COVER SHEET

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S. E. C. Registration Number

S A N M I G U E L

B R E W E R Y

I N C .

(Company's Full Name)

No. 40 San Miguel

Avenue, Mandaluyong

City

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

Contact Person

632-3000

Company Telephone Number

Month Day

17-Q – (1st Qtr 2009

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

LCU

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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, 2009**

2. Commission identification number **CS200711828**

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

4. Exact name of issuer as specified in its charter **SAN MIGUELBREWERY 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, 2009
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 [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited financial statements of San Miguel Brewery Inc. (the "Company") as of and for the period ended March 31, 2009 (with comparative figures as of December 31, 2008 and for the period ended March 31, 2008) and Selected Notes to the 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 III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as **Annex "B"**.

PART II--OTHER INFORMATION

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

NONE

SIGNATURES

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

Issuer	**SAN MIGUEL BREWERY INC.**
Signature and Title	**MERCY MARIE J. L. AMADOR** Chief Finance Officer and Treasurer
Date	May 15, 2009

Annex "A"

SAN MIGUE BREWERY INC.

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

SAN MIGUEL BREWERY INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2009 and DECEMBER 31, 2008
(Amounts in Millions)

ASSETS

	Note	2009 (Unaudited)	2008 (Audited)
CURRENT ASSETS			
Cash and cash equivalents	6, 7	₱ 5,851	₱ 6,041
Trade and other receivables - net	2, 6, 7	3,717	3,661
Inventories - net		3,195	3,279
Prepaid expenses and other current assets	6, 7	346	418
TOTAL CURRENT ASSETS		13,109	13,399
NONCURRENT ASSETS			
Plant and equipment - net	3	5,771	5,864
Intangible assets		27	11
Deferred tax assets		394	427
Other noncurrent assets - net	6, 7	5,204	4,933
TOTAL NONCURRENT ASSETS		11,396	11,235
TOTAL ASSETS		₱ 24,505	₱ 24,634

LIABILITIES AND EQUITY

	Note	2009 (Unaudited)	2008 (Audited)
CURRENT LIABILITIES			
Accounts payable and accrued expenses	2, 6, 7	₱ 2,626	₱ 3,000
Income and other taxes payable		3,122	2,585
TOTAL CURRENT LIABILITIES		5,748	5,585
NONCURRENT LIABILITIES	6, 7	2	39
TOTAL LIABILITIES		5,750	5,624
EQUITY			
Capital stock		15,410	15,410
Additional paid-in capital		515	515
Cumulative translation adjustments	7	(35)	(45)
Retained earnings:			
Unappropriated		2,865	3,130
TOTAL EQUITY		18,755	19,010
TOTAL LIABILITIES AND EQUITY		₱ 24,505	₱ 24,634

Note: 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.
STATEMENTS OF INCOME
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions, Except Earnings Per Share)

		2009 Unaudited		2008 Unaudited
SALES (Note 2)	₱	12,426	₱	12,257
COST OF SALES (Note 2)		6,574		6,330
GROSS PROFIT		5,852		5,927
SELLING AND ADMINISTRATIVE EXPENSES (Note 2)		(1,979)		(2,179)
INTEREST INCOME		70		65
OTHER CHARGES - NET (Note 7)		(145)		(40)
INCOME BEFORE TAX		3,798		3,773
INCOME TAX EXPENSE		1,134		1,311
NET INCOME	₱	2,664	₱	2,462
Basic Earnings Per Share (Note 4)	₱	0.17	₱	0.16

Note: 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.
STATEMENTS OF COMPREHENSIVE INCOME
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions, Except Earnings Per Share)

	2009 Unaudited	2008 Unaudited
NET INCOME	₱ 2,664	₱ 2,462
NET LOSS ON CASH FLOW HEDGES	₱ (14)	₱ -
INCOME TAX	4	-
OTHER COMPREHENSIVE LOSS FOR THE PERIOD - NET OF TAX	(10)	-
TOTAL COMPREHENSIVE INCOME THE PERIOD - NET OF TAX	₱ 2,654	₱ 2,462

