

**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF LT GROUP, INC. HELD ON MAY 8, 2018  
AT THE KACHINA ROOM, CENTURY PARK HOTEL AT 10:00 A.M.**

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**STOCKHOLDERS:**

In Person	56,671 shares	0.000%
By Proxy	8,989,406,256 shares	83.07%
	<b>8,989,462,927 shares</b>	<b>83.07%</b>

**PRESENT:**

LUCIO C. TAN	-	CHAIRMAN
CARMEN K. TAN	-	DIRECTOR
HARRY C. TAN	-	DIRECTOR
MICHAEL G. TAN	-	DIRECTOR/PRESIDENT
JUANITA TAN LEE	-	DIRECTOR/TREASURER
PETER Y. ONG	-	DIRECTOR
WILFRIDO E. SANCHEZ	-	INDEPENDENT DIRECTOR
JOHNIP G. CUA	-	INDEPENDENT DIRECTOR
FLORENCIA G. TARRIELA	-	INDEPENDENT DIRECTOR
ROBIN C. SY	-	INDEPENDENT DIRECTOR

**I. CALL TO ORDER**

The Chairman, Dr. Lucio C. Tan, called the meeting to order and requested the President, Mr. Michael G. Tan to preside over the rest of the meeting.

**II. PROOF OF THE REQUIRED NOTICE OF THE MEETING**

Mr. Michael G. Tan inquired if the required notices of the meeting had been sent to the stockholders. The Corporate Secretary, Ms. Ma. Cecilia L. Pesayco, certified that proper notices of the meeting had been sent to all stockholders of record as early as April 6, 2018 or more than thirty (30) days, in full compliance with Rule 20 of the Securities Regulation Code that requires written notice of the meeting be sent to all stockholders of record at least twenty-eight (28) days prior to the date of the meeting. A certification to this effect was issued by R&H Messengerial and General Services, the courier service company utilized by the Corporation to send out the Notices.

**III. PROOF OF PRESENCE OF QUORUM**

The Corporate Secretary certified that there were present in person or by proxy, a total of 8,989,462,927 shares, or 83.07% of the Corporation's 10,821,388,889 total issued and outstanding shares, thus a quorum existed for the valid transaction of business that may properly come before the body,

**IV. APPROVAL OF THE MINUTES OF THE 2017 ANNUAL STOCKHOLDERS' MEETING HELD ON 20 JUNE 2017**

The next item in the agenda was the reading and approval of the minutes of the previous Annual Stockholders' Meeting held on June 20, 2017. The matters discussed in the previous meeting were summarized in the Information Statement distributed to all stockholders.

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Upon motion duly made and seconded, the reading of the Minutes of the Annual Stockholders' Meeting held on 20 June 2017 was dispensed with and the Minutes of the said meeting, as appearing in the minutes book of the Corporation, was approved.

## **V. MANAGEMENT REPORT**

The President, Mr. Michael G. Tan opened the floor for questions on the Management Report which was included in the Information Statement that was distributed to all stockholders. There being no questions, the Chairman Mr. Lucio C. Tan delivered a short message to the stockholders. Thereafter, the President presented his report.

The President started his report with the 2017 Philippines' GDP growth at 6.7%, slightly lower than year-ago level. Consumer spending grew by 5.7% translating to strong demand for consumer products which was supported by the 4.3% growth in OFW remittances to USD2.18Billion, and the employment generated by the Information Technology Business-Outsourcing industry whose revenues grew 7% to USD24.5Billion.

LT Group, Inc. likewise did better in 2017, despite the stiff competition in the industries the Company operates in. The rampant illicit trade in the tobacco industry was finally halted in the latter part of the year, and the industry has been able to increase prices to economically sustainable levels. The Company reported an attributable Net Income of PhP10.8Billion, 15% higher than year-ago level at PhP9.4Billion. Philippine National Bank (PNB) contributed PhP4.8Billion or 45% of the Corporation's attributable Net Income. The tobacco business (PMFTC) accounted for PhP4.4Billion or 40%, followed by Tanduay (TDI) at PhP631Million or 6%. Asia Brewery (ABI) added PhP551Million or 5% and Eton Properties Philippines, Inc. (EPPI) generated PhP348Million or 3%. The equity in net earnings from the Company's stake in Victorias Milling Company, Inc. (VMC) provided PhP174Million, or 2% of total income.

