA
Affiant

SUBSCRIBED AND SWORN to before me this 28th day of July 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. 180;
Page No. 37;
Book No. I;
Series of 2009.

ATTY. JOSEF-JAKE C. AGUILAR
NOTARY PUBLIC UNTIL DECEMBER 31, 2010
PTR NO. 1452390 / 1-14-2009 / PASAY CITY
IBP NO. 762497 / 1-19-2009 / MANILA IV
ROLL NO. 52182 / TIN 209-625-910
MCLE COMPLIANCE NO. II-0015348

ANNEX "A-2"

SEC HRAD
CENTRAL RECEIVING AND RECORDS
JUL 27 2009 27
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

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 posses 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 23 2009 day of _____, 2009 at MANDALUYONG CITY.

CARMELO L. SANTIAGO
Affiant

SUBSCRIBED AND SWORN to before me this JUL 23 2009 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. 57;
Page No. 13;
Book No. IV;
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. 0384071; 1/5/09; Mandaluyong City
IPB 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.

ANNEX "B"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009, 2008 and 2007

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 statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of income, consolidated statements of comprehensive 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, 2009. 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., CPAs, 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.

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 April 15, 2010, affiant exhibiting to me their passports as follows:

Name	Passport No.	Date of Issue	Place of Issue
Ramon S. Ang	ZZ202387	December 20, 2006	Manila
Ferdinand K. Constantino	XX0167306	November 24, 2007	Manila

mab

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. 0668995; 1/14/10; Mandaluyong City
IBP No.811957; 01/11/10; Makati City

Doc. No. 318;
Page No. 65;
Book No. III;
Series of 2010.

SUBSCRIBED AND SWORN to before me this April 19, 2010, affiant exhibiting to me his passport as follows:

Name	Passport No.	Date of Issue	Place of Issue
Eduardo M. Cojuangco, Jr.	XX1347206	June 6, 2008	Manila

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. 0668995; 1/14/10; Mandaluyong City
IBP No.811957; 01/11/10; Makati City

Doc. No. 334;
Page No. 68;
Book No. 41;
Series of 2010.

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

Branches · Subic · Cebu · Bacolod · Iloilo

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

PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
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 statements of financial position as at December 31, 2009 and 2008, and the consolidated statements of income, consolidated statements of comprehensive 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, 2009, and notes, comprising a summary of significant accounting policies and other explanatory information.

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.

Manabat Sanagustin & Co., CPAs, a Philippine partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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, 2009 and 2008, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2009, in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO., CPAs

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. 2092726 MB
Issued January 7, 2010 at Makati City

April 14, 2010
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Millions)

		December 31	
	Note	**2009**	2008
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 35, 36*	**P209,411**	P116,939
Trade and other receivables - net	*4, 8, 35, 36*	**49,082**	50,814
Inventories	*4, 9*	**25,458**	25,836
Current portion of biological assets - net	*4, 13*	**2,525**	2,932
Prepaid expenses and other current assets	*30, 35, 36*	**8,891**	7,742
		295,367	204,263
Assets held for sale	*6, 10*	**2,746**	-
Total Current Assets		**298,113**	204,263
Noncurrent Assets			
Investments and advances - net	*4, 10, 35, 36*	**39,356**	32,253
Property, plant and equipment - net	*4, 11, 27*	**65,919**	68,313
Investment properties - net	*4, 12*	**1,867**	1,838
Biological assets - net of current portion	*4, 13*	**1,847**	1,814
Goodwill - net	*4, 10, 14, 27, 33*	**6,408**	5,201
Other intangible assets - net	*4, 14, 27*	**3,630**	3,812
Deferred tax assets	*4, 19*	**8,883**	7,638
Other noncurrent assets - net	*4, 10, 15, 27, 30, 35, 36*	**12,468**	14,241
Total Noncurrent Assets		**140,378**	135,110
		P438,491	P339,373
LIABILITIES AND EQUITY			
Current Liabilities			
Drafts and loans payable	*16, 35, 36*	**P56,789**	P48,560
Accounts payable and accrued expenses	*17, 30, 35, 36*	**31,404**	23,292
Income and other taxes payable	*19*	**4,186**	4,429
Dividends payable	*31*	**573**	1,563
Current maturities of long-term debt - net of debt issue costs	*18, 35, 36*	**1,077**	9,044
Total Current Liabilities		**94,029**	86,888

Forward

		December 31	
	Note	**2009**	2008
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*18, 35, 36*	**P71,885**	P40,719
Deferred tax liabilities	*19*	**12,037**	17,851
Other noncurrent liabilities	*29, 30, 35, 36*	**19,602**	25,691
Total Noncurrent Liabilities		**103,524**	84,261
Equity	*20, 31, 34*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common		**16,150**	16,112
Capital stock - preferred		**4,852**	-
Additional paid-in capital		**99,085**	31,183
Revaluation increment		**18**	18
Cumulative translation adjustments		**5,845**	4,837
Retained earnings:			
Appropriated		**5,497**	5,522
Unappropriated		**151,911**	96,298
Treasury stock		**(69,541)**	(4,053)
		213,817	149,917
Non-controlling Interests	*2*	**27,121**	18,307
Total Equity		**240,938**	168,224
		P438,491	P339,373

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Millions, Except Per Share Data)

	Note	**2009**	2008	2007
SALES		**P174,213**	P168,041	P148,022
COST OF SALES	*21*	**124,295**	124,072	110,062
GROSS PROFIT		**49,918**	43,969	37,960
SELLING AND ADMINISTRATIVE EXPENSES	*22*	**(30,249)**	(29,151)	(26,333)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*16, 18, 25*	**(7,926)**	(6,032)	(7,117)
INTEREST INCOME	*26*	**5,989**	6,630	2,087
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES	*6, 10*	**2,816**	(1,132)	164
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*10, 11*	**50,630**	8,746	2,224
OTHER INCOME (CHARGES) - Net	*27*	**(6,843)**	(2,262)	3,614
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**64,335**	20,768	12,599
INCOME TAX EXPENSE	*19*	**3,706**	6,098	4,520
INCOME FROM CONTINUING OPERATIONS		**60,629**	14,670	8,079
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS	*6*	**-**	5,413	272
NET INCOME		**P60,629**	P20,083	P8,351
Attributable to:				
Equity holders of the Parent Company		**P57,799**	P19,348	P8,630
Non-controlling interests		**2,830**	735	(279)
		P60,629	P20,083	P8,351
Earnings Per Share From Continuing Operations, attributable to equity holders of the Parent Company	*32*			
Basic		**P19.21**	P4.41	P2.59
Diluted		**P19.10**	P4.40	P2.58

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Millions)

	Note	**2009**	2008	2007
NET INCOME		**P60,629**	P20,083	P8,351
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		**521**	689	(3,022)
SHARE IN COMPREHENSIVE GAIN (LOSS) OF ASSOCIATES	*10*	**252**	(19)	-
NET GAIN (LOSS) ON CASH FLOW HEDGES	*36*	**222**	(221)	(17)
INCOME TAX BENEFIT (EXPENSE)		**(67)**	66	6
NET GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		**(33)**	(17)	190
INCOME TAX BENEFIT (EXPENSE)		**3**	2	(19)
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX		**898**	500	(2,862)
TOTAL COMPREHENSIVE INCOME - NET OF TAX		**P61,527**	P20,583	P5,489
Comprehensive Income Attributable to:				
Equity holders of the Parent Company		**P58,807**	P19,314	P8,887
Non-controlling interests		**2,720**	1,269	(3,398)
		P61,527	P20,583	P5,489

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Millions)

	Note	**2009**	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations		**P64,335**	P20,768	P12,599
Income (loss) before income tax from discontinued operations	*6*	**-**	(19)	2,681
Gain (loss) from disposal of discontinued operations	*6*	**-**	5,425	(1,235)
Income before income tax		**64,335**	26,174	14,045
Adjustments for:				
Depreciation, amortization and others - net	*5*	**14,724**	9,303	10,236
Interest expense and financing charges	*6, 25*	**7,926**	6,032	10,101
Interest income		**(5,989)**	(6,630)	(2,404)
Equity in net losses (earnings) of associates	*10*	**(2,816)**	1,132	(246)
Loss (gain) from disposal of discontinued operations	*6*	**-**	(5,425)	1,235
Gain on sale of investments and property and equipment		**(50,630)**	(8,746)	(2,219)
Operating income before working capital changes		**27,550**	21,840	30,748
Changes in noncash current assets, certain current liabilities and others	*33*	**(1,195)**	(1,291)	15,192
Cash generated from operations		**26,355**	20,549	45,940
Interest paid		**(6,348)**	(5,665)	(9,449)
Income taxes paid		**(6,651)**	(7,835)	(6,201)
Net cash flows provided by operating activities		**13,356**	7,049	30,290
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	*33*	**(1,494)**	-	-
Additions to investments and advances		**(5,771)**	(6,667)	-
Additions to property, plant and equipment	*11*	**(6,249)**	(6,437)	(9,310)
Increase in other noncurrent assets and others		**(950)**	(16,010)	(14,820)

Forward

	Note	**2009**	2008	2007
Payments by (advances to) related parties		**P3,243**	P31,708	(P35,721)
Proceeds from sale of investments and property and equipment		**55,127**	13,663	6,269
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	*6*	**-**	9,083	90,684
Interest received		**5,249**	6,558	2,374
Dividends received		-	-	59
Net cash flows provided by investing activities		**49,155**	31,898	39,535
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**691,093**	608,756	345,789
Long-term borrowings		**67,786**	64	84,398
Payments of:				
Short-term borrowings		**(683,569)**	(605,088)	(337,512)
Long-term borrowings		**(44,657)**	(13,336)	(88,342)
Cash dividends paid	*31*	**(3,301)**	(4,463)	(3,228)
Proceeds from issuance of capital stock	*20*	**7,087**	3	503
Dividends paid to non-controlling shareholders		**(2,192)**	(393)	(123)
Increase in non-controlling interests		**315**	592	-
Net cash flows provided by (used in) financing activities		**32,562**	(13,865)	1,485
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(2,601)**	(1,424)	(1,016)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**92,472**	23,658	70,294
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**116,939**	93,281	24,280
CASH AND CASH EQUIVALENTS ASSOCIATED TO ASSETS HELD FOR SALE		**-**	-	(1,293)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P209,411**	P116,939	P93,281

