COVER SHEET

CS-200711828

S. E. C. Registration Number

SAN MIGUEL BREWERY INC.

(Company's Full Name)

No. 40 San Miguel Ave. Mandaluyong CitY

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

Rosabel T. Balan

Contact Person

(632) 632-3000

Company Telephone Number

SEC FORM

Month	Day	FORM TYPE	Month	Day
		17-Q		
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **MARCH 31, 2010**

2. Commission identification number **CS200711828**

3. BIR Tax Identification No. **006-807-251**

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

5. **Philippines**
   Province, country or other jurisdiction
   of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

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

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

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

	Outstanding Capital Stock and Debt as of March 31, 2010
Common Shares	**15,410,478,960**
Debt	

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

    Yes [x] No [ ]

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

    Philippine Stock Exchange – Common Shares

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

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

    Yes [x] No [ ]

Yes [x] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Brewery Inc. (the "Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2010 (with comparative figures as of December 31, 2009 and for the period ended March 31, 2009) and Selected Notes to the Consolidated Financial Statements is hereto attached as **Annex "A"**.

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

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

PART II--OTHER INFORMATION

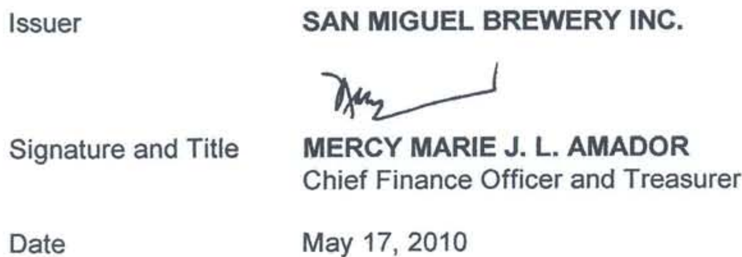
The Company may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which would otherwise be required to be filed with respect to such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

NONE

SIGNATURES

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

Issuer **SAN MIGUEL BREWERY INC.**



Signature and Title **MERCY MARIE J. L. AMADOR**
Chief Finance Officer and Treasurer

Date May 17, 2010

Annex "A"

SAN MIGUEL BREWERY INC.
AND SUBSIDIARIES

Unaudited Consolidated Financial Statements
For the period ended March 31, 2010
(with comparative figures for 2009)

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
For the Period Ended March 31, 2010 and 2009
(In Millions, Except Per Share Data)

		2010		2009
SALES (Notes 2 and 3)	P	16,024	P	12,426
COST OF SALES (Note 3)		8,208		6,574
GROSS PROFIT		7,816		5,852
SELLING AND ADMINISTRATIVE EXPENSES (Note 3)		(3,186)		(1,979)
INTEREST INCOME		177		70
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(961)		-
INCOME FROM ACQUISITION OF ASSETS AT FAIR VALUE		2,990		-
OTHER INCOME (CHARGES) - NET (Note 8)		148		(145)
INCOME BEFORE TAX		6,984		3,798
INCOME TAX EXPENSE		1,193		1,134
NET INCOME	P	5,791	P	2,664
Net Income Attributable to:				
Equity Holders of the Parent Company	P	5,748	P	2,664
Non-controlling Interests		43		-
	P	5,791	P	2,664
Basic/Diluted Earnings Per Share (Note 5)	P	0.37	P	0.17

**The consolidated statement of income for the period ended March 31, 2010 refer to the consolidated accounts of the Group (Company, Iconic and SMBIL) while the statement of income for the period ended March 31, 2009 refer to the accounts of the Company.*

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

CERTIFIED CORRECT:

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
For the Period Ended March 31, 2010 and 2009
(In Millions)

		2010		2009
NET INCOME	₱	5,791	₱	2,664
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS		(326)		-
NET GAIN ON CASH FLOW HEDGES		-		14
INCOME TAX EXPENSE		-		(4)
OTHER COMPREHENSIVE INCOME - NET OF TAX		(326)		10
TOTAL COMPREHENSIVE INCOME - NET OF TAX	₱	5,465	₱	2,674
Comprehensive Income Attributable to:				
Equity Holders of the Parent Company	₱	5,479	₱	2,674
Non-controlling interests		(14)		-
	₱	5,465		2,674

****The consolidated statement of comprehensive income for the period ended March 31, 2010 refer to the consolidated accounts of the Group (Company, Iconic and SMBIL) while the statement of comprehensive income for the period ended March 31, 2009 refer to the accounts of the Company.***

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

CERTIFIED CORRECT:

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2010 and DECEMBER 31, 2009
(In Millions)