Mr. Tan also reported that the Company declared a regular cash dividend of PhP0.15 per share and a special cash dividend of PhP0.05 per share, for a total of PhP0.20 per share which amounted to PhP2.16Billion. This is PhP0.02 or 11% higher than the PhP0.18 per share that the Company paid out last year. The dividend paid this year is equivalent to 20% of the Company's attributable Net Income in 2017, in line with the dividend policy of a 20% pay-out rate.

He then proceeded to discuss each of the Corporation's subsidiaries.

### **BEVERAGE**

ABI's net income for the year 2017 amounted to PhP552Million, 69% lower than PhP1.76Billion reported in 2016. The 2016 income was boosted by a PhP594Million extraordinary gain from the revaluation of the beer assets which were spun off into the Company's joint venture with Heineken.

The lower income in 2017 was also due to the additional expenses, primarily for marketing beer, soymilk and energy drinks. The start of commercial operations of the Company's soymilk plant also entailed higher depreciation expenses as volumes are just starting to pick up.

Cobra energy drink continues to have the most contribution in revenue at over 35%. Also, the Company launched Vitamilk soymilk in returnable glass bottles in February which is now available in sari-sari stores.

For the bottled water business, the Company tied-up with Disney for Absolute pure distilled drinking water. The smaller 250ml size is targeted for children and readily fits into a lunch box. Later in the

year, ABI launched Summit Still and Sparkling water in premium glass packaging. This is in partnership with the World Wildlife Fund or WWF.

For the beer and alcoholic business under the joint venture with Heineken, ABI launched Beer na Beer Strong with a higher alcohol content. The Company also started brewing Tiger Beer in the Philippines in 2017, and just started brewing Heineken this year. Likewise, ABI launched Tiger Black with a higher alcohol content.

### PROPERTY DEVELOPMENT

EPPI's net income in 2016 was at PhP348Million, 11% lower than 2016 result, due to the Company's change in strategy to focus on increasing its recurring income base, from leasing out office building and retail space that complement the office and residential projects. Hence, revenues from the sale of residential units have been going down, while the Company has been breaking ground on a number of projects to increase its leasing portfolio.

For retail, projects in the pipeline include Eton Square Ortigas in Greenhills, San Juan City, and Eton City Square, the lifestyle hub of Eton City Laguna. Additional office space will come from NxTower in Ortigas Center and Centris Cyberpod Five in Eton Centris, Quezon City which topped off in October 2017. Moreover, construction is in full swing at Eton WestEnd Square in Pasong Tamo, Makati City, for eWestMall, the retail component, and eWestPod, the office component.

### TOBACCO

The President, thank the government for their actions toward the illicit trade, which includes smuggled and locally produced products.

The tobacco industry's volume was estimated to be at 75billion sticks in 2017, about 6% lower than 2016, largely due to excise-tax driven price increases. This was tempered by trade loading toward the end of the year in anticipation of more price increases as the excise tax was further increased. PMFTC's volume was 11% lower in 2017 to 50.6billion sticks. Trading up to Marlboro improved our mix, which led to higher earnings despite the drop in volume. In 2017, the Company's equity in net earnings from PMFTC amounted to PhP4.4Billion.

### BANKING

PNB reported a net income of PhP8.6Billion in 2017, under the pooling method. This is 16% higher than 2016's PhP7.4Billion. The 2017 income was boosted by a PhP4.2Billion gain from the sale of foreclosed assets, compared to PhP2.6Billion in 2016. Net Interest Income was 13% higher on the back of a 17% increase in loans and receivables. Net Service Fees and Commission Income also increased by 20% due to higher loan, remittance and deposit-related fees.