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company											Non-controlling Interests	Total Equity
		Capital Stock		Additional		Cumulative Translation Adjustments			Retained Earnings					
	Note	Common	Preferred	Paid-in Capital	Revaluation Increment	Translation Reserve	Hedging Reserve	Fair Value Reserve	Appro-priated	Unappro-priated	Treasury Stock	Total		
As of January 1, 2009		**P16,112**	**P -**	**P31,183**	**P18**	**P4,882**	**(P123)**	**P78**	**P5,522**	**P96,298**	**(P4,053)**	**P149,917**	**P18,307**	**P168,224**
Foreign currency translation differences		-	-	-	-	662	-	-	-	-	-	662	(141)	521
Share in comprehensive gain of associates	*10*	-	-	-	-	193	-	59	-	-	-	252	-	252
Effective portion of changes in fair value of cash flow hedges, net of tax	*36*	-	-	-	-	-	123	-	-	-	-	123	32	155
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	-	-	(29)	-	-	-	(29)	(1)	(30)
Other comprehensive income		-	-	-	-	855	123	30	-	-	-	1,008	(110)	898
Net income for the year		-	-	-	-	-	-	-	-	57,799	-	57,799	2,830	60,629
Total comprehensive income for the year		-	-	-	-	855	123	30	-	57,799	-	58,807	2,720	61,527
Issuance of capital stock	*20*	38	486	6,563	-	-	-	-	-	-	-	7,087	-	7,087
Exchange of capital stock	*20*	-	4,366	61,122	-	-	-	-	-	-	(65,488)	-	-	-
Stock options	*34*	-	-	217	-	-	-	-	-	-	-	217	-	217
Addition to non-controlling interests	*2, 10*	-	-	-	-	-	-	-	-	-	-	-	8,392	8,392
Appropriations - net	*20*	-	-	-	-	-	-	-	(25)	25	-	-	-	-
Cash dividends	*31*	-	-	-	-	-	-	-	-	(2,211)	-	(2,211)	(2,298)	(4,509)
As of December 31, 2009	*20*	**P16,150**	**P4,852**	**P99,085**	**P18**	**P5,737**	**P -**	**P108**	**P5,497**	**P151,911**	**(P69,541)**	**P213,817**	**P27,121**	**P240,938**

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company											Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total		
		Common	Preferred			Translation Reserve	Hedging Reserve	Fair Value Reserve	Appro-priated	Unappro-priated				
As of January 1, 2008		P16,109	P -	P30,930	P18	P4,699	P -	P172	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093
Foreign currency translation differences		-	-	-	-	183	-	-	-	-	-	183	506	689
Share in comprehensive loss of an associate	*10*	-	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Effective portion of changes in fair value of cash flow hedges, net of tax	*36*	-	-	-	-	-	(123)	-	-	-	-	(123)	(32)	(155)
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	-	-	(75)	-	-	-	(75)	60	(15)
Other comprehensive income (loss)		-	-	-	-	183	(123)	(94)	-	-	-	(34)	534	500
Net income for the year		-	-	-	-	-	-	-	-	19,348	-	19,348	735	20,083
Total comprehensive income (loss) for the year		-	-	-	-	183	(123)	(94)	-	19,348	-	19,314	1,269	20,583
Issuance of capital stock	*20*	3	-	-	-	-	-	-	-	-	-	3	-	3
Stock options	*34*	-	-	253	-	-	-	-	-	-	-	253	-	253
Addition to non-controlling interests	*2, 10*	-	-	-	-	-	-	-	-	-	-	-	6,217	6,217
Appropriations - net	*20*	-	-	-	-	-	-	-	(512)	512	-	-	-	-
Cash dividends	*31*	-	-	-	-	-	-	-	-	(4,417)	-	(4,417)	(508)	(4,925)
As of December 31, 2008	*20*	P16,112	P -	P31,183	P18	P4,882	(P123)	P78	P5,522	P96,298	(P4,053)	P149,917	P18,307	P168,224

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company											Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments			Retained Earnings		Treasury Stock	Total		
		Common	Preferred			Translation Reserve	Hedging Reserve	Fair Value Reserve	Appro-priated	Unappro-priated				
As of January 1, 2007		P16,067	P -	P30,211	P18	P4,567	P9	P1	P6,036	P76,637	(P4,053)	P129,493	P21,604	P151,097
Foreign currency translation differences		-	-	-	-	95	-	-	-	-	-	95	(3,117)	(3,022)
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	-	-	-	(9)	-	-	-	-	(9)	(2)	(11)
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	-	-	171	-	-	-	171	-	171
Other comprehensive income (loss)		-	-	-	-	95	(9)	171	-	-	-	257	(3,119)	(2,862)
Net income for the year		-	-	-	-	-	-	-	-	8,630	-	8,630	(279)	8,351
Total comprehensive income (loss) for the year		-	-	-	-	95	(9)	171	-	8,630	-	8,887	(3,398)	5,489
Issuances of capital stock	*20*	42	-	461	-	-	-	-	-	-	-	503	-	503
Stock options	*34*	-	-	258	-	-	-	-	-	-	-	258	-	258
Addition to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	2,061	2,061
Appropriations - net	*20*	-	-	-	-	-	-	-	(2)	2	-	-	-	-
Non-controlling interest associated with discontinued operations	*6*	-	-	-	-	-	-	-	-	-	-	-	(8,824)	(8,824)
Cash dividends	*31*	-	-	-	-	-	-	-	-	(4,414)	-	(4,414)	(114)	(4,528)
		16,109	-	30,930	18	4,662	-	172	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
As of December 31, 2007	*20*	P16,109	P -	P30,930	P18	P4,699	P -	P172	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION

ANNEX "C"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

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, 2009. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009. All necessary adjustments to fairly present the Group's consolidated financial position as of December 31, 2009 and the financial performance and cash flows for the year ended December 31, 2009 and for all the other periods presented have been made.

I. BASIS OF PREPARATION

Basis of Measurement

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 (AFS) financial assets are measured at fair value;
- defined benefit asset is measured as the net total of the plan assets, less unrecognized actuarial gains and the present value of the defined benefit obligation; and
- agricultural produce are measured at fair value less estimated costs to sell at the point of harvest.

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All values are rounded to the nearest million (₱000,000), except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and 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 by the Group to all periods presented in the 2009 consolidated financial statements, except for the changes as explained below.

The FRSC approved the adoption of new or revised standards, amendments to standards, and interpretations as part of PFRS. Accordingly, the Group changed its accounting policies in the following areas:

- PFRS 8, *Operating Segments,* introduces the "management approach" to segment reporting.

  Starting January 1, 2009, the Group determined and presented operating segments based on the information internally provided to the BOD. Previously, operating segments were determined and presented in accordance with PAS 14, *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

  - Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on basic and diluted earnings per share (EPS).

  - An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the BOD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

  - Segment results that are reported to the BOD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Parent Company's headquarters), certain head office expenses, and deferred tax assets and liabilities.

  - Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

- Revised PAS 1, *Presentation of Financial Statements* (2007), introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.

  The Group applied Revised PAS 1, which became effective as of January 1, 2009. The Group presented all non-owner changes in equity in the consolidated statements of comprehensive income and consolidated statements of changes in equity.

Comparative information has been re-presented to be also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on basic and diluted EPS.

- Revised PAS 23, *Borrowing Costs*, removes the option to charge to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

  Prior to this revised standard, the Group already capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*, require disclosures relating to fair value measurements using a three-level fair value hierarchy that: reflects the significance of the inputs used in measuring fair values; provide more direction on the form of quantitative disclosures about fair value measurements; and require information to be disclosed in a tabular format unless another format is more appropriate. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk.

  The said new required disclosures have been included in Note 36 to the consolidated financial statements. As allowed by the amendments, in the first year of application, comparative information is not required to be disclosed.

- *Embedded Derivatives* - Amendments to Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives* and PAS 39, *Financial Instruments: Recognition and Measurement*, clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in the consolidated financial statements. The amendments are effective for annual periods ending on or after June 30, 2008.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The interpretation takes effect for annual periods beginning on or after July 1, 2008.

- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*, applies to all entities using net investment hedging for investments in foreign operations and clarifies that net investment hedging can be applied only when the net assets of the foreign operation are included in the financial statements of the entity. The requirements in the interpretation do not apply to other forms of hedge accounting under PAS 39 and cannot be applied by analogy. IFRIC 16 provides guidance on the following issues: (a) nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated; (b) where the hedging instrument can be held; and (c) disposal of a foreign operation**.** The interpretation is effective for annual periods beginning on or after October 1, 2008.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*, provides additional guidance on the accounting for the contributed property, plant and equipment by "access providers" (i.e., by the entity receiving the contribution) from customers. The interpretation clarifies: the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services; the recognition of revenue; and the accounting for transfers of cash from customers. The interpretation is effective for all transfers on or after July 1, 2009.

- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation,* became effective for financial years beginning on or after January 1, 2009. The standards have been amended to require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

- Amendments to PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations,* became effective for financial years beginning on or after January 1, 2009. The standards have been amended: to clarify the definition of vesting conditions (which are service conditions and performance conditions only); introduce the concept of non-vesting conditions; require non-vesting conditions to be reflected in grant-date fair value; and provide the accounting treatment for non-vesting conditions and cancellations.

- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate,* became effective for financial years beginning on or after January 1, 2009. The amendments to PAS 27 remove the definition of "cost method" currently set out in PAS 27, and instead require all dividend from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established.

- *Improvements to PFRS 2008* - various standards *(*except as related to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations)*, discusses 35 amendments and is divided into two parts: (a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and (b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board expects to have either no or only minimal effects on accounting. These improvements are effective for annual periods beginning on or after January 1, 2009.

- *Improvements to PFRS 2009* - Amendment to PAS 18, *Revenue, Determining whether an entity is acting as a principal or as an agent.* The appendix accompanying PAS 18 is amended to specify that an entity acts as a principal when it is exposed to the significant risks and rewards associated with the sale of goods or rendering of services. The amendments also include in the appendix to PAS 18 a number of indicators for consideration in assessing whether an entity is acting as a principal or as an agent. As this is an amendment to an appendix, there is no related effective date and therefore is applicable immediately.