	Note		2010 (Unaudited)		2009 (Audited)
ASSETS					
Current Assets					
Cash and cash equivalents	7, 8	P	20,348	P	13,563
Trade and other receivables - net	3, 7, 8		4,133		3,311
Inventories			4,453		3,246
Prepaid expenses and other current assets	7, 8		1,119		653
Total Current Assets			30,053		20,773
Noncurrent Assets					
Investments - net			141		-
Property, plant and equipment - net	4		16,750		5,765
Investment properties			1,210		-
Intangible assets			35,954		32,020
Deferred tax assets			118		232
Other noncurrent assets - net	7, 8		6,404		5,300
Total Noncurrent Assets			60,577		43,317
		P	90,630	P	64,090
LIABILITIES AND EQUITY					
Current Liabilities					
Drafts and loans payable	7, 8	P	1,687	P	-
Accounts payable and accrued expenses	3, 7, 8		6,588		4,077
Income and other taxes payable			3,008		1,679
Total Current Liabilities			11,283		5,756
Noncurrent Liabilities					
Long-term debt - net of debt issue cost	7, 8		51,925		38,416
Deferred tax liabilities			105		-
Other noncurrent liabilities	7, 8		98		-
Total Noncurrent Liabilities			52,128		38,416
EQUITY					
Equity Attributable to Equity Holders of the Parent Company					
Capital stock			15,410		15,410
Additional paid-in capital			515		515
Cumulative translation adjustments	8		(269)		-
Unappropriated retained earnings			7,738		3,993
			23,394		19,918
Non-controlling Interests			3,825		-
Total Equity			27,219		19,918
		P	90,630	P	64,090

**The consolidated statement of financial position for the period ended March 31, 2010 refers to the consolidated accounts of the Group (Company, Iconic and SMBIL) while the statement of financial position for the year ended December 31, 2009 refers to the accounts of the Company and Iconic.*

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

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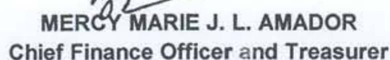

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the Period Ended March 31, 2010 and 2009
(In Millions)

	2010 Unaudited	2009 Audited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ 6,984	₱ 3,798
Adjustments for:		
Depreciation, amortization and others	777	416
Income from acquisition of assets at fair value	(2,990)	-
Gain on sale of property and equipment	(1)	-
Interest expense and other financing charges	961	-
Interest income	(177)	(70)
Operating income before working capital changes	5,554	4,144
Changes in noncash current assets and certain current liabilities and others	(328)	(830)
Cash generated from operations	5,226	3,314
Interest paid	(16)	-
Income taxes paid	(83)	(14)
Net cash flows provided by operating activities	5,127	3,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(126)	(83)
Acquisition of a subsidiary	(9,263)	-
Increase in intangible assets	-	(17)
Interest received	172	75
Proceeds from sale of property and equipment	2	-
Increase in other noncurrent assets	(390)	(499)
Net cash flows used in investing activities	(9,605)	(524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	13,469	-
Decrease in other noncurrent liabilities	(102)	(37)
Cash dividends paid	(2,003)	(2,929)
Net cash flows provided by (used in) financing activities	11,364	(2,966)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(101)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,785	(190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,563	6,041
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱ 20,348	₱ 5,851

**The consolidated statement of cash flow for the period ended March 31, 2010 refer to the consolidated accounts of the Group (Company, Iconic and SMBIL, while the statement of cash flow for the period ended March 31, 2009 refer to the accounts of the Company.*

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

CERTIFIED CORRECT:

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
For the Period Ended March 31, 2010 and 2010
(In Millions)

	Capital Stock	Additional Paid-in Capital	Cumulative Translation Adjustment	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As of January 1, 2010 (Audited)	₱ 15,410	₱ 515	₱ -	₱ 3,993	₱ 19,918	₱ -	₱ 19,918
Foreign currency translation differences	-	-	(269)	-	(269)	(57)	(326)
Net income for the period	-	-	-	5,748	5,748	43	5,791
Total comprehensive income for the period	-	-	(269)	5,748	5,479	(14)	5,465
Acquisition of a subsidiary						3,839	3,839
Cash dividends	-	-	-	(2,003)	(2,003)	-	(2,003)
As of March 31, 2010 (Unaudited)	₱ 15,410	₱ 515	₱ (269)	₱ 7,738	₱ 23,394	₱ (14)	₱ 27,219
As of January 1, 2009 (Audited)	₱ 15,410	₱ 515	₱ (45)	₱ 3,130	₱ 19,010	₱ -	₱ 19,010
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	10	-	10	-	10
Net income for the period	-	-	-	2,664	2,664	-	2,664
Total comprehensive income for the period	-	-	10	2,664	2,674	-	2,674
Cash dividends	-	-	-	(2,929)	(2,929)	-	(2,929)
As of March 31, 2009 (Unaudited)	₱ 15,410	₱ 515	₱ (35)	₱ 2,865	₱ 18,755	₱ -	₱ 18,755

**The consolidated statement of changes in equity for the period ended March 31, 2010 refer to the consolidated accounts of the Group (Company, Iconic and SMBIL) while the statement of changes in equity for the year ended March 31, 2009 refer to the accounts of the Company.*

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

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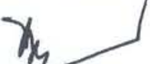