Note: 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.
STATEMENTS OF CASH FLOWS
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions)

		2009 Unaudited		2008 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱	3,798	₱	3,773
Adjustments for:				
Depreciation, amortization and others		406		401
Provision for doubtful accounts		10		86
Gain on sale of plant and equipment		-		(1)
Interest Income		(70)		(65)
Operating income before working capital changes		4,144		4,194
Changes in noncash current assets and certain liabilities and others		(830)		(529)
Cash generated from operations		3,314		3,665
Income taxes paid		(14)		(13)
Net cash flows from operating activities		3,300		3,652
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to plant and equipment		(83)		(151)
Interest received		75		65
Proceeds from sale of plant and equipment		-		1
Increase in intangibles		(17)		(12)
Increase in other noncurrent assets		(499)		(211)
Net cash flows used in investing activities		(524)		(308)
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in noncurrent liabilities		(37)		-
Cash dividends paid		(2,929)		(2,300)
Net cash flows used in financing activities		(2,966)		(2,300)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(190)		1,044
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,041		5,262
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱	5,851	₱	6,306

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

CERTIFIED CORRECT:

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

SAN MIGUEL BREWERY INC.
STATEMENTS OF CHANGES IN EQUITY
For the Period Ended March 31, 2009 and 2008
(Amounts in Millions)

	Capital Stock	Additional Paid-in Capital	Cumulative Translation Adjustment	Unappropriated Retained Earnings	Total
Balance at December 31, 2008 (Audited)	P 15,410	P 515	P (45)	P 3,130	P 19,010
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	10	-	10
Net income for the period	-	-	-	2,664	2,664
Total income for the period	-	-	10	2,664	2,674
Cash dividends	-	-	-	(2,929)	(2,929)
Balance at March 31, 2009 (Unaudited)	P 15,410	P 515	P (35)	P 2,865	P 18,755
Balance at December 31, 2007 (Audited)	P 15,333	P -	P -	P 2,310	P 17,643
Net income for the period	-	-	-	2,462	2,462
Cash dividends	-	-	-	(2,300)	(2,300)
Balance at March 31, 2008 (Unaudited)	P 15,333	P -	P -	P 2,472	P 17,805

Note: 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.
ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2009

TYPE OF ACCOUNTS RECEIVABLE		TOTAL	CURRENT	1 - 30 DAYS	31 - 60 DAYS	OVER 60 DAYS
DOMESTIC	₱	3,423,771,792.86	3,186,176,083.00	71,840,105.00	13,189,654.00	152,565,950.86
EXPORT		134,588,164.20	19,008,498.58	10,650,293.36	68,304,838.62	36,624,533.64
TOTAL		3,558,359,957.06				
ALLOWANCE FOR DOUBTFUL ACCOUNTS		(643,363,442.46)				
NET	₱	2,914,996,514.60				

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SAN MIGUEL BREWERY INC.

SELECTED NOTES TO FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

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

The Company prepared its interim financial statements as of and for the period ended March 31, 2009 and comparative financial statements for the same period in 2008 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS).

The 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 financial statements of the Company are the same as those followed in the most recent audited annual financial statements.

Adoption of New Standards, Amendments to Standards and Interpretations
The 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 2009
Starting January 1, 2009, the Group adopted the following amended PAS and Philippine Interpretations from IFRIC:

- Revised PAS 1, *Presentation of Financial Statements*, becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to introduce 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 income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Group elected to present two separate statements.

- Revised PAS 23, *Borrowing Costs*, becomes effective for financial years beginning on or after January 1, 2009. The standard removes the option 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. This revised standard did not have a material effect on the consolidated financial statements.

- Amendment to PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations*, becomes effective for financial years beginning on or after January 1, 2009. The standard has been amended to clarify the definition of vesting conditions, 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. The adoption of this amendment did not have a material effect on the consolidated financial statements.

