

2000 Annual Report



SAN MIGUEL CORPORATION



San Miguel Corporation not only has the vision to win the future, we also have the brands, technology and people to get us there. These are the building blocks of our current success and the reasons why you can continue to count on San Miguel to deliver even higher levels of value and growth.



A. Financial Highlights

(In million pesos, except per share data)

	2000	1999	Changes
Net Sales	P88,705	P75,619	17%
Income from operations	7,928	6,688	19%
Net Income before one-off items	7,514	6,016	25%
Net Income after one-off items	6,844	6,016	14%
Cash Dividends	2,250	2,759	-18%
Per Common Share			
Basic earnings per share before one-off items*	3.34	2.52	32%
Basic earnings per share after one-off items*	3.04	2.52	21%
Cash Dividends**	1.00	1.23	-19%

* The basic earnings per share are based on the weighted average number of shares outstanding during each year. The shares issuable under the Company's stock plan have no dilutive effect on basic earnings per share.

** The cash dividends per share are based on the number of shares outstanding at the end of each year. In 2000, total cash dividends declared per share amounted to 1.25.

2000 Annual Report



SAN MIGUEL CORPORATION

B. Business Portfolio

B.1. Beverages

SAN MIGUEL BEER DOMESTIC OPERATIONS

Production & marketing of beer & other malt beverages

San Miguel Corporation

5 Breweries

Market Share 90%

SAN MIGUEL BEER INTERNATIONAL

Production & marketing of beer & other malt beverages

San Miguel Brewery Hong Kong, Ltd.

Guangzhou San Miguel Brewery Company, Ltd.

San Miguel Shunde Brewery Company, Ltd.

San Miguel Bada Baoding Brewery Company, Ltd.

P.T. Delta-Djakarta San Miguel Brewery Vietnam, Ltd.

J. Boag & Son

1 brewery each in Vietnam, Indonesia & Australia

4 breweries in China

LA TONDEÑA DISTILLERS, INC.

Production & marketing of gin, rum distilled & mineral water;

processing & marketing of fruit juices, juice drinks & jelly snacks.

Sugarland Beverage Corporation

Metro Bottled Water Corporation

12 plants

Market Share

Hard Liquor 56%

Ready-to-drink juice

Tetra 36%

Doy 16%

Powdered juice 58%

Packaged water

Exclusive of bulk 20%

COCA-COLA AMATIL, LTD.

SMC holds 21% equity

Production & marketing of soft drinks & fruit drinks

45 bottling plants in 7 countries

B.2. Food & Agribusiness

SAN MIGUEL FOODS, INC.

Breeding, hatching, processing & marketing of chicken;

production & marketing of feeds

3 poultry processing plants

3 poultry breeder farms

3 hatcheries & 1 animal feed plant

2000 Annual Report



SAN MIGUEL CORPORATION

Market Share

Feeds 27%

Chicken 23%

AGRIBUSINESS

Production & export of coconut oil & other coconut products

1 coconut oil mill

Market Share

Coconut oil % of total Philippine exports 12%

San Miguel CampoCarne Corporation

Production & marketing of processed meat

1 processed meat plant

Market Share 13%

MONTEREY FOODS CORPORATION

Hog breeding; hog & cattle fattening; processing & marketing of basic & value added meat products

1 meat plant

9 hog farms

2 cattle farms

Market Share

Basic pork 5%

Basic beef 6%

Semi-processed 4%

PHILIPPINE DAIRY PRODUCTS CORPORATION

STAR DARI, INC.

Production & marketing of butter, margarine & cheese

1 butter, margarine & cheese plant

Market Share

Refrigerated margarine 80%

Non-refrigerated margarine 90%

Butter 85%

Cheese 24%

B.3. Packaging

METAL

Production & marketing of metal closure & two-piece aluminum cans

San Miguel Corporation

San Miguel Yamamura Ball Corporation

San Miguel Shunde Packaging Company, Ltd.

San Miguel Phu Tho Packaging Company, Ltd.

Domestic:

2 metal closure & lithography plants

1 two - piece aluminum can plant

Foreign:

1 crown line in China

1 crown plant in Vietnam

Market Share

2000 Annual Report



SAN MIGUEL CORPORATION

<i>Crowns</i>	74%
<i>Roll-on pilferproof caps</i>	58%
<i>Metal Caps</i>	32%
<i>Two-piece cans</i>	88%

PLASTICS

Production & marketing of plastic crates, pallets & R-PET bottles

San Miguel Corporation

Rightpak International Corporation

San Miguel Shunde Packaging Company, Ltd.

P.T. San Miguel Sampoerna Packaging Industries, Ltd.

Domestic:

3 plastic plants

Foreign:

1 plastic plant each in China & Indonesia

Market Share

Crates 82%

Pallets 80%

Refillable PET bottles 100%

GLASS

Production & marketing of glass containers & glass molds

San Miguel Corporation

San Miguel Yamamura Asia Corporation

Premium Packaging International, Inc.