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2010

TYPE OF ACCOUNTS RECEIVABLE		TOTAL	CURRENT	1 - 30 DAYS	31 - 60 DAYS	OVER 60 DAYS
DOMESTIC	₱	2,689,664,226.78	2,384,143,846.96	24,658,668.38	79,018,946.76	201,842,764.68
INTERNATIONAL		1,249,771,766.92	821,726,045.18	118,967,842.60	74,204,959.81	234,872,919.33
TOTAL		3,939,435,993.70				
ALLOWANCE FOR DOUBTFUL ACCOUNTS		(853,722,715.75)				
NET	₱	3,085,713,277.95				

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
SELECTED NOTES TO FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. **Summary of Significant Accounting and Financial Reporting Policies**

The Group prepared its consolidated interim financial statements as of and for the period ended March 31, 2010 and comparative financial statements for the same period in 2009 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

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

Adoption of New Standards, Amendments to Standards and Interpretations
The Financial Reporting Standards Council (FRSC) approved the adoption of new or revised standards, amendments to standards, and interpretations as part of PFRS.

Amendments to Standard and Interpretations Adopted in 2010
Starting January 1, 2010, the Group adopted the following amended PAS and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC):

- Revised PFRS 3, *Business Combinations* (2008), effective for annual periods beginning on or after July 1, 2009, incorporates the following changes that are likely to be relevant to the Group's operations:

    - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
    - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
    - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
    - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
    - Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

    Revised PFRS 3, which became mandatory for the 2010 consolidated financial statements, was applied prospectively.

- Revised PAS 27, *Consolidated and Separate Financial Statements* (2008), effective for annual periods beginning on or after July 1, 2009, requires accounting for changes in ownership interests by the Parent Company in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Parent Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in consolidated statements of income. Revised PAS 27 became mandatory for the 2010 consolidated financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items,* provide for the following: (a) new application guidance to clarify the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedge relationship; and (b) additional application guidance on qualifying items, assessing hedge effectiveness, and designation of financial items as hedged items. The amendments are effective for annual periods beginning on or after July 1, 2009. Amendments to PAS 39 became mandatory for the 2010 consolidated financial statements.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners,* provides guidance on the accounting for non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the non-cash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. The interpretation is effective for annual periods beginning on or after July 1, 2009.

- *Improvements to PFRS 2008* - Amendments to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraphs 6 to 8 of PFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary. Disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. The amendments are effective for annual periods beginning on or after July 1, 2009.

- *Improvements to PFRS 2009,* include 15 amendments to 12 standards. Some of these amendments may have significant implications for current practice, in particular the amendments to PAS 17, *Leases,* may affect the classification of leases of land and buildings, particularly in jurisdictions in which such leases often are for a long period of time. The improvements are generally effective for annual periods beginning on or after January 1, 2010.

The adoption of these foregoing new or revised standards, amendments to standards and Philippine Interpretation of IFRIC did not have a material effect on the interim consolidated financial statements.

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2. Segment Information

Operating Segments

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

With the acquisition of San Miguel Brewing International Limited (SMBIL), the Group is organized in two major business segments – domestic and international operations.

The domestic operations produce fermented and malt-based beverages within the Philippines and market the same within the country and to some export markets.

The foreign operations also produce fermented and malt-based beverages in five foreign countries and market the same in several foreign markets.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Financial information about business segments follow:

	For the period Ended March 31, 2010			
	Domestic	International	Eliminations	Consolidated
Sales				
External sales	P13,343	P2,681	P -	P16,024
Inter-segment sales	279	477	(P756)	
Result				
Segment Result	4,616	14	-	P4,630

3. **Related Party Transactions**

Transactions with related parties are made at normal market prices. The following transactions and related account balances have been entered into with San Miguel Corporation (SMC) and its subsidiaries.

		Sales to Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
SMC	**March 2010**	**₱ 1**	**₱ 251**	**₱ 66**	**₱ 281**
	Dec. 2009	461	1,172	62	74
San Miguel Yamamura Packaging Corp.	**March 2010**	**9**	**523**	**15**	**561**
	Dec. 2009	42	3,287	18	971
San Miguel Rengo Packaging Corporation	**March 2010**	**-**	**1**	**-**	**3**
	Dec. 2009	-	28	-	8
SMC Shipping & Lighterage Corporation	**March 2010**	**1**	**97**	**-**	**94**
	Dec. 2009	4	457	1	80
SMITS Inc. and subsidiary	**March 2010**	**-**	**2**	**1**	**26**
	Dec. 2009	-	120	-	44
San Miguel Yamamura Asia Corporation	**March 2010**	**1**	**20**	**2**	**49**
	Dec. 2009	5	175	2	81
Ginebra San Miguel Inc. and subsidiary	**March 2010**	**2**	**2**	**5**	**4**
	Dec. 2009	3	6	9	5
San Miguel International Ltd and subsidiaries	**March 2010**	**13**	**-**	**27**	**28**
	Dec. 2009	**35**	**-**	**72**	**-**
San Miguel Beverages, Inc.	**March 2010**	**-**	**-**	**-**	**-**
	Dec. 2009	15	8	-	-
San Miguel Pure Foods Company Inc., and subsidiaries	**March 2010**	**9**	**2**	**98**	**26**
	Dec. 2009	628	23	252	25
Others	**March 2010**	**1**	**10**	**101**	**9**
	Dec. 2009	-	70	81	10