The adoption of the foregoing new or revised standards, amendments to standards and Philippine Interpretations of IFRIC did not have a material effect on the consolidated financial statements. Additional disclosures required by the revised standards and improvements were included in the consolidated financial statements, where applicable.

II. FINANCIAL PERFORMANCE

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

	Years Ended December 31		
	2009	2008	2007
		(In Millions)	
Sales	**₱174,213**	₱168,041	₱148,022
Gross Profit	**49,918**	43,969	37,960
Selling and Administrative Expenses	**(30,249)**	(29,151)	(26,333)
Financing Income (Charges) - Net	**(1,937)**	598	(5,030)
Equity in Net Earnings (Losses) of Associates	**2,816**	(1,132)	164
Gain on Sale of Investments and Property and Equipment	**50,630**	8,746	2,224
Other Income (Charges) - Net	**(6,843)**	(2,262)	3,614
Income from Continuing Operations	**60,629**	14,670	8,079
Income after Income Tax from Discontinued Operations	**-**	5,413	272
Net Income Attributable to Equity Holders of the Parent Company	**57,799**	19,348	8,630

2009 vs. 2008

The Group's 2009 consolidated sales revenue amounted to ₱174,213 million, 4% higher than the previous year. With strong sales in the beer and hard liquor sectors, the recovery of San Miguel's packaging and food businesses, and a reduction in fixed costs across the Group, consolidated operating income reached ₱19,669 million, 33% above 2008 level.

Equity in net earnings of associates represents the Group's share in net income of Manila Electric Company (Meralco), Bank of Commerce (BOC) and San Miguel Energy Corporation (SMEC).

The Group's net financing charges, on the other hand, amounted to ₱1,937 million, with higher interest expenses partly offset by interest income.

The Group recognized gain on sale of investments and property and equipment amounting to ₱ 50,630 million, bulk of which pertains to gain from sale of the 43.2499% stake in San Miguel Brewery Inc. (SMB) to Kirin Holdings Company, Limited (Kirin) in May 2009. The proceeds from the sale were used to pay the Parent Company's debt of US$923 million or about ₱43,575 million. The balance was earmarked for investment in the telecom business which the BOD has approved and other investments, including the potential exercise of the option to buy the Petron shares.

Other charges of ₱6,843 million, includes mainly impairment losses of San Miguel Beer International Limited (SMBIL) and foreign exchange losses of ₱3,364 million, net of gain on derivatives of ₱962 million.

Consolidated net income for the year reached ₱57,799 million, significantly higher than last year's net income.

2008 vs. 2007

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

This resulted to a consolidated operating income of ₱ 14,818 million, 27% higher than 2007. Beer domestic operation's income performance was consistently good in 2008. Beer International ended 2008 with a positive contribution, turning around from an operating loss reported in 2007. Packaging business performance ended 2008 significantly better than 2007 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 financial 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 BOC partly offset by the equity in net income of Meralco.

Gain on sale of investments and property and equipment include gain from the initial public offering of 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 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 2007. Coupled with the gain from discontinued operations, consolidated net income amounted to ₱19,348 million, significantly higher than 2007.

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

2009 vs. 2008

BEVERAGE

Beer Domestic

SMB's ₱38,800 million bond offering in January 2009 was record-breaking and the largest-ever domestic debt offering by a corporate issuer in the Philippines. In May 2009, SMC's longtime strategic partner and Japan's Kirin acquired a 43.2499% stake in SMB at ₱8.841 per share. Before the close of 2009, Kirin signed a share purchase agreement with SMC to acquire 100% of SMBIL for the purchase price of USD302 million. The acquisition was finalized on January 29, 2010.

SMB ended the year with sales volumes of 174.6 million cases. SMB's sales revenue of ₱51,010 million grew 5% from the prior year helped along by a price increase implemented in November 2009. On-going efforts to stimulate volumes, improve cost efficiencies and manage fixed costs resulted in an operating income of ₱16,012 million, 3% higher compared to 2008. Net income was at ₱10,033 million.

Amid challenging market conditions, SMB's favorable performance was driven by the comprehensive and integrated implementation of consumer-focused ad and promo initiatives, as well as enhanced operational efficiencies. SMB continued to concentrate on the implementation of perennially successful special events notably Red Horse "Musiklaban" and SanMig Light's sponsorship events. SMB also invested in above-the-line initiatives, installing electronic billboards for San Miguel's Premium All-Malt and airing various TV and radio advertisements. The National Beer Drinking Contest, which celebrated its tenth run in 2009, raised the profile of SMB's flagship brand, strengthening San Miguel Pale Pilsen's (SMPP) sales.

Beer International

The economic crisis and tough industry conditions in most markets weighed down SMB's international operations. Total volumes fell short of 2008 levels, with most markets retreating in terms of sales. Nevertheless, gains were seen in Thailand's domestic operations, which grew by 13% over 2008. The Indonesian operations and export business also posted improvements, growing by 3% and 4% respectively.

Sales revenue amounted to US$275 million, 3% lower than 2008. Operating income stood at US$6.48 million, a significant improvement from last year's loss of US$1.57 million, driven by margin improvements, reduction in discounts and fixed cost management.

In Hong Kong, San Miguel Brewery Hong Kong, Ltd. (SMBHK) remains the No. 1 beer company with its flagship San Miguel brand at the forefront. SMBHK's economy brands have maintained their growth momentum, even as full-year total domestic volumes ended lower than 2008 in the highly competitive Hong Kong beer market. SMBHK ended the year with a positive operating income, following a strong fourth quarter run, which virtually wiped out losses posted in the first three quarters of the year. Rationalization of discounts and the resumption of Hong Kong brewery operations all helped mitigate losses resulting from the decline in volumes.

South China's sales remained sluggish as the r home base in South China, Guangdong Province, continued to suffer from the economic recession. Fierce competitive discounting in the wholesaler-served channel also affected results. However, market penetration programs and trade and consumer incentives resulted in improved sales, particularly during the month of December.

In North China, sales volumes also fell behind 2008 levels amid tougher economic conditions, more stringent drunk-driving policies and heavy discounting at the wholesale level. Higher selling prices and bigger fixed cost savings helped offset the decline in volumes, pushing operating results to slightly above break-even levels. Although falling short of last year's results, North China turned in a second consecutive year of positive income in 2009.

Largely on the strength of Anker Bir volumes, PT Delta Djakarta (PT-Delta) turned in a solid performance, finishing the year with a 3% domestic volume growth. PT-Delta's operating income was an impressive improvement over 2008 stemming from strong volumes, rationalization of discounts and lower fixed costs.

In Vietnam, sales of San Miguel brands ended the year 4% ahead of 2008 following months of continued growth. The increase in export volumes compensated for the decline in Bia Hoi sales, pushing total production volumes higher than last year.

In Thailand, domestic volumes sustained the brewery's growth momentum despite a contraction in the Thai beer industry. Noteworthy was the performance of San Mig Light which posted four consecutive quarters of double-digit growth for the year. After three successive quarters of decline, sales of the flagship brand, SMPP, began trending upward. All these resulted in a significant improvement in the over-all profitability of our Thai operations.

Beer exports unit did well, bolstered by higher sales volumes to the Middle East and South Asia. Operating income for the year was significantly higher than 2008, aided by better volumes and higher margins.

Liquor and Spirits

Ginebra San Miguel, Inc.'s (GSMI) performance for 2009 was strong and on target, advancing its new positioning as a total beverage company, one that markets both alcoholic and non-alcoholic beverages. Propelled by GSM Blue and Gran Matador Brandy, domestic volumes posted impressive gains from the prior year. GSM Blue and Gran Matador have consistently delivered double digit volume gains, bringing total hard liquor domestic volumes to 36.9 million cases, 15% higher than 2008. Effective ad and promo programs such as the "Imagine" TVC, Bluniversity, Bluefest, "Tuloy ang init-part 2 UTC" and "Gin-u-win UTC" were successful in capturing consumer interest. Continuing improvements in product distribution and trade channel penetration have also translated into higher sales.

GSMI's sales revenues grew 27% to ₱19,549 million while operating income reached ₱1,086 million, significantly higher than the prior year. This was largely the result of high volumes, price increases and improved distillery operations, all of which greatly offset the higher cost of packaging materials, the increase in specific tax and conversion costs.

Combined with an increase in financing charges resulted in a net income of ₱701 million, a turnaround from last year's loss of ₱279 million.

2009 also saw the integration of San Miguel's non-alcoholic beverage subsidiary into GSMI. Beverage volumes posted significant growth from previous year.

FOOD

The Food Group ended 2009 with a record-breaking performance despite a highly competitive market for food manufacturers, where competition has been driven primarily by the factors of price and affordability. Nevertheless, the scale and breadth of San Miguel's food operations offer the company a unique ability to operate across categories, with both branded and institutional products. In this respect, the Food Group's track record of service, successful product innovation and breadth of capability has served it well in times of economic hardship, affording the company category leadership in many market segments.

Consolidated revenue of the Food Group reached ₱77,144 million with year-on-year growth of 5%. The poultry, flour, dairy and feeds businesses consistently performed strongest, while favorable selling prices, softening raw material prices across the commodity and dairy business

units, improved efficiencies and effective cost management resulted in better margins than the prior year. Operating income was thus ₱4,530 million, more than double the ₱2,019 million registered in 2008. Another factor that contributed to this overall success were the Food Group's initiatives at business process outsourcing resulting in a more streamlined, cost-efficient organization. Business model enhancements were made in the meat retailing operations, while efforts to expand the Food Group's export base were largely successful.

Given that the economic situation remains uncertain, the Food Group will continue to manage accordingly, focusing on margins, costs and cash flow so that San Miguel Purefoods Company, Inc. (SMPFC) maximizes profits in the short term, but also positions the business to move forward in the medium to long term.

Agro-Industrial Cluster
Revenues of the agro-industrial cluster rose 10% to ₱53,601 million, driven by volume growth and better selling prices in the poultry and basic meats businesses. Stable raw material costs brought operating income to ₱3,091 million, nearly double the previous year.