By the end of 2017, PNB's Total Assets stood at PhP824Billion, 11% more than the previous year. The asset build-up was funded largely by deposits which grew 12% year-on-year. PNB's asset quality remained strong, with Net Non-Performing Loans ratio at 0.26%. The risk-based capital adequacy ratio was at 15.35%, above the 10% minimum required, while the Common Equity Tier 1 ratio was at 14.58%.

The Bank continued to deliver products and service solutions attuned to the evolving needs of its clients. PNB launched the PNB Mobile Banking App to better serve its customers' diverse banking needs. The Bank ended the year with 1,243 ATMs which are Europay, Mastercard and Visa or EMV compliant. It

has also started deploying Cash Accept Machines to provide 24/7 deposit and prepaid cards top-up services.

As of the end of 2017, PNB had 692 branches nationwide, including the 57 branches of PNB Savings Bank. The Bank also had 72 overseas branches, representative offices, remittance centers and subsidiaries across Asia, Europe, the Middle East and North America.

### DISTILLED SPIRITS

Tanduay's core business, liquor, remained strong, posting a 15% volume growth over last year. However, bioethanol sales, which the Company started selling to fuel companies in 2016 to utilize part of the excess capacity of the distillery, declined by 21% while prices also dropped. This resulted in a 31% decline in Tanduay's income to PhP631Million in 2017 from PhP908Million in 2016.

Tanduay received its third consecutive "Brand of the Year" award from the World Branding Forum. The Company's "Tibay ng Loob" marketing campaign for the past four years has enabled the brand to achieve a significant turnaround in sales volume.

In 2017, Tanduay entered into marketing through sports via the Tanduay Athletics program. This aims to improve the corporate image and brand equity by riding on the popularity of sports like basketball. Aside from sponsoring teams in major leagues like the Maharlika Pilipinas Basketball League, it also plans to provide support for grassroots programs to develop the skills of young Filipinos. Tanduay entered into sponsorship programs with two NBA teams. This will provide a global reach for the Tanduay brand as the Tanduay logo will be shown during games and in areas around the playing venue. Tanduay Asian Rum will also be allowed to be sold in select beverage stands.

Tanduay has gained momentum in the Southern Philippines to recover market share. TDI's Market Share in the Visayas and Mindanao areas averaged at 63% as of the end of 2017, compared to around 60% in December 2016.

### OTHER PARTNERSHIPS

In January 2018, the Company broke ground on its joint venture with Ayala Land. Land development is ongoing in the first phase of the 35-hectare mixed-use development in Pasig and Quezon Cities, and the first residential building will be launched in 2019.

Creamy Delight yogurt under the joint venture with Calidad Pascual has gained market share to almost 30% by the end of 2017 as it made headway in consumer markets outside Metro Manila. Its long shelf life has a distinct competitive advantage, and there are variants offered at different price points to cater to a wide array of customers.

2017 was the first full year of the Company's partnership with Allianz for life insurance. The Company is on track and branches of PNB and PNB Savings Bank now offer varied insurance and investment solutions. This addresses the different financial needs of the young and growing, middle income and established families, high net worth individuals and millennials.

## 2018 PROSPECTS

The Company expects 2018 to be better, especially for tobacco, but it will be challenging for some of the consumer businesses. The Company is now operating in a level playing field for its tobacco business but, it still has to contend with our biggest competitors.

Excise taxes were raised further under the TRAIN Law, and there may be a further drop in volume but the Company can pass on additional taxes and no longer price its products at economically unsustainable levels.

For Asia Brewery, the sugar tax is adversely affecting the volume of Cobra. The Company hopes to capitalize on its functional benefits over other sweetened beverages. The demand for bottled water will continue to be strong, and the roll-out of soymilk in returnable glass bottles should improve its volumes.

For Tanduay, while excise taxes are expected to increase under the TRAIN Package Two, the Company expects demand to remain stable to slightly higher as more jobs are expected to be generated under the Build, Build, Build program, especially in Visayas and Mindanao where rum is popular.