4. **Property, Plant and Equipment**

Property, plant and equipment consist of:

	Balance, December 31, 2009 (Audited)	Additions	Disposals and Reclassifications	Currency Translation Adjustments	Balance, March 31, 2010 (Unaudited)
Cost:					
Land	₱ -	₱ -	₱ 1,006	₱ 8	₱ 1,014
Buildings and improvements	3,551	16	8,041	(157)	11,451
Machinery and equipment	17,299	142	18,614	(357)	35,698
Transportation equipment	384	112	230	(3)	723
Tools and small equipment	9	5	320	(7)	327
Office equipment, furniture and fixtures	375	8	311	(6)	688
Leasehold improvements	76	-	18	(1)	93
Construction in progress	335	(157)	45	-	223
	22,029	126	28,586	(523)	50,217
Accumulated depreciation and amortization:					
Buildings and improvements	1,563	57	1,986	(38)	3,568
Machinery and equipment	13,990	271	6,931	(129)	21,063
Transportation equipment	303	14	187	(3)	501
Tools and small equipment	8	3	276	(7)	280
Office equipment, furniture and fixtures	356	5	234	(5)	590
Leasehold improvements	44	1	18	-	63
	16,264	351	9,632	(182)	26,065
Accumulated impairment losses:				-	
Buildings and improvements	-	-	2,299	(51)	2,249
Machinery and equipment	-	-	5,228	(113)	5,115
Transportation equipment	-	-	6	-	6
Tools and small equipment	-	-	13	-	13
Office equipment, furniture and fixtures	-	-	20	-	20
Leasehold improvements	-	-	-	-	-
	-	-	7,566	(164)	7,402
Net book value	**₱ 5 ,765**	**(₱225)**	**₱ 11,388**	**(₱177)**	**₱16,750**

	Balance, December 31, 2008 (Audited)	Additions	Disposals and Reclassifications	Currency translation adjustments	Balance, March 31, 2009 (Unaudited)
Cost:					
Buildings and improvements	₱ 3,532	₱ 4	₱ (1)	₱ -	₱ 3,535
Machinery and equipment	16,871	127	(4)	-	16,994
Transportation equipment	373	3	(3)	-	373
Tools and small equipment	9	-	320	-	9
Office equipment, furniture and fixtures	369	1	311	-	370
Leasehold improvements	62	-	18	-	62
Construction in progress	330	87	45	-	282
	21,546	222	(143)	-	21,625
Accumulated depreciation and amortization:					
Buildings and improvements	1.480	25	(2)	-	1,503
Machinery and equipment	13,467	144	-	-	13,611

	Balance, December 31, 2009 (Audited)	Additions	Disposals and Reclassifications	Currency Translation Adjustments	Balance, March 31, 2010 (Unaudited)
Transportation equipment	335	4	(3)	-	336
Tools and small equipment	8	-	-	-	8
Office equipment, furniture and fixtures	353	2	-	-	355
Leasehold improvements	39	1	-	-	40
	15,682	176	(5)	(5)	15,853
Net book value	**₱ 5 ,864**	**₱ 46**	**(₱ 138)**	**(₱177)**	**₱5,772**

Depreciation and amortization charged to operations amounted to P351 and P176 in March 2010 and 2009, respectively.

5. Earnings Per Share

Basic earnings per share is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period.

The following table presents information necessary to calculate EPS:

	March	
	2010	2009
Net income attributable to equity holders of the Parent Company (a)	**₱ 5,748**	₱ 2,664
Weighted average number of shares outstanding (b)	**15,410**	15,410
Basic/Diluted EPS (a/b)	**₱ 0.37**	₱ 0.17

6. Dividends

Cash dividends declared by the Parent Company's Board of Directors (BOD) to common shareholders amounted to ₱0.13 per share in March 2010 and ₱0.19 per share in February 2009.

7. Financial Risk Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest rate risk
- Foreign currency risk
- Commodity price risk
- Liquidity risk
- Credit risk

This note presents information about the Group's exposure to each of the foregoing risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital.

The Group's principal non-trade related financial instruments include cash and cash equivalents, available-for-sale (AFS) financial assets, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The Group's outstanding derivative instruments such as commodity options and currency forwards are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price risks arising from the Group's operating and financing activities.

The Board of Directors (BOD) has the overall responsibility for the establishment and oversight of the Group's risk management framework. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the BOD on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's accounting policies in relation to derivatives are set out in Note 8 to the consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the Group's long-term borrowings and investment securities. Investment acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their

intended use in the Group's operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

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

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P138 in March 31, 2010. A 1% decrease in the interest rate would have had the equal but opposite effect. There is no impact on the Group's other comprehensive income. The Group has no floating rate borrowings as of March 31, 2009.