Integrated Agro-Industrial Zone. It was a record year for the poultry segment which generated revenues of ₱25,799 million coming from growth in both volumes and selling prices.

The Magnolia Chicken Stations and wet market sales delivered the biggest volume growth with 107 new chicken station outlets opened in 2009 alone.

Continued expansion of the breeding and growing facilities using a climate-controlled system helped improved operations efficiencies, thus reducing production costs.

The Feeds Business generated sales revenue of ₱20,499 million, slightly higher compared to last year. This is mainly attributable to the strong performance of its premium product segments.

The use of alternative raw materials, primarily cassava, resulted in substantial savings for the Feeds Business and the premium pricing strategy helped protect and improve profitability amidst a weak market.

Likewise, the Monterey business posted a significant improvement from 2008's losses owing to cost reduction initiatives, operational efficiency improvements and cost breaks in raw materials. Sales revenue rose 15% higher than 2008 at ₱7,303 million.

*Milling***.** Enjoying a respite from record-high wheat prices in 2008, the Food Group's flour operations ended the year with an 8% increase in volumes.

While sales revenue ended lower at ₱7,929 million due to lower selling prices, the cluster's strong hedging position in wheat and freight charges, as well as the use of cheaper Australian wheat, resulted in strong operating income growth, allowing our flour operations to turn in significantly higher operating income compared to a loss during the previous year.

Branded and Value-Added Businesses
Processed Meats. The flagship brands for hotdog, canned meat, bacon, nuggets and whole ham remained dominant in their categories. As trusted marks, these products proved to be resilient despite the tendency of most consumers to trade down to lower-priced meat products.

Nevertheless, weak consumer spending, capacity limitations, and logistical constraints due to Typhoon "Ondoy" were the main factors affecting the overall performance of the value-added meat business. Sales revenues for 2009 amounted to ₱11,281 million.

Consumer promotions were implemented to defend the status and market shares. New products were also launched to offer more value to consumers and strengthen the company's participation in the affordable segment and food service accounts.

Dairy, Oils & Fats. Magnolia Inc. (Magnolia) rebounded from weak sales in 2008. Butter, margarine, cheese, milk and cooking oil all performed strongly with uniformly higher volumes versus 2008. Similarly, Magnolia's ice cream operations did well in 2009.

Sales revenues registered a 10% increase from last year reaching ₱5,283 million.

Cost breaks in raw material costs, higher selling prices and effective fixed cost management were the key drivers of the business' good performance which resulted to operating income, a significant turnaround from the previous year's loss.

New packaging for Star margarine was launched in 2009, while the new Magnolia Ice Cream plant in Sta. Rosa, Laguna became operational on March 2010. The plant has the capacity to produce five million gallons of ice cream a year.

Boxing champion Manny Pacquiao and his family became official endorsers of Magnolia Ice Cream and Magnolia Ready-to-Drink Milk, to emphasize the brand's heritage and affinity with the Filipino family.

Food Service. Great Food Solutions (GFS) continued to gain ground in the food service industry, posting sales revenue of ₱2,059 million. Among the partner-clients of GFS are food service giants Jollibee Group, Shakey's Pizza, 7-Eleven and the Bistro Restaurant Group, among others. High quality, cost efficient product customization, co-branding activities with key accounts continues to be its core strength while sustaining the intensive technical, culinary and food safety training of its front liners.

Emerging Businesses. San Miguel Super Coffeemix registered sales revenue of ₱474 million in 2009, lower than 2008 due to stiff competition from rival brands but the tight rein on fixed costs drove the coffee business' operating income significantly higher than last year.

The Pro-Health Coffee line–*Pro-Beauty, Pro-Fiber, Pro-Slim and Pro-Power* were launched to tap into the growing trend for wellness products. Efforts were made to extend the distribution reach of our ready-to-drink coffee products.

Regional Operations

San Miguel Pure Foods Vietnam's performance was adversely affected by hog disease outbreaks that hit the region in 2009. Hogs volume sales dropped significantly, resulting in slower off-take of our feed products. Despite this, volumes of our feed products grew 7% versus the previous year, the result of better distribution and quality improvements. Sales revenue ended at ₱2,101 million.

Vietnam is now home to 32 meat shop outlets. New products were launched in 2009, boosting volumes for the fresh meats and value-added businesses.

Despite relatively flat volumes, P.T. San Miguel Pure Foods Indonesia brought in sales revenues of ₱690 million, reversing 2008's losses. Point-of-purchase promotions pushed sales volumes in the modern trade, while tightly managed costs helped contribute to a positive operating income.

PACKAGING

In December 2009, San Miguel Yamamura Packaging Group (SMYPG) acquired, through its subsidiary San Miguel Yamamura Packaging International, a majority stake in JHK Investments Pty. Ltd, the holding company of the Cospak Group. The Cospak Group is the largest packaging trading company in Australasia with sales offices in Australia, New Zealand, and South Africa. The Group also has manufacturing operations in Australia, New Zealand and China. This acquisition gives SMYPG a foothold in a developed yet growing market.

SMYPG achieved total year revenues of ₱19,696 million as it broadened its market coverage both on the home front and the export markets of Asia-Pacific, the Middle East, Africa, Europe and North America. Long-term contracts were also secured with large multinational customers. The business expanded its product portfolio with new products such as anti-static (ESD) bags which enabled it to enter the growing semiconductor and electronics industry; plastic buckets and pails; lug caps; shrink labels; mold inserts for plastic caps; 30mm plastic caps for bottled water; and the retortable aluminum can.

With the success of its cost management initiatives and significantly reduced working capital levels, SMYPG achieved an operating income of ₱1,624 million, significantly higher than last year.

SMYPG's metal container plant garnered the top prize in the Asia Can Tech 2009 Conference in the two-piece beverage can category.

PROPERTY

San Miguel Properties, Inc. posted a remarkable 2009 performance which came from higher sales of residential projects posting a 137% growth. Total revenues amounted to ₱711 million, 17% higher compared to 2008, despite the downturn in the real estate industry at the start of 2009. SMPI reacted proactively to market needs as it introduced innovative payment terms in partnership with Bank of Commerce, paving the way for access to easy financing for prospective buyers. Net income in 2009 reached ₱978 million.

The launch of a marketing campaign last April 2009 and other initiatives to generate customer leads resulted to higher sales conversion. SMPI also implemented saturation activities directed towards OFW market that contributed over 50% of total sales. The introduction of more affordable house and lot packages also contributed to the increase in sales.

It was also a milestone year for SMPI, as it headed full-stream on the ₱3,000 million luxury serviced apartment project in Legaspi Village, Makati which will feature over 400 residential units on a 2,615 sq. m. property conveniently located right across the Greenbelt shopping mall.

Moving forward, SMPI continues to diversify its products and remain focused with its horizontal developments with three new projects to be launched in 2010.

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 2007, 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 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 ₱15,621 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 SMBIL's export sector.

Sales revenue ended at US$283 million, 24% above 2007. Operating income was at US$1.97 million, a rebound from 2007'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 2007'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 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 2007 which resulted from competitor buy-outs and termination of sponsorships.

In Thailand, domestic volumes grew double digit from 2007, 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 2007, benefiting greatly from the increase in number of penetrated outlets ending at 9,386 outlets by 2008.

Export volumes for 2008 grew 22% against 2007 driven by SMPP and other San Miguel brands, particularly Red Horse. Overall, the Middle East and North American markets contributed the biggest growth over 2007.

Liquor and Spirits

In line with the vision to create a total beverage company out of GSMI and further strengthen its operations beyond the mature liquor and spirits market into faster-growing areas of the non-alcoholic beverage businesses, GSMI ventured back into the manufacturing and distribution of non-alcoholic beverages by purchasing the assets of San Miguel Beverages, Inc.

GSMI's GSM Blue and Gran Matador delivered substantial volume gains during 2008, with hard liquor domestic volume growing 9% higher than 2007. Following efforts to improve availability and product penetration, volumes of GSM Blue grew significantly from 2007. 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 2007 on account of the rise in alcohol and packaging costs, higher ad spend to support the 2008's strong volume growth and increased administrative expenses.

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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 2008 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 ₱6 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 2008 - 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 2007 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 2008 while the feeds and basic meats posted slight decline from 2007. 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 2008.

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***.** The 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 2007.

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 2007. The segment's operating income was ₱626 million, 13% higher than 2007.

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's performance for 2008 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 2007.

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. As of December 31, 2008,, there are 14 Monterey meatshops in Vietnam that are performing well.

On the other hand, P.T. San Miguel Pure Foods Indonesia's net loss narrowed down in 2008, a big improvement from 2007. 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 in 2008 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 Philippines, Unilab, Kraft and Fonterra and retained other larger customers such as 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 ₱ 1,371 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 ₱1,187 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 serviced 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 of management of SMC Tagaytay Training Center to SMPI.

III. FINANCIAL POSITION

2009 vs. 2008

The Group's consolidated total assets as of December 2009 amounted to ₱438,491 million, ₱ 99,118 million higher than 2008, basically due to net increase in the Group's cash balance.

Below were the major developments in 2009:

INVESTMENTS AND ACQUISITIONS

POWER PLANTS

- Sual Power Plant

As a result of the bidding conducted by Power Sector Assets and Liabilities Management Corporation (PSALM) on August 28, 2009 for the Appointment of the IPP Administrator for the Contracted Capacity of the Sual 2x500 MW Coal Fired Power Station ("Sual Power Plant"), SMEC was declared the winning bidder as set out in the Notice of Award issued by PSALM on September 1, 2009. As of November 6, 2009, SMEC assumed the administration of the Contracted Capacity of the Sual Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the Sual Power Plant with Execution Date of September 8, 2009.

On October 26, 2009, SMEC's BOD approved the following: (i) subscription by the Parent Company and Global 5000 Investment Inc. (Global) of 15,000 and 60,000 shares, respectively, of SMEC's remaining unissued capital stock; and (ii) increase in the authorized capital stock of SMEC from ₱10 million divided into 100,000 shares with par value of ₱100.00 per share to ₱ 300 million divided into 3,000,000 shares with par value of ₱100.00 per share, with the Parent Company and Global subscribing to 1,160,000 and 1,740,000 shares of SMEC, respectively, out of the increase in the authorized capital stock, at ₱100.00 per share. The aforementioned increase in the authorized capital stock of SMEC was likewise approved by the stockholders of SMEC in a meeting held on the same date. The application for the increase in authorized capital stock of SMEC is yet to be filed with the SEC as of April 1, 2010.