- Amended PFRS 1 and PAS 27, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*, becomes effective for financial years beginning on or after January 1, 2009. The amendments to PFRS 1 allow a first-time adopter, at its date of transition to IFRS in its separate financial statements, to use deemed cost to account for an investment in a subsidiary, jointly controlled entity or associate. 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. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- *Improvements to PFRS 2008* 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 did not have a material effect on the consolidated financial statements.

2. 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 2009**	**₱ 366**	**₱ 595**	**₱ 342**	**₱ 252**
	Dec. 2008	2,020	1,660	645	298
San Miguel Yamamura Packaging Corp.	**March 2009**	**6**	**598**	**16**	**711**
(formerly San Miguel Packaging Specialists, Inc.)	Dec. 2008	44	1,991	21	469
San Miguel Rengo Packaging Corporation	**March 2009**	**-**	**7**	**-**	**5**
	Dec. 2008	-	29	-	6
SMC Shipping & Lighterage Corporation	**March 2009**	**1**	**127**	**1**	**66**
	Dec. 2008	3	415	4	92
SMITS Inc. and subsidiary	**March 2009**	-	**14**	**-**	**30**
	Dec. 2008	-	98	-	60
San Miguel Yamamura Asia Corporation	**March 2009**	**-**	**39**	**2**	**105**
	Dec. 2008	3	96	1	21
Ginebra San Miguel Inc. and subsidiary	**March 2009**	**1**	**-**	**7**	**2**
	Dec. 2008	8	-	7	3
San Miguel International Ltd and subsidiaries	**March 2009**	**7**	**-**	**68**	**4**
	Dec. 2008	3	-	73	4
San Miguel Beverages, Inc.	**March 2009**	**4**	**-**	**13**	**-**
	Dec. 2008	11	-	28	5
San Miguel Pure Foods Company Inc., and subsidiaries	**March 2009**	**6**	**5**	**11**	**1**
	Dec. 2008	28	1	20	21
Others	**March 2009**	**-**	**4**	**-**	**6**
	Dec. 2008	-	16	-	7

3. Plant and Equipment

Plant and equipment consist of:

	Balance, December 31, 2008	Additions	Disposals and Reclassifications	Balance, March 31, 2009
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	-	-	9
Office equipment, furniture and fixtures	369	1	-	370
Leasehold improvements	62	-	-	62
Construction in progress	330	87	(135)	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
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)	15,853
Net book value	₱ 5 ,864	₱ 46	(₱ 138)	₱ 5,772

	Balance, December 31, 2007	Additions	Disposals and Reclassifications	Balance, March 31, 2008
Cost:				
Buildings and improvements	₱ 3,533	₱ 2	₱ -	₱ 3,535
Machinery and equipment	16,063	108	(1)	16,170
Transportation equipment	394	1	(3)	392
Tools and small equipment	9			9
Office equipment, furniture and fixtures	362	1		363
Leasehold improvements	81			81
Construction in progress	337	39		376
	20,779	151	(4)	20,926
Accumulated depreciation and amortization:				
Buildings and improvements	1,419	25		1,444
Machinery and equipment	13,003	135		13,138
Transportation equipment	340	5	(3)	342
Tools and small equipment	8			8
Office equipment, furniture and fixtures	351	2	(1)	352
Leasehold improvements	42	1		43
	15,163	168	(4)	15,327
Net book value	₱ 5 ,616	(₱ 17)	₱ -	₱ 5,599

Depreciation and amortization charged to operations amounted to ₱176 and P168 in March 2009 and 2008, respectively.

4. Earnings Per Share

Basic earnings per share is computed by dividing the net income for the period attributable to equity holders of the 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 2009	2008
Net Income for the period (a)	**₱ 2,664**	₱ 2,462
Weighted average number of shares outstanding (b)	**15,410**	15,333
Earnings per share (a/b)	**₱ 0.17**	₱ 0.16

5. **Dividends**

The Company paid cash dividends amounting to ₱0.19 and ₱0.15 per share in February 2009 and 2008, respectively.