Interest Rate Risk Table

As at March 31, 2010 and December 31, 2009, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2010	**<1 year**	**1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total**
Fixed rate							
Philippine peso-denominated	**P -**	**P -**	**P13,590**	**P -**	**P22,400**	**P2,810**	**P38,800**
Interest rate			8.25%		8.875%	10.50%	
Floating rate							
Foreign currency-denominated (expressed in Philippine peso)	**-**	**-**	**-**	**-**	**13,839**	**-**	**13,839**
Interest rate					LIBOR +margin		
							P52,639

December 31, 2009	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso-denominated	P -	P -	P13,590	P -	P22,400	P2,810	P38,800
Interest rate			8.25%		8.875%	10.50%	
							P38,800

Foreign Currency Risk
The Group's exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards to manage its foreign currency risk exposure.

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

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

	March 31, 2010		December 31, 2009	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$114.3**	**₱ 5,165**	US$ 6.0	₱ 281
Trade and other receivable	**39.8**	**1,798**	3.0	150
Noncurrent receivable	**0.3**	**13**		
	154.4	**6,976**	9.0	431
Liabilities				
Drafts and loans payable	**37.3**	**1,687**	-	-
Accounts payable and accrued expenses	**54.1**	**2,446**	0.5	22
	91.4	**4,133**	0.5	22
Net foreign currency-denominated monetary assets	**US$ 63.0**	**₱ 2,843**	US$ 8.5	₱ 40

The Group reported net foreign exchange gains amounting to ₱109 and ₱0.1 in March 31, 2010 and 2009, respectively with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2008	47.52
March 31, 2009	48.33
December 31, 2009	46.20
March 31, 2010	45.17

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;

- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as of March 31, 2010 and December 31, 2009:

March 31, 2010	**P1 decrease in the US dollar exchange rate**		**P1 increase in the US dollar exchange rate**	
	Effect on Income before Income Tax	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P8)**	**(P111)**	**P8**	**P111**
Trade and other receivables	**(3)**	**(38)**	**3**	**38**
Noncurrent receivables	**-**	**-**	**-**	**-**
	(11)	**(149)**	**11**	**149**
Drafts and loans payable	**-**	**37**	**-**	**(37)**
Accounts payable and accrued expenses	**2**	**55**	**(2)**	**(55)**
Long-term debt (including current maturities)	**306**	**-**	**(306)**	**-**
	308	**92**	**(308)**	**(92)**
	P297	**(P57)**	**(P297)**	**P57**

December 31, 2009	P1 decrease in the US dollar exchange rate		P1 increase in the US dollar exchange rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P6)	P-	P6	P-
Trade and other receivables	(3)	-	3	-
	(9)	-	9	-
Accounts payable and accrued expenses	1	-	(1)	-
	1	-	(1)	-
	(P8)	P-	P8	P-

Commodity Price Risk

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

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries and affiliates to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

Commodity Options. Commodity options are used to manage the Group's exposures to volatility in prices of fuel oil.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management, as of March 31, 2010 and December 31, 2009:

March 31, 2010

	Carrying Amount	Contractual Cash Flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	**P20,348**	**P20,348**	**P20,348**	**P -**	**P -**	**P -**
Trade and other receivables - net	**4,133**	**4,133**	**4,133**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**57**	**57**	**57**	**-**	**-**	**-**
AFS financial assets (included under "Investments and advances" account in the consolidated statements of financial position)	**45**	**45**	**-**	**45**	**-**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated statements of financial position)	**13**	**13**	**-**	**-**	**13**	**-**
Financial Liabilities						
Drafts and loans payable	**1,687**	**1,687**	**1,687**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities)	**6,559**	**6,559**	**6,559**	**-**	**-**	**-**

Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	**P29**	**P29**	**P29**	**-**	**-**	**-**
Long-term debt (including current maturities)	**51,925**	**67,068**	**3,688**	**3,727**	**55,660**	**3,993**
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	**106**	**106**	**-**	**106**	**-**	**-**

December 31, 2009

	Carrying Amount	Contractual Cash Flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	P13,563	P13,563	P13,563	P -	P -	P -
Trade and other receivables - net	3,311	3,311	3,311	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	59	59	59	-	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding current retirement liabilities)	4,038	4,038	4,038	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	39	39	39	-	-	-
Long-term debt (including current maturities)	38,416	52,513	3,404	3,404	41,638	4,067
Other noncurrent liabilities (excluding noncurrent retirement liabilities)	19,410	19,410	-	7,817	11,593	-

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures. Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

Trade and Other Receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments
The Group recognizes provision for impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

Financial information on the Group's maximum exposure to credit risk as of March 31, 2010 and December 31, 2009, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2010	December 31, 2009
Cash and cash equivalents	**₱20,348**	₱13,563
Trade and other receivables - net	**4,133**	3,311
Derivative assets	**57**	59
AFS financial assets	**45**	-
Noncurrent receivables	**13**	-
	₱24,596	₱16,933

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

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and cumulative translation adjustments are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the period.

The Group is not subject to externally imposed capital requirements.