The Parent Company, on November 16, 2009, and Global, on November 17, 2009, executed a Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SMEC. On November 26, 2009, the Parent Company paid in full its remaining unpaid subscription to the 24,995 common shares of stock in SMEC amounting to ₱1.835 million.

With the new subscription, Global and the Parent Company own an aggregate of 60% and 40% equity ownership interest in SMEC, respectively.

- Limay Power Plant

On September 11, 2009, PSALM issued the Notice of Award to SMEC as the winning bidder of the 620 MW Limay Combined Cycle Power Plant (the "Limay Power Plant"). SMEC and PSALM entered into the Asset Purchase Agreement and Land Lease Agreement (collectively, the "Limay Agreements") with Effective Date of September 18, 2009.

On November 3, 2009, as part of the corporate restructuring of the Parent Company's power and energy business cluster, Panasia Energy Holdings, Inc. (Panasia) became a direct wholly-owned subsidiary of the Parent Company as a result of SMEC's sale of its 100% equity ownership interest in Panasia in favor of the Parent Company for ₱2.5 million. On November 13, 2009, SMEC and Panasia entered into an Assignment Agreement with Assumption of Obligations, wherein Panasia assumed all the rights and obligations of SMEC under the Limay Agreements subject to the written consent of PSALM to such assignment. PSALM's consent to the assignment was secured by SMEC and Panasia, as set out in the Amendment, Accession and Assumption Agreement executed by the parties on January 11, 2010.

On January 18, 2010, the physical possession of the Limay Power Plant was turned over and transferred to Panasia. Panasia started operations of the Limay Power Plant on February 16, 2010.

- San Roque Power Plant

Following the December 15, 2009 bidding conducted by PSALM for the Appointment of the IPP Administrator for the Contracted Capacity of the 345 MW San Roque Multi-Purpose Hydroelectric Power Plant located at Barangay San Roque, San Miguel, Pangasinan (the "San Roque Power Plant"), PSALM issued on December 28, 2009 the Notice of Award to Strategic Power Development Corporation (SPDC) as the winning bidder thereof. As of January 26, 2010, SPDC assumed the administration of the Contracted Capacity of the San Roque Power Plant in accordance with the provisions of the IPP Administration Agreement for the Contracted Capacity of the San Roque Power Plant with Execution Date of December 29, 2009.

On February 11, 2010, SPDC's BOD approved the following: (i) subscription by the Parent Company and Global of 1,500 and 6,000 shares, respectively, of SPDC's remaining unissued capital stock; and (ii) increase in the authorized capital stock of SPDC from ₱1 million divided into 10,000 shares with par value of ₱100.00 per share to ₱100 divided into 1,000,000 shares with par value of ₱100.00 per share, with the Parent Company and Global subscribing to 396,000 and 594,000 shares of SPDC, respectively, out of the increase in the authorized capital stock, at ₱100.00 per share. The aforementioned increase in the authorized capital stock of SPDC was likewise approved by the stockholders of SPDC in a meeting held on the same date. The application for the increase in authorized capital stock of SPDC is yet to be filed with the SEC as of April 15, 2010.

On March 15, 2010, the Parent Company and Global executed a Subscription Agreement setting forth their aforementioned subscription of the remaining unissued capital stock of SPDC. On March 19, 2010, the Parent Company paid in full the balance for its initial subscription of 2,495 common shares of stock in SPDC amounting to ₱0.1875 million.

With the new subscription, Global and the Parent Company own an aggregate of 60% and 40% equity ownership interest in SPDC, respectively.

INFRASTRUCTURE / TELECOMS

- Private Infra Dev Corporation (PIDC)

On September 11, 2009, Rapid Thoroughfares, Inc. (Rapid), a wholly-owned subsidiary of San Miguel Holdings, Inc., which in turn is a wholly-owned subsidiary of the the Parent Company, acquired 35% stake in PIDC, a consortium of construction companies behind the Tarlac-Pangasinan-La Union Expressway Project. Rapid subscribed to 1,575,000 common shares of PIDC, amounting to ₱1,575 million and paid a portion of the subscription price amounting to ₱ 561 million on September 11, 2009.

- Liberty Telecoms Holdings, Inc. (LTHI)

On July 8, 2009, the Parent Company, through a wholly-owned subsidiary, Vega Telecom, Inc. (Vega), acquired 579,111,669 common shares (approximately 32.7% of the outstanding capital stock) of LTHI from LTHI's existing stockholders for a total consideration of ₱2,041 million.

On July 21, 2009, Vega entered into a subscription agreement with LTHI for the subscription of 587,951,737 voting, nonredeemable and participating preferred shares of LTHI at an issue price of ₱3.00 per share or approximately ₱1,764 million. As of December 31, 2009, the Parent Company paid ₱735 million as deposit for the subscription.

On January 5, 2010, Vega paid ₱588 million as additional deposit for the subscription of LTHI's preferred shares.

The preferred shares will be issued from the increase in the authorized capital stock of LTHI. The application for the increase in the authorized capital stock of LTHI was approved by the SEC on January 18, 2010.

On April 8, 2010, Vega paid the remaining subscription payable on LTHI's preferred shares amounting to ₱441 million.

The fair value of the Group's capital stock investment in LTHI amounted to ₱1,564 million as of December 31, 2009.

BANKING

- BOC

Pursuant to the second subscription agreement for a total consideration of P600, SMPI appropriately applied the advance payment as of December 31, 2008 and fully paid the remaining subscription payable in April 2009 amounting to ₱150 million and ₱450 million, respectively. On July 2, 2009, SMPI exercised its pre-emptive right and subscribed an additional 4,001,197 shares (equivalent to 30% ownership interest) for ₱694 million. Such subscription was fully settled on August 8, 2009. On August 14, 2009, SMPI subscribed to portion of unexercised pre-emptive rights of certain stockholders, acquiring additional 4% interest (equivalent to 596,898 shares) in BOC for ₱104 million thereby increasing its equity

ownership interest from 30% to 34% starting September 30, 2009. On October 1, 2009, SMPI acquired additional 50,000 shares from existing stockholder of BOC with a selling price of US$4.68 per share or about US$0.234 million (equivalent to ₱11 million). Also in the same month, the remaining unexercised pre-emptive rights were exercised by other existing stockholders thus, decreasing equity ownership interest from 34% to 31.23%. As of December 31, 2009, SMPI fully paid its subscriptions payable to BOC.

BOC is required to meet certain ratios under *Bangko Sentral ng Pilipinas* (BSP) regulations to manage the risks inherent in the banking business. As of December 31, 2009 and 2008, BOC has complied with the statutory and regulatory capital requirements which were computed based on the regulatory accounting policies that differ from PFRS in some aspects.

Certain accounting policies applied by BOC in the preparation of its financial statements are not in accordance with PFRS. In computing for the equity in net earnings (losses) and comprehensive income (losses) of BOC, SMPI made adjustments to the 2009 and 2008 audited financial statements of BOC to conform BOC's accounting policies with PFRS and make them consistent with the Group's accounting policies. The adjustments made by SMPI relates to the correction of: (a) inadequate reserves on non-performing assets, investment properties and financial assets; and (b) deferral of losses on sale of non-performing loans.

Based on the adjusted account balances of BOC as of December 31, 2009, management determined that the carrying amount of the investment is not fully recoverable thus, an impairment loss on the investment amounting to P163 was recognized and is included in "Other income (charges)" account. No impairment loss on the investment was recognized in 2008.

On February 15, 2010, SMPI's BOD authorized the divestment of SMPI's 31.23% interest in BOC. The carrying amount of the investment as of December 31, 2009 amounted to ₱2,746 million, representing 16,396,689 common shares.

FOOD

- Highbreed Livestock Corporation (HLC)

In April 2009, Monterey Foods Corporation (MFC), a majority-owned subsidiary of SMPFC, acquired the subscription rights of certain individuals in HLC, a Philippine company engaged in livestock farming, processing, selling meat products (mainly pork and beef) and leasing of properties. As such, HLC became a subsidiary of MFC and was consolidated into SMPFC through MFC. On June 22, 2009, the respective BOD and stockholders of MFC and HLC approved the merger of HLC into MFC, with MFC as the surviving corporation. The consideration of the assignment of the subscription, net of the effect of the merger, amounted to ₱6.25 million. The SEC approved the merger on October 22, 2009. The BIR confirmed the tax-free merger of HLC into MFC in its certification No. S40-052-2009.

PACKAGING

- JHK Investments

On December 3, 2009, San Miguel Yamamura Packaging International Limited's (SMYPIL) BOD approved the increase in the authorized capital stock of SMYPIL from US$100 million to US$120 million. The proposed increase in capital stock would cover the additional capital to be issued by SMYPIL to finance the acquisition of JHK Investments and its subsidiaries.

On December 14, 2009, an amendment to the Articles of Association increasing SMYPIL's authorized capital from US$100 million to US$120 million was filed with the Registrar of Corporate Affairs of BVI.

Subsequently, while maintaining their respective ownership interests, San Miguel Holdings Ltd. (SMHL) and Nihon Yamamura Glass Co., Ltd (NYG) made additional investments in SMYPIL amounting to US$23.6 million and US$12.7 million, respectively.

On December 17, 2009, SMYPIL, a 65% owned subsidiary of the Parent Company, acquired from James Huntly Knox 60,705,521 shares in JHK Investments, the parent company of the Cospak Group, for up to a maximum amount of A$34.65 million (US$31.64 million). SMYPIL paid A$24.74 million (US$22.59 million) for the shares. The balance of the purchase price in the amount of A$9.91 million (US$9.05 million) will be paid by SMYPIL through an earn-out scheme based on the attainment by JHK Investments of an agreed Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA) for the period ended December 31, 2009 and for the six months period ending June 30, 2010.

On the same date, SMYPIL also subscribed to an additional 12,269,939 shares in JHK Investments for A$5 million (US$4.57 million).

SMYPIL owns an aggregate of 65% of the outstanding shares of JHK Investments.

