

**MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS  
OF EMPERADOR INC.**

held on 21 May 2018

at the Grand Ballroom, Eastwood Richmond Hotel, 17 Orchard Road, Eastwood City  
Bagumbayan, Quezon City, Metro Manila, Philippines

**I. CALL TO ORDER**

The President, Mr. Winston S. Co, acted as Presiding Officer and called the meeting to order at 09:10 a.m.

**II. CERTIFICATION OF NOTICE AND QUORUM**

The Corporate Secretary certified that all stockholders as of 13 April 2018, the record date of the Annual Meeting, have been notified of the Annual Meeting and that there exists a quorum for the transaction of business for the Annual Meeting, there being present in person or represented by proxy, stockholders holding 94.39% of the subscribed and outstanding capital stock of the Corporation.

**III. APPROVAL OF MINUTES OF THE PREVIOUS ANNUAL MEETING OF STOCKHOLDERS HELD ON 16 MAY 2016**

The Presiding Officer informed the stockholders that the next item on the agenda is the reading and approval of the Minutes of the Previous Annual Meeting of the Stockholders held on 15 May 2017.

A motion was made to dispense with the reading of the Minutes of the Previous Annual Meeting of the Stockholders held on 15 May 2017 as copies thereof had earlier been furnished to all stockholders in attendance and to approve the same. After having been duly seconded, the Minutes of the Previous Annual Meeting of the Stockholders held on 15 May 2017 was approved.

**IV. REPORT OF MANAGEMENT**

The Presiding Officer then turned the floor over to Dr. Andrew L. Tan who delivered the following message:

*Year on year, we have met the challenges of the extremely competitive spirits industry. We have successfully sustained domination of the Philippine market and made bold moves to explore global routes through our acquisition of major foreign brands. We have kept a keen eye on the competition and acted swiftly and decisively to protect and grow our business. But more importantly, we have stayed true to our commitment to constantly try to do even better, to seek out new opportunities and not rest on our laurels as we seek to strike a balance between profitability and market share.*

*Emperador Inc. recorded revenues of PHP42.7 billion in 2017, 4% higher than year-ago revenues, with earnings amounting to PHP6.3 billion. Of this, our brandy business contributed PHP30.4 billion and our whisky business, PHP12.3 billion.*

*We have invested considerable amount of resources to bring new exciting products to the Philippines and the rest of the world. Our premiumization efforts and our strategy to grow our business worldwide are underway. We are excited about the prospect of these initiatives.*

*A highlight of 2017 was Emperador's acquisition, through Bodega Las Copas, of the Domecq brandies and wines. Along with our purchase of Fundador in 2016, this agreement fits perfectly with our company's strategy to reinforce our leadership in the global brandy category.*

*Fundador continued to assert itself as a leading global brand. In 2017, the San Francisco World Spirits Competition, America's largest and most influential wine and spirit awards*

*event judged by 41 highly respected spirit experts, bestowed the Gold Award to Fundador Supremo 15 years old Amontillado Cask and the Bronze Award to Fundador Exclusivo Solera Gran Reserva.*

*Likewise, our whisky business had a milestone year with Whyte & Mackay Asia growing over 100% through its strategy of premiumization and being named the IWSC Scotch Producer of the Year.*

*In the local market, despite stiff competition, we sustained our leadership through dynamic marketing and our reputation for product quality. We have created a brandy-drinking culture among Filipinos with our flagship Emperador brand. We are now well on our way to replicate this success in the relatively nascent domestic whisky market through our wide range of brands and offers. We expect an evolution brought about by improving Philippine economy and growing income of the middle class and are in an excellent position to capitalize on this.*

*Focus, alignment and hard work delivered for us again in 2017. I cannot thank all our stakeholders enough for this continued success. As we move on to 2018 and beyond I remain truly confident that the vision and commitment that have sustained us for decades will remain our beacon for more achievements in the future.*

After the Chairman's Message, the Presiding Officer turned over the floor to Mr. Kenneth Nerecina, Head of Investor Relations, for a short presentation on the results of the corporation for year 2017. Thereafter, the floor was opened for questions from the stockholders.

#### OPEN FORUM

Stockholder 1: Good morning. I am Rain Sim. Our company had another brandy acquisition last year, this time in Mexico. What is the rationale behind this acquisition and can we expect more?

Mr. Co: We did acquire the brandy business in Mexico together with our partner Gonzales Byass on a 50-50 equity joint venture format. And we went into the Mexico business because we wanted to strengthen our footprint basically in Latin America and this is in line with our global route to market strategy and we feel that the Latin America region can contribute significantly to our brandy and whisky growth in the future. The brandy business that we acquired in Mexico comes with a couple of brands and we own the largest brandy brand in Mexico today which is called El Presidente Brandy. We have a very good footprint in the Latin America now and we own the largest brandy in Mexico as well. And overall, I think, on a global strategy this one is important to us as we expand our footprint internationally.

Stockholder 2: Sir, you have been talking about premiumization. Can you give us an update on this strategy?