6. **Financial Risk Management Objectives and Policies**

Objectives and Policies

The Company's principal financial instruments include non-derivative instrument, cash and cash equivalents, and derivative instruments, such as currency forwards and commodity options. The main purpose of these financial instruments is to manage identified financial risks. The Company has various other financial assets and liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses and other noncurrent liabilities, which arise directly from its operations.

The Company uses derivatives to manage its exposures to foreign exchange and commodity price risks arising from the Company's operations. It is the Company's policy to ensure that capabilities exist for active and prudent management of its financial risks. The Company does not engage in any speculative derivative transactions.

The main risks arising from the use of financial instruments are foreign currency risk, commodity price risk, liquidity risk and credit risk. The BOD has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities.

The Company's accounting policies in relation to derivatives are set out in Note 7.

Foreign Currency Risk

The Company's exposure to foreign currency risk results from its business transactions and financing arrangements denominated in foreign currency. The Company uses a combination of natural hedges and derivative hedges to manage its foreign currency exposure. It uses currency derivatives to reduce earnings volatility related to foreign exchange movements.

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. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated debts.

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

	March 31, 2009		December 31, 2008	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$ 3**	**₱ 166**	US$ 5	₱ 243
Trade and other receivable	**3**	**164**	4	181
	6	**330**	9	424
Liabilities				
Accounts payable and accrued expenses	**US$ 1**	**₱ 70**	US$ 2	₱ 77
Net foreign currency-denominated monetary assets (liabilities)	**US$ 5**	**₱ 260**	US$ 7	₱ 347

The Company reported net foreign exchange gain (loss) amounting to ₱0.1 and (₱6) in March 31, 2009 and 2008, respectively with the translation of its foreign currency-denominated assets and liabilities. These resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2007	41.28
March 31, 2008	41.76
December 31, 2008	47.52
March 31, 2009	48.33

Sensitivity Analysis
A 10% strengthening of the Philippine peso against the US dollar as of March 31, 2009 would have decreased equity and profit by ₱26.

A 10% weakening of the Philippine peso against the US dollar as of March 31, 2009 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Commodity Price Risk
The Company 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 Company, 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 positions is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Company to reduce cost by optimizing purchasing synergies within the SMC group of companies and managing inventory levels of common materials.

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

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Company'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 table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, as of March 31, 2009 and December 31, 2008:

March 31, 2009

Non-derivative financial liabilities	**Carrying Amount**	**Contractual cash flow**	**1year or less**	**> 1 year - 2 years**	**>2 years - 5 years**	**Over 5 years**
Accounts payable and accrued expenses	**₱2,409**	**₱2,409**	**₱2,409**	**₱-**	**₱-**	**₱-**
Noncurrent liabilities	**2**	**2**	**2**	**-**	**-**	**-**

December 31, 2008

Non-derivative financial liabilities	Carrying Amount	Contractual cash flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Accounts payable and accrued expenses	₱2,727	₱2,727	₱2,679	₱48	₱-	₱-

Credit Risk
Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Company has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Company obtains collateral or arranges master netting agreements.

With respect to credit risk arising from the other financial assets of the Company, which comprise of cash and cash equivalents and certain derivative instruments, the Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any. Financial information on the Company's maximum exposure to credit risk as of March 31, 2009 and December 31, 2008, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2009	December 31, 2008
Cash and cash equivalents	**₱5,851**	₱6,041
Trade and other receivables - net	**3,717**	3,661
Derivative assets	**17**	28
Noncurrent receivables	**48**	50
	₱9,633	₱9,780

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

Capital Management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company 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 Company's external environment and the risks underlying the Company's business, operation and industry.

The Company monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to current and noncurrent liabilities. Total equity comprises of equity including capital stock, additional paid-in capital, cumulative translation adjustments and retained earnings.

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

The Company is not subject to externally imposed capital requirements.

7. Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the 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 and derecognition, as applicable, are done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Subsequent to initial recognition, the Company classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, available-for-sale (AFS) investments, FVPL financial assets and loans and receivables. 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 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 statements 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 has not been a 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 net present value techniques, 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 Company recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'day 1' profit amount.