In February 2010, JHK Investments was renamed "San Miguel Yamamura Knox Pty. Ltd."

REAL ESTATE

- Primeria Commercio Holdings, Inc. (PCHI)

In 2009, SMPI provided US dollar-denominated non-interest bearing cash advances to PCHI, a future investee of SMPI, amounting to US$17 million (₱794 million) as of December 31, 2009. These advances will be applied against future subscriptions of SMPI to the shares of stock of PCHI.

- Maison 17 Properties, Inc. (MPI)

In 2009, SMPI executed the Deed of Absolute Sale completing the purchase of all the interests of certain individuals in MPI for a total purchase price of ₱311 million, including related taxes. SMPI fully paid the balance of the purchase price for the acquisition of shares of stock of MPI amounting to ₱157 million (net of ₱154 million advanced in 2008). As a result, MPI became a wholly-owned subsidiary of SMPI.

- Integrated Geosolutions Inc. (IGI)

In June 2009, SMPI entered into a Joint Venture Agreement (JVA) with certain individuals and corporations (collectively referred to as Co-Venturer) to transfer title of the properties and develop and later operate the properties into a mixed commercial and residential estate. On July 28, 2009, as part of the terms of the JVA, IGI was incorporated with an authorized capital stock of ₱1,000 million divided into 1,000,000,000 common shares with a par value of ₱1.00 per share. On the same date, the Co-Venturer subscribed to 600,000,000 common shares of IGI for ₱600 million.

Pursuant to the terms and conditions of the JVA, SMPI made cash advances in favor of the Co-Venturer amounting to ₱311 million as of December 31, 2009. Under a Deed of Assignment, such advances will be applied as payment for SMPI's subscription to sufficient number of IGI shares of stock to give SMPI a 51% ownership interest, pending its execution.

INCORPORATION OF NEW COMPANIES

- Kaliwa Water Development Corp. (Kaliwa)

  On November 6, 2009, the Parent Company's wholly-owned subsidiary SM Bulk Water Company, Inc. incorporated Kaliwa with an authorized capital stock of ₱1 million. Kaliwa's primary purpose is, among others, to construct, maintain, and operate dams and other waterworks necessary or required for the storage, treatment and supply of potable water in areas such as, but not limited to, the Kaliwa River Basin.

- Northlink Toll Management, Inc. (Northlink)

  Northlink was incorporated on December 15, 2009, with an authorized capital stock of ₱ 1 million divided into 1,000,000 shares with the par value of ₱1.00 per share. Northlink is a joint venture company formed by the Parent Company and Star Tollway Corporation (STC), under a 60-40 equity arrangement. The Parent Company and STC have subscribed to 149,997 and 99,998 shares of stock of Northlink, respectively.

ADDITIONAL INVESTMENTS TO EXISTING BUSINESS

- San Miguel Rengo Packaging Corporation (SMRPC) and Mindanao Corrugated Fibreboard, Inc. (Mincorr)

On April 17, 2009, the Parent Company acquired Rengo Co. Ltd.'s 30% and 20% stake in SMRPC and Mincorr, respectively, for a total purchase price of ₱250 million. Subsequently, on April 29, 2009, the Parent Company acquired all the interests of Macondray Fibreboard Corporation in Mincorr for ₱27.1 million.

The acquisitions of the said interests by the Parent Company resulted in SMRPC and Mincorr becoming wholly-owned subsidiaries of the Parent Company in 2009.

SMRPC was renamed San Miguel Paper Packaging Corporation, as approved by the SEC on September 3, 2009.

On July 27, 2009, Rengo ceased its commercial operations.

- Thai San Miguel Liquor Co. Ltd. (TSML)

On March 6, 2009, the BOD of TSML, approved the increase in the capital stock of TSML from THB1,000 million to THB1,250 million. On the same date, GSMIL, a wholly-owned subsidiary of GSMI, subscribed to 40% of the increase for a total subscription price of THB100 million (₱134.6 million) to maintain its 40% stake in TSML. On March 9, 2009, GSMIL remitted to TSML THB60 million (₱81.5 million) representing 60% of the subscription price as deposit for future stock subscription.

On March 6, 2009, Siam Wine and Liquor Limited (SWL) subscribed to 10% of the increase in capital stock of TSML for a total of THB25 million (₱33.6 million) to retain its 10% stake in TSML. On March 9, 2009, SWL remitted to TSML THB15 million (₱20.2 million) representing 60% of the subscription as deposit for future stock subscription. With the subscriptions of GSMIL and SWL in TSML, the GSMI group's interest in TSML remained at 44.9%.

On February 25, 2010, GSMI acquired additional shares to retain the 40% ownership of the outstanding shares of TSML through GSMIL for THB40 million (₱56 million). On the same date, SHL ("Lender") entered into a loan agreement with SWL ("Borrower") for THB10 to purchase additional shares in TSML.

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 2009, SMCRP's net payment to the Parent Company amounted to ₱3,538 million (inclusive of ₱620 million 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

- On February 17, 2009 and November 26, 2009, the Parent Company issued floating rate corporate notes amounting to ₱1,000 million and ₱2,000 million, respectively, which were used for general financing and corporate requirements. Transaction cost from the loan amounted to ₱18 million as of December 31, 2009.

- On October 8, 2009, the Parent Company obtained a three-year US$600 million loan to fund some acquisitions, particularly in the power sector. Transaction cost from the loan amounted to ₱ 1,323 million as of December 31, 2009.

- 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 subscription and issued Philippine peso-denominated fixed rate bonds with an aggregate principal amount of ₱38,800 million (Bonds). The Bonds were issued in three series: Series A, Series B and Series C. The Series A Bonds with an aggregate principal amount of ₱13,590 million have a term of 3 years beginning on April 3, 2009 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 have a term of 5 years and 1 day beginning on April 3, 2009 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 have a term of 10 years beginning on April 3, 2009 and ending on April 3, 2019, with a fixed interest rate of 10.5% per annum. Proceeds from the issuance of the Bonds were used to finance SMB's acquisition of the equity interests of the Parent Company in IBI and will be used to acquire the Parent Company's equity interests in BPI. The offering of the Bonds was completed on April 3, 2009.

On November 17, 2009, the Philippine Dealing & Exchange Corp. (PDEX) approved SMB's application to list its peso-denominated fixed rate bonds for trading on the PDEX.

- On June 3, 2009, the Parent Company paid off its US$923 million or about ₱43,575 million long-term debt.

ACQUISITION/SALE OF ASSETS

- Acquisition of Puka Beach, Boracay Property

  In 2009, SMPI acquired certain parcels of land at Boracay Island, Barangay Yapak, Malay, Aklan, with a total area of about 35,515 square meters, for a total consideration of ₱269 million.

- Acquisition of Cauayan Isabela Property

  In January 2009, SMPI acquired certain parcels of land located in Cauayan, Isabela (the Cauayan Property) for a total consideration of ₱128 million. The Cauayan Property has a total lot area of about 80,346 square meters.

- Acquisition of Manila Properties

  Certain subsidiaries of SMPI acquired several parcels of land located in Metro Manila in 2009 and in Palawan in 2008 for a total consideration of ₱324 million and ₱91 million, respectively.

- Sale of SMB Shares

  On February 20, 2009, the Parent Company signed a share purchase agreement for the acquisition by Kirin of a 43.2499% stake in SMB. Under the terms of the agreement, purchase price of the shares amounted to ₱8.841 per share, implying a total acquisition price at ₱ 58,924 million. Further to the agreement, the Parent Company, Kirin and SMB negotiated exclusively for SMB's purchase of Parent Company's overseas beer business.

  On April 30 and May 22, 2009, the Parent Company sold its 2,185,402,491 and 4,479,621,199 common shares, respectively, representing 43.2499% stake in SMB to Kirin at P8.841 per share for a total purchase price of ₱58,924 million. The Group recognized a net gain of ₱50,537 million from the sale.

- Sale of Land to Brewery Landholdings, Inc. (BLI)

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.

- Sale of Iconic Beverages, Inc. (IBI) to SMB

  On February 27, 2009, the SEC approved the increase in the authorized capital stock of IBI. With such approval, the SEC likewise approved the transfer of the IP Rights by the Parent Company to IBI in exchange for 100,000,000 shares in IBI. The said shares were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-405-2008.

  On April 29, 2009, the Parent Company sold its 100% interest in IBI to SMB for a total purchase price of ₱32,000 million. Following such sale, IBI became a wholly-owned subsidiary of SMB.

- Transfer of Centralized Key Accounts Group (CKAG) to San Miguel Foods, Inc (SMFI)

  On May 1, 2009, the Parent Company ceased the operations of CKAG and transferred its receivables, inventories and fixed assets to SMFI for a total consideration of ₱2,353 million.

- Sale of SMBIL Shares to SMB

  On August 17, 2009, the Parent Company assigned its international trademarks, trade dress, know-how, copyrights, patents and other intellectual property rights (International "IP Rights") used in connection with the international beer business of the Parent Company and its international subsidiaries valued at US$31.5 to SMIL. Common shares totaling 2,863,636 were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the BIR in its certification No. SN-233-2009.

  On December 18, 2009, SMB's BOD approved the purchase of the international beer and malt-based beverages business of the Parent Company through the purchase of the shares of SMHL in SMBIL, comprising 100% of the issued and outstanding capital stock of SMBIL (SMBIL Shares), with an enterprise value of US$300. On the same date, the Parent Company, SMB and SMHL entered into a Share Purchase Agreement (SPA) for the SMBIL Shares.

  On December 28, 2009, SMBIL's BOD approved the assignment of International "IP Rights" to SMHL valued at US$31.5 in exchange for 286,363 SMHL common shares. The assignment was also approved by SMHL's BOD on the same date.

  Also on the same date, SMHL's BOD approved the assignment of International "IP Rights" to SMBIL valued at US$31.5 in exchange for 2,863,636 SMBIL shares. The assignment was also approved by SMBIL's BOD on the same date.

  On January 28, 2010, SMB entered into a US$300 unsecured loan facility agreement. Proceeds of the loan were used to finance SMB's acquisition of SMBIL Shares. The sale was completed on January 29, 2010, with SMB acquiring the SMBIL Shares for a purchase price of US$302, after adjustments in accordance with the terms of the SPA.