Mr. Co: We believe in the Philippine growth story. I am sure you are aware of the economic growth and advancement that we have had experienced in the past two years, particular in this current administration. And we believe that in the next couple of years, in the next five years, we will be experiencing robust growth especially with the adjustment in the personal income tax. A lot of people have actually gained higher purchasing power and we believe that premiumization will happen in the Philippines, and in fact we are seeing that it is happening. For these reasons that we believe that our imported brands like the Fundador, the Tres Cepas, our imported whisky the Jura, Shackleton, Whyte and Mackay, including some premiumization coming from the Philippine side, as you can see very well in the consumers, in the next couple of years.

Stockholder 3: Good morning. I am John Lao. Here is a personal observation of the market situation over a few months. Formerly I look at the supermarket it was stocked very well with the Fundador brand. But recently, I observed it started to disappear. It was replaced by another brand, Alfonso I. Over the months, Fundador completely disappeared from the supermarket shelves. Fundador Light made a brief appearance and then it completely disappeared. I have observed that during the holiday season, bumibili ang mga tao kahon kahon ng Alfonso I. Some kariton boys nakikita ko empty bottles Alfonso I. I used to observe many years ago, puro Fundador. Ngayon, Alfonso I. Maybe you can

conduct your own market survey on the field to check if this is correct. If people become accustomed to Alfonso I, it will be very hard to get our market share. Another observation is the Emperador. The Emperador shelf space when it was introduced was the same. But if you look at the brandies that people put in their shopping carts, during the start of the introduction of Emperador, marami. It is starting to decrease. Maybe you can take a look at what is happening in the field and redouble our efforts because when people get used to buying other brands, it will be very very hard to get back our market share. You could conduct your own market survey to verify if my observation is correct. My observation is limited to a few supermarkets. But it is quite alarming.

Mr. Co: Thank you, Mr. John Lao for your observation. Actually when you look at our Fundador business, our business is growing. In fact, this year, we expect to grow between 30 to 35% percent on the overall business. The Fundador is in a very good space. Fundador is growing across the country, from Luzon, Visayas (to) Mindanao. We will note your observation, Sir, and we will try to identify areas that we can further improve. Thank you very much.

Stockholder 4: Good morning, Sir. I am Rainier Locsin. My question is, can you talk about developments in your foreign brands, like Dalmore and Fundador. Where do you see them this year, and in the next three to five years, domestically and internationally?

Mr. Co: Thank you very much for that question. The Dalmore is in a good position. As you know very well know, the Dalmore sits at apex of the single malt Scotch whisky category. In fact, today, Dalmore is the most expensive single malt whisky and the most revered as well. As earlier mentioned by Kenneth in his presentation, we have grown the business across all regions internationally. We are growing in Europe, in Asia, and also in North America, particularly on travel retail. Dalmore as a brand is very strong, not only here in the Philippines but globally. Of course, understanding that it is a very very expensive brand, it is a luxury brand. It is not only a super-premium brand. If you have time, our dear shareholders, we would like to invite you to our flagship store which is at the Uptown Parade, Bonifacio Global City. There you can see some of the most expensive liquid on Planet Earth. Try to have a visit. If you are a shareholder, please get in touch with Kenneth and we will organize a small tour for you and maybe sample some of our exquisite whisky in that particular store. For Fundador, with the largest premium brandy here in the Philippines, we have opened a Fundador experiential store in McKinley Venice Grand Canal. You are also invited to go there. In fact, we are giving out gift certificates for two exclusive Fundador beverages. These are your favorite latte spiked with your favorite Fundador brandy. We have some cold drinks as well. The store is under renovation this month so please visit the store starting June 1<sup>st</sup>. Kenneth is buying you to two beverages. To our shareholders, please receive your gift certificates from Kenneth. We are excited about this two brands, and both of the brands are growing.

Stockholder 5: Good morning. I am Ian Dy. I would like to comment that there were no Annual Reports that were provided to our stockholders this meeting. I do think that you should provide it.

Mr. Kenneth Nerecina: Actually, we have gone paperless. The glossy Annual Report is now in digital format. It is in our corporate website. It is readily available and you can download it there.

Stockholder 5: Yes, but the problem is for today, it is too hard to get the wi-fi password and the username. It took me around 30 minutes just to get the password and username of the wi-fi.

Mr. Kenneth Nerecina: That is noted, Sir.

Stockholder 5: And I would like to know the outlook of the share buy-back transactions that we have been doing for the past year.

Mr. Kenneth Nerecina: The buy-back is ongoing. It is a two-year program that started roughly last year. I believe we have bought back roughly 125 million shares, thereabout, approaching 20% of the amount.

Stockholder 5: Is it better to do a buy back transaction than to pay our loans?

Mr. Kenneth Nerecina: We have reiterated that our stock is undervalued, that is the idea why we are doing the buy-back exercise.

Stockholder 5: So it is much better to do a buy back transaction first than to deal with our loans.

Mr. Co: The answer is yes.

Stockholder 6: Good morning. My name is George Tan. My question is related to taxation. Recently, we had an increase in excise tax on alcohol. I would like to know how the company got affected by that and we know there is another round of increases in taxation for alcohol and how will that again affect the company moving forward. I believe that with excise tax in fuel, the market more or less shrunk. So I don't know if that is something that the company anticipate as well.