As our economy continues to grow, PNB will benefit from the demand for loans and other banking services. The transition to a unified IT system will enable the Bank to provide more services and products through mobile phones and over the web. The joint venture with Allianz for life insurance is on track, and the Company should see bancassurance fees to contribute more in the coming years. Eton will continue to enjoy high occupancy rates for its office buildings, and demand will continue for those in the pipeline. Concerns on Artificial Intelligence taking over jobs in the IT-BDO sector will be mitigated as the industry shifts to more high-value outsourcing jobs in research and analytics. While there is an impending removal of tax perks under TRAIN Package Two, the generally lower labor costs and leasing rates in the Philippines will keep it a viable alternative to other countries

The challenges that individual companies in the Group have to surpass are part of the work the Company has to do toward a stronger tomorrow. Stiff competition is a constant challenge but certain difficulties crop up in certain industries from time to time. Taking advantage of the synergies within the Group helps LT Group move toward a stronger tomorrow. The Group will continue to work together to build a better and stronger LT Group.

The President, thanked the stakeholders for their continued trust and support in the Company during difficult and better times. He also acknowledged the Board, Management Team and all the employees for their hard work and dedication.

After the President's report, and upon motion duly made and seconded, the Management Report, as reflected in the Annual Report, together with the financial statements for the period ending December 31, 2017, were noted and approved.

## **VI. AMENDMENT OF THE ARTICLE SIXTH OF THE AMENDED ARTICLES OF INCORPORATION**

The President then requested for the Stockholders' approval of the amendment of Article Sixth of the Company's Amended Articles of Incorporation. Upon motion duly made and seconded, the stockholders approved as follows:

**STOCKHOLDERS RESOLUTION NO. 01 – 2018**

**RESOLVED**, that the Corporation be, as it is hereby, authorized to reduce the number of Directors from thirteen (13) to eleven (11).

**RESOLVED FURTHER**, that Article 6 of the Corporation's Articles of Incorporation be amended to read as follows:

"That the number of directors of said Corporation shall be eleven (11) and the names and residences of the directors of the Corporation who are to serve until their successors are elected and qualified are as follows."

**VII. RATIFICATION OF ALL ACTS, DECISIONS, AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND OF THE MANAGEMENT**

The President then requested for the Stockholders' confirmation and ratification of all acts, resolutions, and investments of the Board of Directors and Management for the year 2017. A summary of the actions of the Board of Directors and Management for the year was contained in the Information Statement distributed to all stockholders. Upon motion duly made and seconded, the stockholders approved as follows:

**STOCKHOLDERS RESOLUTION NO. 02 – 2018**

**RESOLVED**, that all resolutions approved by the Board of Directors and acts of Management for the year 2017 up to the present, be as they are hereby approved, confirmed and ratified, as if each of the resolutions had been adopted with specific and special authorization by the stockholders' in a meeting duly convened and held.

**VIII. ELECTION OF DIRECTORS**

Before the Election of Directors, the President then informed the Stockholders of the untimely demise of one of the Company's directors, Mr. Antonino L. Alindogan, Jr. last May 6, 2018. The Board of Directors mourn the passing of Mr. Alindogan, Jr., who has served LT Group Inc. faithfully and generously since 2012.

With this development, the Nomination and Compensation Committee was constrained to call for an urgent meeting last May 7, 2018 to discuss the modification in the line-up of nominees of Directors for 2018-2019 to address the unanticipated vacancy left by Mr. Alindogan, Jr. The Corporate Secretary then reported that, the Nomination and Compensation Committee has approved the nomination of eleven (11) individuals as Directors of the Company for the year 2018-2019:

Lucio C. Tan  
Carmen K. Tan  
Harry C. Tan  
Lucio K. Tan, Jr.  
Michael G. Tan  
Juanita Tan Lee  
Peter Y. Ong  
Wilfrido E. Sanchez – Independent Director  
Florencia G. Tarriela – Independent Director

Robin C. Sy – Independent Director  
Johnip G. Cua – Independent Director

Due to the untimely passing of Mr. Antonino L. Alindogan, Jr. who held the position of Independent Director, the Nomination and Compensation Committee felt that an immediate replacement should be made so that the position of Independent Director will not be left vacant at any time. A special meeting was therefore convened on May 7, 2018, to consider nominees for the position of Independent Director. In the said meeting, the Committee decided to confirm the nomination of Mr. Johnip G. Cua, who is currently a Board adviser, as a nominee for Independent Director. With that, Ms. Florencia G. Tarriela, Mr. Wilfrido E. Sanchez, Mr. Robin C. Sy., and Mr. Johnip G. Cua were nominated as Independent Directors.