CAPITAL STOCK

On July 23, 2009, during the Parent Company's annual stockholders' meeting, the stockholders approved amendments to the Parent Company's Articles of Incorporation providing for the reclassification of the common shares comprising the authorized capital stock of ₱22,500 million. The authorized capital stock of the Parent Company was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares and 1,110,000,000 Series "1" preferred shares, and defined the terms and features of the Series "1" preferred shares. The preferred shares shall be peso-denominated, perpetual, cumulative and non-voting Series "1" preferred shares with an issue price of ₱75.00 per share and a dividend rate of 8% per annum computed in reference to the issue price. The SEC approved these amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009. The stockholders also approved in the same stockholders' meeting, further amendments to the resolutions on the increase in the authorized capital stock of the Parent Company which were passed during the 2007 annual stockholders' meeting to provide for the division of the increased authorized capital stock of the Parent Company into common shares and two series of preferred shares. The proposed increase in the authorized capital stock of the Parent Company has not been submitted to the SEC for approval.

Also, on July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series "1" preferred shares. The exchange ratio was one (1) common share for one (1) Series "1" preferred share and the qualified shareholders of record, as of July 2, 2009 were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class "A" common shares and 396,876,601 Class "B" common shares for Series "1" preferred shares.

On October 15, 2009, the Parent Company's BOD approved the issuance, through private placement, of up to 226,800,000 Series "1" preferred shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series "1" preferred shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of ₱75.00 per Series "1" preferred share.

Series "1" preferred shares has a par value of ₱5.00 per share and are entitled to receive cash dividends upon declaration by at the sole option of the Parent Company's BOD at a fixed rate of 8% per annum calculated in respect of each Series "1" preferred share by reference to the Issue Price thereof in respect of each dividend period. Unless the Series "1" preferred shares are redeemed by the Parent Company, the dividend rate shall be adjusted at the end of the fifth year after the date of issue.

Series "1" preferred shares do not carry the right to vote. The Series "1" preferred shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at ₱75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the Parent Company's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

As of December 31, 2009, the Parent Company has 970,506,353 outstanding Series "1" preferred shares.

Treasury shares, totaling 65,475,371 Class "A" and "B" common shares, are stated at acquisition cost, while 873,173,353 Class "A" and "B" common shares were acquired through the exchange of common shares to preferred shares on a one-for-one basis at ₱75.00 per share. The Parent Company has available cash and shares of stock for the dividends payable on the treasury shares.

The Supreme Court has affirmed its Resolution issued on September 17, 2009, allowing the PCGG to convert the 24% sequestered shares of the Parent Company in the name of CIIF into Series "1" preferred shares. The Court held that the conversion is necessary to preserve the value of the 753,848,312 common shares.

On February 11, 2010, the Supreme Court amended its Resolution dated September 17, 2009 and authorized the PCGG to exercise discretion in depositing on escrow, the net dividend earnings on, and/or redemption proceeds from, the Series "1" preferred shares of SMC, either with the Development Bank of the Philippines/ Land Bank of the Philippines or with the UCPB, having in mind the greater interest of the government and the coconut farmers.

In the Supreme Court Resolution, it was declared that the common shares of stock of SMC which had been converted to Series "1" preferred shares shall become treasury shares.

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

POWER

- Meralco

  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 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.

BANKING

- BOC

  In April 2008, SMPI and San Miguel Corporation Retirement Plan (SMCRP) paid the balance of its payable to BOC for its subscription amounting to ₱1,500 million, of which₱

1,249 million and ₱251 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 ₱300 (₱100 per share) for ₱600 (₱200 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 ₱150 million which is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account.

INITIAL PUBLIC OFFERING

- SMB shares

  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 ₱5,650 million from the transaction.

INCORPORATION OF NEW COMPANIES

- Brewery Properties Inc. (BPI)

  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 ₱1 million. 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.

- Iconic Beverages, Inc. (IBI)

  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 ₱1 million. 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 ₱1 million to ₱10,000 divided into 100,005,000 shares at ₱100 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.

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, SMCRP paid the Parent Company ₱31,708 million (inclusive of ₱3,411 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

- Acquisition of Boracay Property

  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.

- Sale of the Group's 35% Stake in the Domestic and Regional Packaging Businesses

  On January 30, 2008, effective on the closing of the SMPSI Stock Purchase Agreement (SMPSI SPA) on January 31, 2008, the Parent Company and 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 ₱4,317 million. On the same date, and effective on the closing of the SMPIL SPA on January 31, 2008, 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 San Miguel Yamamura Fuso Molds Corporation (SYFMC) with an aggregate book value of ₱23 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 ₱3,691 million and US$17 million, respectively, from NYG.

Pending completion of the closing audit, the Group recognized a gain of ₱154 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.

- Finalization of the sale of SMPI's 29.83% ownership in KSA

  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. 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.

- Completion of the Sale of J. Boag

  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.

- Sale of Aurora Property

  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.

MATERIAL CHANGES PER LINE OF ACCOUNT

2009 vs. 2008

Cash and cash equivalents increased by 79% from ₱116,939 million in 2008 to ₱209,411 million in 2009 mainly due to the: proceeds from sale of SMB shares; net proceeds from issuance of bonds by SMB and of floating rate corporate notes by the Parent Company, net availment of short-term loans; collection of advances from a related party and cash provided by operations, net of long-term debt payment by the Parent Company, dividends paid, additional investments in shares of stock of BOC, Cospak Group, Liberty Telecoms Holdings, Inc. and Private Infra Dev Corporation and foreign exchange restatement.

Current biological assets decreased by 14% to ₱2,525 million in 2009 due to lower volume of growing hogs and poultry livestock.

Prepaid expenses and other current assets increased by ₱1,149 million mainly due to increase in raw land inventory of SMPI with the acquisition of Cauayan, Boracay, Makati and Mandaluyong properties.

Assets held for sale pertains to the carrying amount of the investment in BOC, which SMPI's management intends to divest.

Investments increased from ₱32,253 million to ₱39,356 million in 2009 mainly due to: a) investment in shares of stock of Liberty Telecoms Holdings, Inc. and Private Infra Dev Corporation; b) advances for future stock subscription in PCHI, IGI and SMPI-GSIS JVC; c) equity in current earnings and share in comprehensive income of Meralco and d) equity in current earnings of SMEC, net of dividend declared by Meralco, decline in value of available for sale financial assets, equity in net loss of LTHI and translation adjustments.

Goodwill increased by 23% from ₱5,201 million in 2008 to ₱6,408 million in 2009 mainly due to recognition of additional goodwill upon consolidation of Cospak Group with SMYPIL, net of translation adjustments.

Other intangible assets decreased by 5% from ₱3,812 million in 2008 to ₱3,630 million in 2009 mainly due to impairment of San Miguel Guangdong Brewery's Dragon Beer trademark.

Deferred tax assets increased by 16% from ₱7,638 million in 2008 to ₱8,883 million in 2009 mainly due to the effect of recognition of unrealized foreign exchange losses by the Parent Company.

Other noncurrent assets decreased by 12% from ₱14,241 million in 2008 mainly due to the collection of the remaining balance of the proceeds from the sale of the Group’s stake in Del Monte Pacific Ltd., reclassification to assets held for sale of advances to BOC and reclassification to investment in a subsidiary of advances to Maison 17 Properties, Inc.

Drafts and loans payable increased by 17% from ₱48,560 million in 2008 mainly due to net availments and integration of Cospak Group’s balance, net of translation adjustments.

Accounts payable and accrued expenses increased by 35% from ₱23,292 million in 2008 mainly due to the reclassification to current liabilities of the unpaid balance due next year related to the acquisition of Meralco shares of stock, net of dividend, subscriptions payable related to the investment in shares of stock of LTHI, integration of Cospak Group’s balance and accrual of interest on bond issuance of SMB, net of the decrease in derivative liabilities of the Parent Company which is attributable to the maturity of currency and commodity derivatives.

Income and other taxes payable decreased by 5% mainly due to lower income tax rate from 35% in 2008 to 30% in 2009.

Dividends payable decreased by 63% mainly due to lower amount of dividend payable at the end of 2009 resulting from the declaration of ₱4,509 million, net of payments of ₱3,522 million.

Long-term debt increased by ₱23,199 million from ₱49,763 million in 2008 mainly due to issuance of bonds by SMB and of floating-rate corporate notes by the Parent Company, net of payments made by the Parent Company, SMIL and GSMI and translation adjustments.

Deferred tax liabilities decreased by 33% mainly due to decrease in deferred tax liability on translation adjustments and undistributed earnings of foreign subsidiaries.

Other noncurrent liabilities decreased by 24% from ₱25,691 million in 2008 mainly due to reclassification to current portion of the unpaid balance due next year related to the acquisition of Meralco shares of stock, net of the noncurrent subscriptions payable related to the investment in shares of stock of PIDC.

Capital stock – preferred pertains to the exchange of 873,173,353 common shares to preferred shares and issuance of 97,333,000 preferred shares by way of private placement.

The increase in additional paid-in capital of ₱67,902 million arise from the exchange of common shares to preferred shares, issuance of preferred shares, common shares issuances and stock options.

Cumulative translation adjustments increased by 21% from ₱4,837 million in 2008 mainly due to translation of transactions of foreign subsidiaries and change in fair value of cash flow hedges and AFS financial assets. The exchange rates used for net assets in December 31, 2009 is ₱46.2 to US$1 (₱47.52 in December 31, 2008).

The increase in treasury shares is attributable to the exchange of 873,173,353 common shares to preferred shares.

Non-controlling interests increased by 48% from ₱18,307 million in 2008, mainly due to the recognition of additional non-controlling interests as a result of the sale of 43.2499% stake in SMB to Kirin, issuance of BPI's preferred stocks to SMBRP, income attributable to non-controlling interests and translation adjustments, net of the effect of acquisition of the remaining non-controlling interests in Rengo and Mincorr and dividends declared to non-controlling interests.

Equity
The increase in equity in 2009 is due to:

(In millions)	2009
Income during the period	₱60,629
Addition to non-controlling interests	8,392
Issuance of capital stock	7,304
Effect of translation adjustments	898
Cash dividends	(4,509)
	₱72,714

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; SMB 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 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, SMC Shipping and Lighterage Corporation'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 San Miguel Yamamura Asia Corporation) 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 SMB.