8. Financial Assets and Financial Liabilities

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

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

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

Determination of Fair Value. The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

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

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation

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

Financial Assets

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL and those classified under this category through the fair value option. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

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

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

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

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

The Group carries financial assets at FVPL using their fair values. Fair value changes and realized gains and losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented under the "Cumulative Translation Adjustment" account in equity. Any interest earned shall be recognized as part of "Interest income" in the consolidated statements of income. Any dividend income from equity securities classified as FVPL shall be recognized in the consolidated statements of income when the right of collection has been established.

The Group's derivative assets are classified under this category.

The carrying values of financial assets under this category amounted to P57 and P59 as of March 31, 2010 and December 31, 2009, respectively.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on

acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in the consolidated statements of income when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included in this category.

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

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

The Group has no investments classified as HTM as of March 31, 2010 and December 31, 2009.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified under any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are carried at fair value in the consolidated statements of financial position. The effective yield component of AFS debt securities is reported as part of "Interest income" in the consolidated statements of income. Any interest earned on AFS debt securities shall be recognized as part of "Interest income" in the consolidated statements of income on an accrual basis. Dividends earned on holding AFS equity securities are recognized as "Dividend income" when the right of collection has been established. Any unrealized gains or losses for the period arising from the fair valuation of AFS financial assets are reported as part of other comprehensive income, while the accumulated unrealized gains or losses are reported as a separate component of the Group's equity. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in the consolidated statements of income.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

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

The carrying values of financial assets under this category amounted to P45 as of March 31, 2010.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented under the "Cumulative Translation Adjustment" account in equity. Any interest expense incurred shall be recognized as part of "Interest expense" in the consolidated statements of income.

The Group's derivative liabilities are classified under this category.

The carrying values of financial liabilities under this category amounted to P29 and P39 as of March 31, 2010 and December 31, 2009, respectively.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Group's liabilities arising from its trade or borrowings such as drafts and loans payable, accounts payable and accrued expenses, long-term debt and other noncurrent liabilities.

The combined carrying values of financial liabilities under this category amounted to P60,375 and P42,454 as of March 31, 2010 and December 31, 2009, respectively.

Debt Issue Costs

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are charged against current operations.

Derecognition of Financial Assets and Financial Liabilities

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

- the rights to receive cash flows from the asset expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

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

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any

impairment loss on that financial asset previously recognized in the consolidated statements of income, is transferred from equity to the consolidated statements of income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments Between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial assets to another entity; or

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

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

The table below presents a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱20,348**	**₱20,348**	₱13,563	₱13,563
Trade and other receivables - net	**4,133**	**4,133**	3,311	3,311
Derivative assets (included under "Prepaid expenses and other current assets" account in the statements of financial position)	**57**	**57**	59	59
AFS financial assets	**45**	**45**	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the statements of financial position)	**13**	**13**	-	-
Financial Liabilities				
Short-term loans payable	**1,687**	**1,687**	-	-
Accounts payable and accrued expenses	**6,559**	**6,559**	4,038	4,038
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the statements of financial position)	**29**	**29**	39	39
Long-term debt	**52,129**	**57,602**	38,416	43,102

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

Drafts and Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of drafts and loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As of March 31, 2010 and December 31, 2009, discount rates used range from 3.9% to 7.8% and 4.3% to 8.0%, respectively. The carrying values of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedging

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges are discussed below.

Derivative Instruments Accounted for as Hedges

Freestanding Derivatives

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

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

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

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

The Group discontinues fair value hedge accounting if the hedging instrument expires, is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

As of March 31, 2010 and December 31, 2009, the Group has no outstanding derivatives accounted for as fair value hedges.

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

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

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

As of March 31, 2010 and December 31, 2009, the Group has no outstanding derivatives accounted for as cash flow hedge.

Net Investment Hedge. As of March 31, 2010, and December 31, 2009, the Group has no hedge of a net investment in a foreign operation.

Other Derivative Instruments Not Accounted for as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the period incurred.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's embedded derivatives include currency derivatives (forwards) embedded in non-financial contracts.

Embedded Currency Forwards
As of March 31, 2010 and December 31, 2009, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$36, and US$38, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. As of March 31, 2010 and December 31, 2009, the net positive fair value of these embedded currency forwards amounted to ₱29 and ₱20, respectively.

For the period ended March 31, 2010 and December 31, 2009, the Group recognized marked-to-market gains from freestanding and embedded derivatives amounting to ₱28 and ₱155, respectively.

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9. **Other Matters**

a. 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.

b. 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.

c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. There were no material off-statement 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 into by the Group as of and for the period ended March 31, 2010.

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

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of March 31, 2010. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash.

i. On May 14, 2010, the Parent Company declared cash dividend amounting to ₱0.14 per share payable to stockholders of record as of May 28, 2010 and payable on June 14, 2010.

SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND PERFORMANCE

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Brewery Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2010 (with comparative figures as of December 31, 2009 and for the period ended March 31, 2009). All necessary adjustments to present fairly the Group's financial position, financial performance and cash flows as of March 31, 2010 and for all the periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. 2010 TRANSACTIONS

- On January 29, 2010, the Company's purchase of the international beer and malt-based beverage business of San Miguel Corporation (SMC), through the purchase by the Company of shares in San Miguel Brewing International Limited (SMBIL), comprising 100% of the outstanding capital stock of SMBIL, from San Miguel Holdings Limited (SMH), a wholly owned subsidiary of SMC, was completed for a price of US$302 million, after adjustments pursuant to the terms of the Share Purchase Agreement between the Company, SMC and SMH executed on December 18, 2009. As a result of the acquisition, SMBIL became a wholly-owned subsidiary of the Company.

  On January 28, 2010, the Company entered into a US$300 million unsecured loan facility agreement to finance the acquisition of SMBIL. The loan will mature five (5) years from agreement date.

II. FINANCIAL PERFORMANCE

2010 vs. 2009

The financial performance for the first quarter of 2010 already reflect the consolidated transactions of the Company, Iconic Beverages Inc. (which became a wholly-owned subsidiary of the Company in April 2009) and SMBIL and SMBIL's subsidiaries following the completion of the Company's purchase of the international beer and malt-based beverage business from SMC through the purchase of SMBIL in January 2010. SMBIL and its subsidiaries are responsible for the international beer operations of the Company.

The Group's consolidated sales revenue amounted to ₱16,024 million for the first quarter of 2010, ₱13,356 million of which came from domestic operations and ₱2,668 million from international operations. Domestic sales increased by 7.5% in 2010 primarily as a result of higher sales volume and selling prices. International operations on the other hand, posted an 8% increase in net sales.

Cost of sales amounted to ₱8,208 million in 2010, with domestic operations accounting for ₱6,561 million. Domestic operations' costs are slightly lower by ₱13 million, mostly a result of reduced malt prices. International operations' cost of sales increased by 1%.

Operating expenses amounted to ₱3,186 million in 2010. Domestic operations accounted for ₱2,179 million, which is higher by 10% from the same period last year primarily due to increased advertising and promotional activities. On the other hand, international operations' operating expenses increased by 17%.

Income from operating activities amounted to ₱4,630 million. Operating income from domestic operations still increased despite higher operating expense by 19% or ₱743 million due to higher revenues. International operations recovered from an operating loss in 2009, posting an increase of 166% in its operating income in 2010.

Consolidated net income amounted to ₱5,791 million, with ₱2,724 million came from domestic operations and ₱77 million from international operations. The income from acquisition of assets at fair value arising from the purchase of SMBIL, which amounted to ₱2,990, mainly accounted for the increase in net income. The income is due to the difference in the value of assets acquired of US$367 million as compared to consideration paid of US$302 million.

2009 vs. 2008[1]

Despite weak economic conditions brought about by the global financial crisis, the Company's first quarter sales revenue increased by 1.4%, from ₱12,257 million in 2008 to ₱12,426 million in 2009, as a result of higher selling prices.

Cost of sales increased from ₱6,330 million in 2008 to ₱6,574 million in 2009 mainly due to the 8% hike in excise taxes effective January 1, 2009. However, the Company managed to control selling and administrative expenses resulting to a 9% decline from last year's ₱2,179 million to ₱1,979 million in 2009.

Operating income amounted to ₱3,873 million in the first quarter of 2009, 3.3% higher than ₱3,748 million posted in 2008, driven by continued cost management efforts, lower fuel costs and stable raw material prices. Subsequently, net income after tax grew by 8.2% to ₱2,664 million for the quarter.

III. FINANCIAL POSITION

2010 vs. 2009

The statement of financial position for 2010 already reflects the consolidated assets, liabilities and equity of both domestic and international operations, while the 2009 statement of financial position only reflects the financial position of the Company.

Cash and cash equivalents amounted to ₱20,348 in 2010 compared to 13,563 million in 2009 primarily due to international operations' cash amounting to ₱4,814 million and an increase of ₱1,971 million in domestic operations' cash balance due to collection of receivables.

Trade and other receivables amounted to ₱4,133 million compared to ₱3,311 in 2009. Receivables from domestic operations decreased by ₱735 million from ₱3,311 million in 2009 to

[1] Financial performance for the 1st quarter of 2009 and 2008 pertains to the Company only.

₱2,576 million in the 2010 mainly due to higher collection of trade receivables and settlement of insurance claims. International operations accounted for ₱1,557 million of the total receivables.

Inventories amounted to ₱4,453 million in 2010 as against ₱3,246 million in 2009 primarily due to international operations inventory balance of ₱889 million and an increase in domestic operations' finished goods.

Prepaid expenses and other current assets for domestic operations slightly increased by ₱46 million from ₱653 million in 2009 to ₱699 million in 2010 while prepaid expense and other current assets for international operations amounted to ₱420 million.

Investments pertain to investment in shares of stocks and other club shares while investment properties pertain to properties held for lease and capital appreciation, both accounts are for international operations.

Property, plant and equipment increased from P5,765 million to ₱16,750 million primarily due to the consolidation of the international operations' assets following the Company's purchase of SMBIL amounting to ₱11,106 million.