San Miguel Yamamura Fuso Molds Corporation

San Miguel Yamamura Haiphong Glass Company, Ltd.

Zhaoqing San Miguel Glass Company, Ltd.

Domestic:

4 plants

1 glass mold plant

Foreign:

1 glass plant each in China & Vietnam

PAPER

Production & marketing of corrugated cartons

San Miguel Rengo Packaging Corporation

Mindanao Corrugated Fiberboard, Inc.

2 carton plants

Market Share 20%

COMPOSITES

Production & marketing of composites

Rightpak International Corporation

1 composites plant

Market Share 24%

2000 Annual Report



SAN MIGUEL CORPORATION

B.4. Real Estate

SAN MIGUEL PROPERTIES, INC.
*Management & Development of Office, Commercial,
Industrial & Residential properties*
Projects:

The Legacy
Villa de Calamba
Primavera Hills
Bel Aldea
Maravilla
Buenavista Homes
San Miguel Properties Centre
The Enterprise Center
SMC Head Office Complex
HQ Business Centers
Pacific Woods

C. Fellow Stockholders and Employees

Over the last few years we have been guided by a strategy that is laying the groundwork for further growth. Our results for the year 2000 certainly reflect San Miguel's commitment to delivering higher levels of value and performance to our shareholders.

Year 2000 revenue reached 88.7 billion, 17% higher than 1999. San Miguel's consolidated recurring net income of P7.5 billion is 25% higher than last year's P6.02 billion, indicating the strong profitability of our core businesses. Including one-off items, consolidated net income grew 14% to P6.8 billion.

Your Company's performance should be viewed within the context of the larger economic challenges in the Philippines, our growth is significant. The momentum that began in mid-1998 has been sustained, affirming the soundness of our strategy and the passion of our employees to excel.

In many ways, the ongoing challenges serve as a catalyst, bringing greater intensity to everything we do - from selling to distribution, to creating new products and finding ways of delighting our consumers. We remain committed to raising the bar on programs and initiatives that have enabled our current success.

The highlights of our performance in year 2000 indicate that our efforts have largely been successful:

- Revenue growth of 17% amid a soft consumer market.
- Higher volumes - averaging 12% growth across our business.

"We remain committed to raising the bar on programs and initiatives that have enabled our current success."

2000 Annual Report



SAN MIGUEL CORPORATION

• A 19% increase in operating income to P7.9 billion, due primarily to the turnaround in our international beer and packaging operations and the contribution to the bottomline from our acquisitions.

San Miguel's ability to produce this level of performance is grounded on the strength of our business platforms: A powerful brand portfolio; a distribution network unrivalled in the Philippines; and our vision - one that effectively harnesses both strengths and which we believe, will propel San Miguel into the future.

At the stockholders meeting last year, we spoke of our vision to turn San Miguel into a logistics powerhouse. This vision constitutes our third business platform, bringing together seamlessly the power of the San Miguel brands and its distribution system, and challenging us to build new capabilities in a way that best serves both our consumers and stockholders.

While some may criticize our vision as too ambitious, we remain undeterred by the challenges ahead, convinced as we are that building our Company's logistics capability is a necessary step to be able to succeed in the "new economy". Viewed separately, the first two of San Miguel's business platforms certainly have the potential for increased revenue - but it is the third, that will truly allow us to deliver the levels of growth you expect from San Miguel.

Perhaps our message to you in the face of the prevailing economic climate should be one of staying the course. Our core businesses continue to focus on increasing revenue and improving operating execution. We have managed our operations more rigorously through initiatives that demand our unrelenting attention to executing the basics well: managing costs; optimizing synergies within the Group; implementing revenue programs and installing the systems needed to support our initiatives.

Our effort over the next few months will be more about transforming your Company while sustaining the aggressive targets we have set for ourselves. At the moment, we are working to strengthen the backbone of our future business systems, exploring ways by which San Miguel can capitalize and ride on the revolution in information technology.

D. Management Discussion and Analysis

San Miguel Beer Division's domestic beer volumes were adversely affected by the economic slowdown, the Mindanao conflict and declining farm incomes. Compounded with the 12% increase on beer excise taxes, oil and transport cost increases and volatility in the exchange rate, domestic operation's total volumes declined by 3%. This was still however better than the industry's overall drop of 4.2%.

Domestic Beer's net sales revenue grew 2.1% from 1999 levels. Despite the rising cost of raw materials resulting from the peso's depreciation, costs were contained due to tighter management of resources and higher efficiencies. Operating income amounted to P4.1 billion.

SMBD's market share based on retail-audit inched to 90.5%, up from 90.1% in 1999. Initiatives to optimize trade coverage, and the implementation of trade and consumer programs to improve availability contributed to this growth.