The increase in equity in 2008 is due to:

(In millions)	2008
Income during the period	₱20,083
Addition to non-controlling interests	6,217
Issuance of capital stock and stock options	256
Effect of translation adjustments	500
Cash dividends	(4,925)
	₱22,131

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2009	2008	2007
		(In Millions)	
Net cash flows provided by operating activities	₱13,356	₱7,049	₱30,290
Net cash flows provided by investing activities	49,155	31,898	39,535
Net cash flows provided by (used in) financing activities	32,562	(13,865)	1,485

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		
	2009	2008	2007
		(In Millions)	
Acquisition of subsidiaries, net of cash acquired	**(₱1,494)**	**₱-**	₱-
Additions to investments and advances	**(5,771)**	**(6,667)**	-
Additions to property, plant and equipment	**(6,249)**	**(6,437)**	(9,310)
Proceeds from sale of investments and property and equipment	**55,127**	**13,663**	6,269
Proceeds from sale of discontinued operations, net of cash disposed of	**-**	**9,083**	90,684
Interest received	**5,249**	**6,558**	2,374
Payment by (advances to) a related party	**3,243**	**31,708**	(35,721)
Increase in other noncurrent assets and others	**(950)**	**(16,010)**	(14,820)
Dividends received	**-**	**-**	59

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

	December 31		
	2009	2008	2007
		(In Millions)	
Proceeds from short-term borrowings	**₱691,093**	**₱608,756**	₱345,789
Payments of short-term borrowings	**(683,569)**	**(605,088)**	(337,512)
Proceeds from long-term borrowings	**67,786**	**64**	84,398
Payments of long-term borrowings	**(44,657)**	**(13,336)**	(88,342)
Cash dividends paid	**(5,493)**	**(4,856)**	(3,351)
Decrease in non-controlling interests	**315**	**592**	-
Issuances of capital stocks	**7,087**	**3**	503

The effect of exchange rate changes on cash and cash equivalents amounted to (₱2,601 million), (₱1,424 million) and (₱1,016 million) in December 31, 2009, 2008 and 2007 respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2009	2008
	(In Millions)	
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	**₱18,184**	**₱57,482**
Treasury stock	**(69,541)**	**(4,053)**

V. 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	
	2009	2008
Liquidity:		
Current Ratio	**3.17**	**2.35**
Solvency:		
Debt to Equity Ratio	**0.82**	**1.02**
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**31.78%**	**13.59%**
Operating Efficiency:		
Volume Growth	**-**	**4%**
Revenue Growth	**4%**	**14%**

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	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
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
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VI. OTHER MATTERS

a. Events After the Reporting Date

a. *Investment in Top Frontier Holdings, Inc. (Top Frontier)*

On January 6, 2010, the Parent Company's BOD approved an investment in Top Frontier through the acquisition of a 49% stake via equity infusion. Said investment consists of the Parent Company's: (i) subscription of 2,401,960 common shares of Top Frontier from its unissued capital stock; (ii) deposit for future subscription amounting to ₱48,324 million, with the option granted to the Parent Company to convert the same to non-voting, redeemable, participating preferred shares upon the amendment by Top Frontier of its Articles of Incorporation and Top Frontier's compliance of its obligations related to the aforementioned investment. As of April 14, 2010, no such conversion has been effected.

b. *SMPFC*

On February 2, 2010, the Parent Company's BOD approved the following corporate actions:

- Sale to SMPFIL, a wholly-owned subsidiary of SMPFC, of Parent Company's 51% interest in SMPFI at book value.
- Potential subscription of up to P5,200 worth of new SMPFC shares.
- Sale of Parent Company's food-related brands and intellectual property rights to SMPFC at a purchase price of P3,200.
- Sale of up to 40% of the Parent Company's interest in SMPFC, by way of a trade sale or marketed placements to investors, which may include investors outside the United States (Reg S) or and to not more than 19 non-qualified buyers domestically to be determined by Management.

On February 2, 2010, the BOD of SMPFC approved the proposal of SMPFC management to a) purchase food-related brands and intellectual property rights from the Parent Company at a purchase price of P3,200, and b) acquire, through SMPFIL, a BVI company and a wholly-owned subsidiary of SMPFC, the Parent Company's 51% interest, through SMFBIL, in SMPFI at book value. SMPFI owns 100% of SMPFVN.

On February 2, 2010 and March 12, 2010, SMPFC's stockholders approved, among others, the following corporate actions, subject to the necessary approvals of the SEC:

- Potential issuance of up to 75,000,000 new SMPFC shares to the Parent Company or third parties.
- Amendment of Amended Articles of Incorporation of SMPFC to reflect the following:

i. de-classification of SMPFC's common shares;

ii. increase in SMPFC's authorized capital stock by P1,000 or 100,000,000 shares at P10.00 par value;

iii. denial of Pre-emptive rights to the proposed issuance of shares of up to 75,000,000 new SMPFC shares to the Parent Company or third parties.

Declassification of SMPFC's common shares was approved by the SEC on April 12, 2010.

- Declaration of 18% stock dividend based on the issued and outstanding shares to be taken out of the proposed increase in authorized capital stock.

c. *Investment in Universal LRT Corporation (BVI) Limited (ULC) and ULCOM Company, Inc. (ULCOM)*

The Parent Company has been offered a majority stake in ULC and ULCOM. ULC is the company undertaking the Metro Rail Transit System - Line 7 Project (MRT 7 Project), while ULCOM is the entity designated by ULC to operate and maintain the MRT 7 Project. The MRT 7 Project involves the development, financing, operation and maintenance of an integrated transportation system consisting of: (i) a 22-kilometer rail transit system which shall be built from the North Avenue Station in EDSA to San Jose del Monte, Bulacan; (ii) an Intermodal Transportation Terminal (ITT); and (iii) a 22-kilometer, 6-lane highway from the Bocaue interchange of the North Luzon Expressway to the ITT.

d. *Investment in Daguma Agro Minerals Inc. (Daguma)*

On January 29, 2010, SMEC acquired 100% of the outstanding capital stock of Daguma, a coal mining company with coal property located at Lake Sebu, South Cotabato, consisting of 2 coal blocks with a total area of 2,000 hectares covered by a Coal Operating Contract with the Department of Energy.

e. *Investment in Caticlan International Airport Development Corp. (CIADC)*

On April 8, 2010, the Parent Company, through its wholly-owned subsidiary, San Miguel Holdings Corporation (SMHC), executed a share sale purchase agreement with the consortium of certain individuals and corporations (the "Agreement"). Under the terms of the Agreement, SMHC shall acquire, initially, a majority interest in Caticlan International Airport Development Corporation (CIADC). CIADC holds the exclusive rights, obligations and privileges to finance, design, construct, operate and maintain the Caticlan Airport by virtue of the Concession Agreement, dated June 22, 2009, with the Republic of the Philippines, through the Department of Transportation and Communications and the Civil Aviation Authority.

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 (CPA) 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 CPA 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 CPA stated that the second claim is properly supported by the relevant documents. This case is now deemed submitted for decision by the CTA.

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 Distraint and Garnishment and/or Levy." The Parent Company's external legal 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 Distraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company's pending claims for refund. As of April 14, 2010, the BIR has taken no further action on the matter.

On July 24, 2009, the Parent Company filed its third claim for refund with the CTA, under CTA Case Number 7953, also in relation to the contested assessments. This case is now undergoing pre-trial.

c. Commitments

The outstanding purchase commitments of the Group as of December 31, 2009 amounted to ₱13,468 million.

Amount authorized but not yet disbursed for capital projects as of December 31, 2009 is approximately ₱4,251 million.

d. *Top Frontier*

On November 27, 2009, Top Frontier acquired 857,115,914 common shares of the issued and outstanding common shares of the Parent Company from SMCRP at ₱75.00 per share for a total of ₱64,284 million. In addition, Top Frontier plans to acquire the 327,000,000 common Class "B" shares of the Parent Company held by Q-Tech Alliance Holdings, Inc. (Q-Tech) and an option over the 301,666,000 common shares. The purchase will raise Top Frontier's current equity ownership interest beyond the 35% threshold under tender offer rules.

Top Frontier offered to buy 235,141,533 Class "A" and 85,797,844 Class "B" common shares of the Parent Company at the price of seventy five pesos (₱75.00) per share. The tender offer period was from March 10 and expired at 12:00 pm of April 8, 2010. Out of the total Tender Offer shares, a total of 47,700,679 Class "A" shares and 31,759,499 Class "B" shares were tendered by the Parent Company's shareholders and accepted for purchase by Top Frontier. At the offer price of P75.00 per share, the total consideration of the shares tendered amounted to ₱ 5,959 million, inclusive of taxes, brokers' commissions and other fees. On April 13, 2009, Top Frontier acquired 327,000,000 common Class "B" shares of the Parent Company held by Q-Tech at the price of ₱66.00 per share. The tendered shares and the 327,000,000 common Class "B" shares were crossed in the Philippine Stock Exchange on April 13, 2010. As of April 14, 2010, Top Frontier had a total shareholdings of 1,263,576,092 common shares of the Parent Company.

e. *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 P1.00 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 during the option period the Parent Company shall have representation in the board and management of Petron Corporation. As of April 14, 2010, the Parent Company has not yet exercised the Option Shares.

f. 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 BOD to approve the implementing transactions of such corporate restructuring plan after evaluation and study by Management, subject to applicable laws.

g. The Parent Company's BOD will seek approval from the shareholders holding common shares to waive their pre-emptive rights and authority for the Parent Company to sell down of more than 51% of the Parent Company's stake in its core businesses. The foregoing corporate actions were approved by the Parent Company's BOD in its meeting on April 14, 2010.

h. The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of ₱46.20 in 2009 and ₱47.52 in 2008 for statement of financial position accounts; and average rates of ₱47.64 in 2009, ₱44.47 in 2008 and ₱46.18 in 2007 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 Position and Performance.

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 reporting date, except for Note 20 (c) of the 2009 Audited Consolidated Financial Statements and Note b of Section VI above, that remain outstanding as of December 31, 2009. 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-statements of financial position 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, 2009.

o. The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.