Mr. Co: Mr. Tan, thank you for your question. I think that is a very appropriate question. There is a yearly increase in excise tax for liquor and it is based on an index. The index is roughly around 4%. It is relative with inflation so that should be okay. It affects everyone not only us but all manufacturers locally and also on imported products as well, so you have a level playing field as much as we are concerned. Is there another question that you raised earlier, aside from the tax?

Stockholder 6: I'm not sure if that will affect the market size.

Mr. Co: Inflationary increase should not. That is our expectation.

Stockholder 6: Okay. And how is the company affected by the recent company depreciation? Because that would make importation expensive and retail prices higher. And the market could react negatively.

Mr. Co: Right. Actually it has impacted our cost of goods sold, but still we are able to maintain or meet our 30% growth margin. You are right. If the peso appreciates in the coming months and quarters, our GP should improve a bit. That would be good for us.

Dr. Andrew L. Tan: If I may add, actually on the excise tax, there is an automatic yearly increase of 4% starting every January. And I think that was reflected on the prices of everyone in the industry. We hope there won't be any further increase, because any further increase will be a problem of course. I think everybody in the industry feel the same way. This 4% is already something very good for the government because the government automatically can raise their revenue by 4% on excise tax. But our hope is there won't be further increase, amendment of the law or whatever, because we believe that the current law on excise tax is actually quite enough to take care of increases. Thank you.

Stockholder 6: Thank you.

#### **V. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES, AND MANAGEMENT**

The Presiding Officer informed the stockholders that the next item on the agenda is the ratification of all acts and resolutions of the Board of Directors, Board Committees and Management of the corporation up to the date of this meeting. He informed the stockholders that these include, among others, the appointment of officers, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, declaration of dividends, appointment of proxies and nominees, appointment of authorized signatories and representatives, corporate contracts, and other similar activities of the Company which were duly adopted in the ordinary course of business.

Upon motion made and duly seconded, the stockholders ratified all acts and resolutions of the Board of Directors, Board Committees and Management of the corporation during the period up to the date of this meeting.

#### **VI. APPOINTMENT OF EXTERNAL AUDITORS**

The Presiding Officer informed the stockholders that the Board of Directors, upon recommendation of the Audit Committee, has resolved to re-appoint Punongbayan and Araullo as

external auditors of the Corporation for the audit of the corporation's financial statements for the year ending December 31, 2018, and that this is now being submitted for approval by the stockholders.

Upon motion made and duly seconded, the stockholders approved the re-appointment of Punongbayan and Araullo as the external auditors of the Corporation for the audit of the Corporation's financial statements for the year ending December 31, 2018.

#### VII. ELECTION OF DIRECTORS

The Presiding Officer informed the stockholders that, for the current year 2018, the corporation will be electing seven directors, at least two of whom shall be independent directors pursuant to the Securities and Regulation Code and the corporation's Revised Manual of Corporate Governance. He requested Ms. Loren Kay Ostia, on behalf of the Corporate Governance Committee, to present the Final List of Nominees for members of the Board of Directors.

Ms. Ostia, on behalf of the Corporate Governance Committee, then presented the Final List of Nominees for election as members of the Board of Directors, as follows: Andrew L. Tan, Winston S. Co, Katherine L. Tan, Kendrick Andrew L. Tan, Kevin Andrew L. Tan as regular directors and Alejo L. Villanueva, Jr. and Enrique M. Soriano III as the independent directors. Ms. Ostia likewise reported that the Final List of Nominees for election as directors of the corporation possess all the required qualifications and none of the disqualifications to hold office as directors of the corporation.

The Corporate Secretary then informed the Presiding Officer that no further nominations shall be allowed pursuant to the corporation's By-Laws, as amended.

Upon motion made and duly seconded, since there were only seven nominees and there are only seven seats in the Board, all seven nominees were considered elected to the Board of Directors for the current year 2018.

#### VIII. OTHER MATTERS

Stockholder 7: Mr. Chairman, maganda talaga ang performance ng ating company. We have a very good balance sheet. Mr. Chairman, I move for adjournment.


Stockholder 8: Mr. Chairman, tungkol po sa Annual Report, we understand as to why the company get away from the publication of the very expensive Annual Report, which we have been receiving from other companies as we have been attending other stockholders' meetings. Tama po yun. But ang request po namin, because we don't have the time to open our computers and look at the financial report, baka pwede pong ireproduce yung financials. Just 30 to 50 copies will suffice to the requirements of the attending stockholders para lang makita po namin kung ano yung nirereport. Probably you can include the Chairman and President's summarized message, para at least we will feel more comfortable on investing more on the company. That is our request.

Mr. Co: Sir, point very well taken.

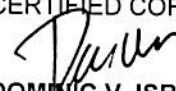
#### IX. ADJOURNMENT

On motion made and duly seconded, the meeting was adjourned at 09:58 a.m.

NOTED:

  
ANDREW L. TAN  
Chairman

CERTIFIED CORRECT:

  
DOMINIC V. ISBERTO  
Corporate Secretary