<u>*Financial Assets*</u>
Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the statements of income.

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, financial liabilities or both 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.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Company accounts for its derivative transactions (including embedded derivatives) under this category with fair value changes being reported directly to profit or loss, except when the derivative is treated as an effective accounting hedge, in which case the fair value change is deferred in equity under "Cumulative translation adjustments" account.

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

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments 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. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Company'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 Company's management has the positive intention and ability to hold to maturity. Where the Company 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 Company has no investments classified as HTM as of March 31, 2009 and December 31, 2008.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the statements of financial position. Changes in the fair value of such assets are reported in the equity section of the statements of financial position until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the statements of income. Interest earned on holding AFS investments is recognized in the statements of income using effective interest rate.

The Company has no investments classified under this category as of March 31, 2009 and December 31, 2008.

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Company elects to designate a financial liability under this category.

Included in this category are the Company's derivative financial instruments with negative fair values.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Company's accounts payable and accrued expenses and noncurrent liabilities.

Debt Issue Costs

Debt issue costs are shown as deduction against the related debt and are amortized over the terms of the related borrowings using the effective interest method.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt 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 Company; 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 Company 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.

The table below presents a comparison by category of carrying amounts and fair values of all of the Company's financial instruments as of March 31, 2009 and December 31, 2008:

	March 31, 2009		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱5,851**	**₱5,851**	₱6,041	₱6,041
Trade and other receivables - net	**3,717**	**3,717**	3,661	3,661
Derivative assets (included under "Prepaid expenses and other current assets" account in the statements of financial position)	**17**	**17**	28	28
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the statements of financial position)	**48**	**48**	50	50
Financial Liabilities				
Accounts payable and accrued expenses	**2,409**	**2,409**	2,727	2,727
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the statements of financial position)	**217**	**217**	273	273
Noncurrent liabilities	**2**	**2**	39	39

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 maturity of these financial instruments. In case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. The fair values of commodity derivatives are determined based on prices obtained from the market and counterparties. Fair values are also based on standard valuation models.

Accounts Payable and Accrued Expenses and Noncurrent Liability. The carrying amount of accounts payable and accrued expenses and noncurrent liability approximates fair value due to the relatively short-term maturity of these financial instruments.

Derivative Financial Instruments and Hedging

The Company'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

The Company enters into commodity derivative contracts to manage its exposure on commodity price risk particularly on fuel oil.

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 Company formally designates and documents the hedge relationship to which the Company 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 statements 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.

As of March 31, 2009 and December 31, 2008, the Company 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 included in the statements of changes in equity under “Cumulative translation adjustments” account. 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 net income 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.

Commodity Options
As of March 31, 2009 and December 31, 2008, the Company has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 2,543 and 3,391 metric tons, respectively. These options were exercised at various calculation dates in 2008 and 2009 with specified quantities on each calculation date. The effective fair value change, net of tax, deferred under “Cumulative translation adjustments” account as of March 31, 2009 and December 31, 2008 amounted to ₱35 and P45, respectively.

Net Investment Hedge. As of March 31, 2009, and December 31, 2008, the Company has no hedge of a net investment in a foreign operation.

<u>Derivative Instruments Not Accounted for as Hedges</u>
For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of these instruments are accounted for directly in the 2009 and 2008 statements of income. Details are as follows:

Free Standing Derivatives

Commodity Options
As of March 31, 2009 and December 31, 2008, the Company has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 7,630 and 10,174 metric tons, respectively. These options can be exercised at various calculation dates in 2009 with specified quantities on each calculation date. The net negative fair value of these options as of March 31, 2009 and December 31, 2008 amounted to ₱151 and ₱ 212, respectively.

Embedded Derivatives

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company 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 fair value through profit or loss. 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 Company's embedded derivatives include currency derivatives (forwards) embedded in non-financial contracts.