The Corporate Secretary also pointed out that that while Mr. Cua does not appear in the list of nominees for directors in the Information Statement distributed to the shareholders, the Committee felt that the presentation of the nomination of Mr. Cua at today's meeting under these unusual circumstances is justified for the following reasons:

- First, the Committee is of the opinion that the position of Independent Director was too important to be left vacant;
- In the spirit of full transparency, the filling up of the vacancy left by Mr. Alindogan, Jr. is best addressed at the stockholders' meeting where the stockholders can participate;
- And lastly, copies of the business experience of Mr. Cua have been distributed to the stockholders present by way of full disclosure;

Thereafter, upon motion duly made and seconded, taking into consideration the voting instructions received through proxies submitted to the Office of the Corporate Secretary, the latter declared the eleven (11) nominees with the highest number of votes as follows:

Lucio C. Tan  
Carmen K. Tan  
Lucio K. Tan, Jr.  
Harry C. Tan  
Michael G. Tan  
Juanita Tan Lee  
Peter Y. Ong  
Florencia G. Tarriela – Independent Director  
Wilfrido E. Sanchez – Independent Director  
Robin C. Sy – Independent Director  
Johnip G. Cua – Independent Director

#### **IX. APPOINTMENT OF EXTERNAL AUDITOR**

The President, Mr. Michael G. Tan, then discussed the need for the Company to appoint the External Auditor for the year 2018 to 2019. After discussion and upon motion duly made and seconded, the body, approved thus:

#### **STOCKHOLDERS' RESOLUTION NO. 03-2018**

RESOLVED, to approve and authorize the election of Sycip Gorres Velayo & Co. (SGV & Co.) as the Company's External Auditor.

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Mr. Tan then asked if there was any question, clarification, or comments that a stockholder may wish to ask. A stockholder, Mr. Guillermo Gili, Jr., rose to express his concerns on the continuing difficulty in gaining access to the meeting despite being a certificated stockholder. He also sought the appearance of the Stock and Transfer Agent to test the latter's competence in handling their shares. Both the President and the Corporate Secretary repeatedly explained to Mr. Gili that his concerns are best to be resolved after the meeting when all the necessary data are on hand. The President further explained that the strict implementation of the rules in letting stockholders join the meeting is for proper procedure and their security. Nevertheless, Mr. Gili remained insistent on his demand. Thereafter, Atty. Valerie Gonzales, rose to address the concern of Mr. Gili and explained that she did not experience any problem in assisting the latter into the meeting despite his late arrival. As such, it would seem that the problem is not with Mr. Gili but with his companions who were denied access into the meeting because of their unverified shares. It was found that these shares were lodged with brokers who failed to submit to the Company a list of their shareholders. Hence, the lack of verification. Mr. Gili then argued that his problem is not with today's meeting but of last year's meeting.

The President addressed the complaint and suggested that for the coming years, to avoid further difficulty, the brokers be advised to submit a list of their shareholders to the Company for proper verification.

Mr. Gili then alleged the Company of violating the SRC rules which the President denied. The President explained that the Company merely followed the Rules that if one is not registered, one cannot enter the meeting.

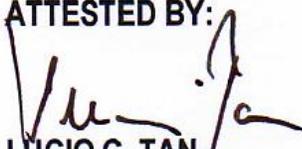
After Mr. Gili's question, there were no other questions from the floor.

**X. ADJOURNMENT**

There being no other business to discuss, upon motion duly made and seconded, the meeting was adjourned.

**CERTIFIED CORRECT:**

  
MA. CECILIA L. PESAYCO  
Corporate Secretary

**ATTESTED BY:**  
  
LUCIO C. TAN  
Chairman

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