Intangible assets increased by ₱3,934 million from ₱32,020 million in 2009 to ₱35,954 million in 2010 primarily due to the addition of international operations' brands and licenses.

Deferred tax assets decreased by ₱118 million in 2010 from ₱232 million in 2009. Deferred tax asset from domestic operations decreased by ₱180 million due to the offsetting effect of the set up of deferred tax liability attributed to the long-term debt transactions costs that were already availed in full as deduction for tax purposes.

Other noncurrent assets amounted to P6,404 million in 2010 from P5,300 million in 2009 primarily due to the addition of international operations accounts.

Drafts and loans payable pertain to short-term loans of international operations.

Accounts payable and accrued expenses amounted to ₱6,588 million in 2010 from ₱4,077 million in 2009. Accounts payable and accrued expense for domestic operations amounted to ₱4,241 million while international operations accounted for ₱2,347 million of the total balance.

Income and other taxes payable amounted to ₱3,008 million in 2010 as against ₱1,679 million. Taxes payable from domestic operations increased by ₱871 million from ₱1,679 million in 2009 primarily due the increase in revenues for 2010. International operations accounted for ₱458 million of the total amount.

Long-term debt increased by ₱13,509 million from ₱38,416 million in 2009 primarily due to the US$300 million loan availed of by the Company for the purchase of SMBIL.

Deferred tax liabilities pertain to international operations' taxable temporary differences.

Other noncurrent liabilities pertain to international operations' retirement benefit obligation.

Cumulative translation adjustment of ₱269 million is basically the foreign currency translation adjustment of international operations' net assets.

2009 vs. 2008[2]

Prepaid expenses and other current assets decreased by 17% or ₱72 million mainly due to lower excise tax deposit in March 2009 than in December 2008 when the Company had to deposit the requirement for the first four non-working days of January 2009.

The acquisition of new SAP IDs increased intangibles by ₱16 million from ₱11 million in 2008 to ₱27 million in 2009.

Deferred tax assets decreased by 8% or ₱33 million due to the effect of reversal of marked-to-market losses on embedded derivatives and pension asset.

The decrease in other noncurrent assets of ₱271 million is primarily due to amortization of deferred containers cost.

Payment of year-end accruals significantly reduced accounts payable and other accrued expenses by ₱374 million.

The increase in income and other taxes payable of ₱537 million from ₱2,585 million in 2008 to ₱3,122 million represents the net income tax due for the first quarter of 2009.

Noncurrent liabilities decreased by ₱37 million due to reversal of noncurrent portion of lease payable to SMC.

The cumulative translation adjustments of ₱35 pertain to loss on fuel hedges due to lower market price vis-à-vis the strike price.

The increase (decrease) in equity is due to:

	Group	**Company**
	March 31	
	2010	**2009**
Income during the year	**₱ 5,748**	₱ 2,664
Non-controlling interests due	**3,825**	-
Changes in fair value of cash flow hedges		10
Effect of translation adjustments	**(269)**	
Cash dividends	**(2,003)**	(2,929)
	₱ 7,301	(₱ 255)

2 Financial position for the 1st quarter of 2009 and 2008 pertains to the Company only.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	Group	Company
	March 31	
	2010	**2009**
Net cash flows provided by operating activities	**₱ 5,127**	₱ 3,300
Net cash flows used in investing activities	**(9,605)**	(524)
Net cash flows provided by (used in) financing activities	**11,364**	(2,966)

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

Net cash flows used in investing activities included the following:

	Group	Company
	March 31	
	2010	**2009**
Additions to property and equipment	**(₱ 126)**	(₱ 83)
Acquisition of a subsidiary	**(9,263)**	-
Increase in other noncurrent assets	**(390)**	(499)
Increase in intangible assets	**-**	(17)
Interest received	**172**	75
Proceeds from sale of property and equipment	**2**	-

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

	Group	Company
	March 31	
	2010	**2009**
Proceeds from long-term borrowings	**₱ 13,469**	₱ -
Decrease in noncurrent liabilities	**(102)**	(37)
Cash dividends paid	**(2,003)**	(2,929)

The effect of exchange rate changes on cash and cash equivalents amounted to (P101) million in March 2010. The exchange rates used for net assets in March 31, 2010 are P45.17 to US$1 (P46.20 in December 31, 2009) and P45.996 to US$1 as of March 31, 2010 (P47.85 as of March 31, 2009) for income and expense items.

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data on the periods indicated below:

	March 2010	December 2009
Liquidity:		
Current Ratio	2.66	3.61
Solvency:		
Debt to Equity Ratio	2.33	2.22

	Period Ended March 31	
	2010	**2009**
Domestic Operations		
Operating Efficiency:		
Volume Increase (Decline)	2%	(8.9%)
Revenue Growth	7.5%	1.4%
Operating Margin	34.6%	31.2%

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	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Volume Growth	$\left(\frac{\text{Current Period Sales Volume}}{\text{Prior period Sales Volume}}\right) -1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) -1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$