Building on the highly successful "Sarap Maging Barkada" campaign launched in 1999, San Miguel Beer focused on creating occasions and expanding venues for beer drinking via ad

2000 Annual Report



SAN MIGUEL CORPORATION

campaign follow-ups. Red Horse Beer continued to be the growth leader with a double-digit volume increase.

SMBD's international operations (excluding J. Boag & Son) posted an 11% gain in volumes, as efforts to lower fixed expenses and overhead costs sustained a turnaround that began in the last quarter of 1999. Consolidated operating income stood at US\$3.8 million for 2000, reversing last year's loss of US\$6.3 million.

Including J. Boag & Son, international operations posted a 17% gain in volume and an 11% increase in revenue. Total operating profit stood at US\$6.6 million.

With growth momentum driven by its flagship brand, James Boag Premium, J. Boag & Son posted a 21% volume growth since its acquisition by San Miguel.

Improved performance of SMBD's operations in North China contributed greatly to International's overall results. Aggressive selling and distribution initiatives - combined with the re-launch of Blue Star Beer - brought solid gains in penetration levels and market share.

In South China, volume gains, particularly for San Miguel Pale Pilsen in the steinie format, resulted in better product margins. To address competitive pressures in the high-end popular segment, the Valor proprietary bottle was introduced.

The Company continued to post modest growth in volume and revenue in Hong Kong. The continuing "Take a Fresh Look campaign" further helped solidify San Miguel Pale Pilsen's brand image, while a more focused channel-specific distribution network translated into higher sales.

In spite of the current political situation and social restrictions on the consumption of alcoholic beverages, our volumes grew in Indonesia. Price increases largely offset the effect of a weakened rupiah, resulting in higher revenue for the year 2000. Greater operating efficiencies also resulted in an increase in operating income.

Hard Liquor

San Miguel's subsidiary La Tondeña Distillers, Inc. posted a record performance as volumes peaked across all product categories. Consolidated sales revenue reached P14.2 billion, 34% higher than P10.6 billion the previous year, while operating income rose by 23% to P2.9 billion. Net income amounted to P1.35 billion, 34% higher than 1999 levels.

Despite continued softness in consumer demand, La Tondeña's liquor business grew by 7%. Revenue increased 14% from year-ago levels as sales efforts concentrated on spurring consumption through more aggressive penetration drives and marketing activities. By December 2000, La Tondeña's share of the liquor market had climbed to 56%, up from 52% in 1999.

Water

La Tondeña continued to strengthen its leadership in the bottled water industry. Synergies resulting from the acquisition of Metro Bottled Water Corporation in 1999 brought volumes and revenues to new highs. Volume rose by 38% as off-and on-premise consumption of the PET segment grew. The five-gallon segment, alone, increased by 6%.

2000 Annual Report



SAN MIGUEL CORPORATION

Juice

The consolidation of Sugarland Beverage Corporation in mid-2000 resulted in huge gains in La Tondeña juice business. Synergies yielded from the partnership brought about a 35% growth in sugar land volumes

E. Selected Financial Data

(Amounts in Millions, Except Per Share and Statistical Data)

For the Year	2000	1999	1998
Net Sales	P88,705	P75,619	P78,226
Income from Operations	P7,928	P6,688	P4,097
Net Income	P6,844	P6,016	P24,409
Basic Earnings Per Share	P3.04	P2.52	P9.83
Taxes	P18,458	P17,375	P19,282
Cash Dividends	P2,250	P2,759	P1,804
Cash Dividends Per Share A	P1.00	P1.25	P0.73 C
Stock Dividends	-	10%	-
At Year-End			
Working Capital	P35,581	P34,305	P51,752
Total Assets	P153,029	P137,410	P139,043
Property, Plant & Equipment - Net	P49,708	P45,553	P48,276
Stockholders' Equity	P65,912	P55,733	P67,013
Stockholders' Equity Per Share A	P29.28	P24.77	P26.98 C
Number of Shares Outstanding - Net of Treasury Shares	2,250,734,081	2,249,789,366	2,257,516,972
Number of Stockholders	49,687	50,245	51,778
Number of Employees	14,864	14,511	15,923
Financial Statistics			
% Return on Average Stockholders' Equity	11.25	9.80	42.18
Current Ratio	1.81	1.87	2.97
Debt to Equity Ratio B	0.99	1.11	0.86
Market Price C			
Class A - High	P58.00	P74.00	P55.00
- Low	P44.00	P39.67	P32.00
Class B - High	P57.50	P86.50	P75.50
- Low	P46.50	P45.45	P34.00

A - Based on the number of shares outstanding at the end of each year

B - Total debt to stockholders' equity and minority interest

C - Adjusted to reflect the retroactive effects of stock dividend in 1999