Embedded Currency Forwards
As of March 31, 2009 and December 31, 2008, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$26, and US$31, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. As of March 31, 2009 and December 31, 2008, the net negative fair value of these embedded currency forwards amounted to ₱49 and ₱33, respectively.

For the period ended March 31, 2009 and December 31, 2008, the Company recognized marked-to-market losses from freestanding and embedded derivatives amounting to ₱18 and ₱38, respectively.

8. **Subsequent Events**

a. On April 3, 2009, the Company's offering of Philippine Peso-denominated fixed rate bonds in the aggregate principal amount of ₱38,800 ("Bonds") was completed with the Company's receipt of the proceeds amounting to ₱38,800 for the following Bonds issued: Series A Bonds with the aggregate principal amount of ₱13,590 having a term of 3 years beginning on April 3, 2009 ("Issue Date") and ending on April 3, 2012, with a fixed interest rate of 8.25% per annum; Series B Bonds with an aggregate principal amount of ₱22,400 having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate principal amount of ₱2,810 having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.50% per annum.

b. On April 29, 2009, the Company purchased San Miguel Corporation's 100% interest in Iconic Beverages, Inc. (IBI) for a purchase price of ₱32,000. IBI owns certain Philippine beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how.

c. On April 30, 2009, San Miguel Corporation sold its 2,185,402,491 common shares in the Company to Kirin Holdings Company, Limited at ₱8.841 per share.

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 Conditions and Results of Operations.

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 year.

c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company'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 Company, 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-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered into by the Company as of and for the period ended March 31, 2009.

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

h. The Company's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of March 31, 2009. 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 April 8, 2009, the Company declared cash dividend amounting to ₱0.185 per share payable to stockholders of record as of April 23, 2009 and paid on May 7, 2009.

SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Corporation

MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited financial statements of San Miguel Brewery Inc. (the "Company") as of and for the period ended March 31, 2009 (with comparative figures as of December 31, 2008 and for the period ended March 31, 2008). All necessary adjustments to present fairly the financial position, results of operations, and cash flows of the Company as at March 31, 2009, and for the other periods presented have been made. Certain information and footnote disclosure normally included in the audited financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. 2009 TRANSACTIONS

- Acquisition of Assets

  On January 27, 2009, the Company's Board of Directors (BOD) approved the purchase of all the interests of San Miguel Corporation (SMC) in Iconic Beverages, Inc. (IBI), a wholly-owned subsidiary of SMC, after completion of the transfer by SMC to IBI of certain Philippine beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how of SMC ("IP Rights") pursuant to a Deed of Assignment of Domestic Intellectual Property Rights dated December 16, 2008 as supplemented executed between IBI and SMC, in exchange for common shares in IBI. On April 29, 2009, the Company acquired SMC's 100% interest in IBI for a purchase price of ₱32,000 million.

  Also, on January 27, 2009, the Company's BOD approved the purchase of all interests of SMC in Brewery Properties Inc. (BPI) after (i) SMC has transferred certain land used in the domestic beer operations of the Company to BPI in exchange for BPI common shares, and (ii) San Miguel Brewery Inc. Retirement Plan has transferred its shares in Brewery Landholdings, Inc. to BPI in exchange for BPI preferred shares. The purchase price will be the appraised value of the land transferred by SMC to BPI amounting to ₱6,829 million. The sale of SMC's interests in BPI to the Company will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

- Bond Issuance

  Pursuant to an order by the SEC rendering the Company's registration statement effective and the permit to offer securities for sale issued by the SEC, both dated March 17, 2009, the Company offered for sale and subscription to the public Philippine peso-denominated fixed rate bonds in the aggregate principal amount of ₱38,800 million (Bonds) Series A Bonds with an aggregate principal amount of ₱13,590 million having a term of 3 years beginning on April 3, 2009 (Issue Date) and ending on April 3, 2012, with a fixed interest rate of 8.25% per annum; Series B Bonds with an aggregate principal amount of ₱22,400 million having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate principal amount of ₱2,810 million having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.5% per annum. Proceeds from the issuance of the bonds will be used to finance the Company's acquisition of the interests of the Parent Company in IBI and BPI.

