



SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Corporation

February 3, 2009

THE PHILIPPINE STOCK EXCHANGE, INC.

Philippine Stock Exchange Center,
Exchange Road, Ortigas Center
Pasig City

Attention: **Atty. Pete M. Malabanan**
Head – Disclosure Department

Re: **Progress Report on the Application of Proceeds of
the Primary Offer of San Miguel Brewery Inc.**

Gentlemen:

San Miguel Brewery Inc. (the “Company”), as of December 31, 2008 has spent a total of P587.20 Million of the P616.40 Million proceeds from the primary offer of its shares to the public (“Primary Offer”) to fund the priority capital expenditures as stated in the Company’s offering circular dated April 24, 2008 (“Offering Circular”).

A breakdown of the capital expenditures is as follows:

Project Type	Amount (in P Million)	Implementation Period
Project Type:		
Replacement and Maintenance	375.20	2008
Operations Improvement	148.10	2008
Expansion and Diversification	28.00	2008
General and Administrative	35.90	2008
Total Capital Expenditures, YTD December 31, 2008	587.20	

With the Primary Offer expenses (including underwriting and professional fees, listing fees and other expenses totaling P29.20 Million) and the above charges for capital expenditures totaling P587.20 Million, the P616.40 Million proceeds from the Primary Offer had been fully utilized in accordance with the purposes stated in the Offering Circular.

Of the foregoing capital expenditures, major projects include the following:

1. Replacement and maintenance projects include replacement of electronic bottle inspectors, Schenk Automation System, can seamers, mash filters, line monitoring systems and various equipment repairs and rehabilitation.

2. Operations Improvement projects include acquisition of bottle coating machines, installation of yeast propagation system and conversion of Polo's high speed line 2 to multi-product line.

Completed projects as of December 31, 2008 include:

- Conversion of Polo's high speed line 2 to multi-product line
- Upgrade of line monitoring systems in San Fernando
- Replacement of defective/obsolete manufacturing and brewing equipments
- Acquisition of EBI critical parts in Davao Brewery
- Replacement of carrier chains and bottle carriers in Polo's Soaker 1 and 2
- Installation of biometrics in Mindanao
- Replacement of Soaker 1 Filter Screens and Acquisition of 1000TR Water Chiller in San Fernando Brewery
- Replacement of Schenk Automation System in Mandaue Brewery
- Yeast Propagation System in Mandaue Brewery and PYC Propagation Tank in Davao Brewery
- Various replacement of computer and air-con units

Very truly yours,



FERDINAND K. CONSTANTINO
Corporate Information Officer