II. RESULTS OF OPERATIONS

2009 vs. 2008

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.

2008 - First Quarter[1]

SMB sustained its upbeat performance in the first quarter of 2008 following its strong volume recovery in 2007 with a net sales of ₱12,257 million. SMB's strong volume expansion was driven by integrated above-the-line and below-the-line initiatives which further strengthened image and equity of SMB brands.

Cost of sales amounted to ₱6,330 million while operating expenses, which consist of selling and administrative expenses amounted to ₱2,179 million. The Company has continued to limit expenses and use of resources to programs which were aimed to increase volumes and improve efficiencies. With these cost measures, income from operating activities amounted to ₱3,748 million or a 30.6% operating margin.

The Company incurred other charges of ₱40 million in the first quarter which is mainly due to mark-to-market losses on third currency derivatives coming from purchases of imported raw materials. This was offset by interest income amounting to ₱65 million resulting to ₱3,773 million income before tax.

III. FINANCIAL CONDITIONS

2009 vs. 2008

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.

[1] The Company was incorporated in July 2007 and started operations in October 2007.

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.

2008 vs. 2007

Cash and cash equivalents increased from ₱5,262 million in 2007 to ₱6,306 million in 2008 which is mainly due to improvement in sales collection efficiencies and an improve cash credit ratio from 31:69 in December 2007 to 35:65 in March 2008. The ₱6,306 million is net of the payment of cash dividends from the fourth quarter earnings amounting to ₱2,300 million to SMC in February 2008.

Prepaid expenses and other current assets increased by ₱89 million due to deposit of excise tax and the increase in input taxes on capital goods.

Intangible assets increased by ₱11 million due to upgrades of SAP and e-mail system.

Deferred tax assets increased by 15% or ₱61 million due to set up of provisions and allowances for the period.

The decrease in accounts payable and accrued expenses of ₱653 million is mainly due to the payment of the Company's payable to SMC.

The increase in income and other taxes payable of ₱1,363 million from ₱1,710 million in 2007 to ₱3,073 million in 2008 represents the net income tax due for the first quarter of 2008.

Equity

The increase (decrease) in equity is due to:

(In millions)	March 31	
	2009	**2008**
Income during the year	₱ 2,664	₱ 2,462
Changes in fair value of cash flow hedges	10	-
Cash dividends	(2,929)	(2,300)
	(₱ 255)	₱ 162

Current ratio was 2.28 in 2009 and 2.40 in 2008. Debt to equity ratio was 0.31 and 0.30 as of 2009 ad 2008, respectively.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	March 31	
	2009	**2008**
Net cash flows from operating activities	₱3,300	₱3,652
Net cash flows used in investing activities	(524)	(308)
Net cash flows used in financing activities	(2,966)	(2,300)

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

Net cash flows used in investing activities included the following:

(In millions)	March 31	
	2009	**2008**
Increase in other noncurrent assets	(₱499)	(₱211)
Additions to plant and equipment	(83)	(151)
Increase in intangible assets	(17)	(12)
Interest received	75	65
Proceeds from sale of plant and equipment	-	1

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

(In millions)	March 31	
	2009	**2008**
Decrease in noncurrent liabilities	(₱ 37)	₱ -
Cash dividiends paid	(2,929)	(2,300)

V. KEY PERFORMANCE INDICATORS

Following below are the major performance measures that the Company uses.

	March 2009	**December 2008**
Liquidity:		
Current Ratio	2.28	2.4
Solvency:		
Debt to Equity Ratio	0.31	0.30
Profitability:		
Return on Average Equity	56.4%	54.8%

	Period Ended March 31	
	2009	**2008**
Operating Efficiency:		
Volume Decline	8.9%	N/A
Revenue Growth	1.40%	N/A
Operating Margin	31.2%	30.6%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income*}}{\text{Average Equity}}$
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	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting*