

**MINUTES OF THE
ANNUAL MEETING OF THE STOCKHOLDERS
OF GINEBRA SAN MIGUEL INC.**

May 10, 2012 at 2:00 P.M.
Executive Dining Room, SMC Head Office Complex
40 San Miguel Ave., Mandaluyong City

Directors Present:

Eduardo M. Cojuangco, Jr.
Ramon S. Ang
Bernard D. Marquez
Leo S. Alvez
Gabriel S. Claudio
Minita V. Chico-Nazario

I. CALL TO ORDER/CERTIFICATION ON NOTICE AND QUORUM

The Chairman, Mr. Eduardo M. Cojuangco, Jr., presided and called the meeting to order. The Corporate Secretary, Atty. Virgilio S. Jacinto, recorded the minutes of the proceedings.


The Corporate Secretary stated that notices were duly sent to stockholders of record of the Company and that there was a quorum. He also informed the assembly that there were present, in person or by proxy, holders of shares representing about 89% of the total outstanding capital stock of the Company and that the Chairman holds proxies for about 82% of the outstanding capital stock of the Company.

He also advised the stockholders that an open forum will follow the presentation of the 2011 Annual Report and in order to give the stockholders a chance to ask their questions, the stockholders were requested to submit their questions in writing. He added that the question forms were available from the usherettes and that the stockholders should identify themselves in the form. Finally, he said that in answering the questions, written questions submitted in advance would be given preference.

**II. APPROVAL OF THE MINUTES OF PREVIOUS
MEETING OF STOCKHOLDERS**

The Chairman presented the first item in the agenda which was the approval of the minutes of the Annual Stockholders' Meeting held on May 12, 2011.

On motion duly made and seconded, the minutes of the Annual Stockholders' Meeting held on May 12, 2011 was approved by the stockholders present and/or represented.



III. PRESENTATION OF THE ANNUAL REPORT

The Chairman presented the 2011 Annual Report to the stockholders. A copy of the report is attached as Annex "A".

After the report, Atty. Jacinto announced that for the open forum, the Chairman would start with written questions submitted in advance.

A stockholder asked about the new products of the Company. The Chairman requested the Company President, Mr. Bernard D. Marquez to answer the same. Mr. Marquez stated that a lot of products were introduced and proceeded to enumerate them:

In the gin category - GSM Blue Light, 50 proof, which is the lightest gin in the market and GSM Blue Flavors, which is 35 proof, with flavors such as Mojito, Brown Coffee, Lychee and Apple. Dalandan and Melon variants for Ginebra San Miguel;

In the Antonov line - new flavors such as Espresso and Currant, which are 50 proof, were introduced in the market;

For Antonov mixed drink category - Ice, Mandarin and Apple flavors were introduced last year. Ginger Ale, Kamikaze and Cosmopolitan flavors were added this year.

As there were no more questions, a stockholder moved to close the open forum and approve and ratify the Annual Report as presented.


After the aforementioned motion was approved and seconded, a stockholder requested that he be allowed to ask a question. The Chairman acceded.

The stockholder requested for an explanation on the Company's performance in 2011, particularly the decline in revenue. The Chairman explained that 2011 was a very trying year for the Company. The increasing cost of raw materials, excise tax, as well as the shift in consumer preferences all worked against the Company. Mr. Marquez added that the shift in consumer preference, the increase in raw materials, particularly the rising cost of molasses all contributed to a lower bottom line. On the shift in consumer preference, the Company introduced lighter proof products to cater to the young market.

The same stockholder commented that the Company could have recovered sales because there are a lot of people with problems, and people drink when they are depressed. He went on to cite Tanduay's good sales performance. The Chairman assured the stockholders that efforts are being undertaken to improve the Company's financial condition.

Another stockholder inquired about the 1st quarter 2012 performance of the Company. The Chairman replied that there has been a consistent growth in volume and hoped that it would continue for the rest of the year. Mr. Marquez added that signs of recovery were already showing, specifically for the month of April. As to domestic brands, the bottom line is positive in the 1st quarter of 2012.

The same stockholder asked about quarterly dividends to stockholders. Mr. Marquez replied that last year the Company declared dividends. For this year, the declaration of dividends would depend on the Company's financial performance.



As there were no more questions, a stockholder moved to close the open forum and approve and ratify the 2011 Annual Report as presented.

Upon motion duly made and seconded, the open forum was closed and the 2011 Annual Report was unanimously approved and ratified by the stockholders present and/or represented.

III. RATIFICATION OF ALL ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND THE CORPORATE OFFICERS

The Chairman proceeded to the next item in the agenda which is the ratification of all acts and proceedings of the Board of Directors and corporate officers since the Annual Stockholders' Meeting held on May 12, 2011 until the date of this meeting.

A stockholder moved that all acts, resolutions and proceedings of the Board of Directors and corporate officers since the Annual Stockholders' Meeting held on May 12, 2011 until the date of this meeting, as reflected in the minutes of the meetings of the Board of Directors, as well as financial statements and records of the Company be approved, confirmed and ratified.

The motion was duly seconded and approved by a unanimous vote of the stockholders present and/or represented.

V. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman proceeded to the next item in the agenda which is the appointment of external auditor.

A stockholder moved that the accounting firm of Manabat Sanagustin & Co., CPAs, be designated as external auditor of the Company for fiscal year 2011.

The motion was duly seconded and approved by a unanimous vote of the stockholders present and/or represented.

VI. ELECTION OF BOARD OF DIRECTORS

The Chairman requested the Corporate Secretary to inform the stockholders of the nominees to the Board of Directors of the Company for 2012.

The Corporate Secretary read the names of the following qualified nominees:

1. Eduardo M. Cojuangco, Jr.
2. Ramon S. Ang
3. Leo S. Alvez
4. Gabriel S. Claudio
5. Ferdinand K. Constantino
6. Roberto V. Ongpin
7. Bernard D. Marquez
8. Minita V. Chico-Nazario – Independent Director
9. Angelina S. Gutierrez – Independent Director

The Chairman informed the stockholders that in compliance with the mandatory requirement of the Securities and Exchange Commission for electing Independent Directors, the nominees for election as Independent Directors, who

are Directors Angelina S. Gutierrez and Minita V. Chico-Nazario, were disclosed in the Information Statement circulated to the stockholders.

A stockholder moved that considering that the number of directors to be elected is nine (9) and there are only nine (9) nominees, the balloting be dispensed with and that all the nine (9) nominees be considered unanimously elected as Directors of the Company. The motion was duly seconded and approved by the stockholders present and/or represented.

The Chairman, on behalf of Management, welcomed the newly elected Directors of the Company. He also thanked the stockholders for their vote of confidence.

VII. ADJOURNMENT

The Chairman announced that if there were no other matters or business that the stockholders intend to discuss to the assembly, he will already entertain a motion to adjourn the meeting.

A stockholder expressed his concern relative to his failed attempts to send an e-mail message to the Company at the address he saw at the website of the Philippine Stock Exchange, Inc.. Atty. Jacinto replied that due to the large volume of e-mails sent to the Company, not all messages are received on time. He, however, assured the stockholder that the concern would be looked into.

A stockholder requested for an update on the Company's plan of consolidating the liquor business with San Miguel Brewery. The Chairman stated that the plan is still being studied and evaluated.

There being no other matters to discuss, upon motion duly made and seconded, the Chairman adjourned the meeting at 2:15 P.M. and thanked all the stockholders for attending.

ATTESTED BY:


EDUARDO M. COJUANGCO, JR.
Chairman


VIRGILIO S. JACINTO
Corporate Secretary

**GINEBRA SAN MIGUEL INC.
Annual Stockholders' Meeting
10 May 2012**

Report of the Chairman

**FELLOW STOCKHOLDERS, LADIES AND GENTLEMEN,
GOOD AFTERNOON...**

BEING A COMPANY THAT PRIDES ITSELF AS THE MARKET LEADER AND OWNER OF THE ONLY ICONIC GIN BRAND FOR ALMOST TWO CENTURIES, I HAVE TO SAY WITH ALL CANDOR THAT GINEBRA SAN MIGUEL'S PERFORMANCE FOR 2011 HAS NOT MET OUR EXPECTATIONS. WE SUFFERED SETBACKS IN MARKET SHARE AND TOP LINE GROWTH, AS CONSUMER PREFERENCE, PARTICULARLY AMONG YOUNG DRINKERS, SHIFTED TO LIGHTER ALCOHOLIC BEVERAGES. AS A RESULT, WE POSTED A 33% DECLINE IN CONSOLIDATED SALES REVENUES RELATIVE TO 2010. HIGHER FUEL PRICES AND THE INCREASE IN EXCISE TAXES IN 2011 ALSO DRAGGED DOWN THE COMPANY'S PROFITABILITY.

ALL TOLD, 2011 IS NOW BEHIND US AND WE CAN FOCUS ON MOVING FORWARD.

MUCH OF OUR EFFORTS ARE DEVOTED TO REVITALIZING OUR SALES FORCE AND DISTRIBUTION PARTNERS. WE ARE DEPLOYING MORE DEALERS AND WHOLESALERS, AND ORGANIZING DIRECT-SELLING TEAMS TO EXPAND OUR DISTRIBUTION REACH AND EXECUTE OUR SALES PROGRAMS WITH GREATER EFFICIENCY AND EFFECTIVENESS.

WE HAVE TAKEN STEPS TO INTRODUCE NEW EXCITING PRODUCTS AND REJUVENATE OUR EXISTING BRANDS. WE'RE HAPPY TO SAY THAT OUR "LAHING GINEBRA, IKAW NA!" CAMPAIGN HAS DONE VERY WELL AND APPEARS TO HAVE RESONATED WITH CONSUMERS. WE HAVE SEEN STEADY GROWTH IN THE MONTHLY SALES OF OUR GINEBRA SAN MIGUEL BRAND SINCE THE CAMPAIGN'S LAUNCH EARLY THIS YEAR.

WE REALIZE THAT PRODUCT INNOVATION IS THE KEY TO ADDRESSING THE DEMOGRAPHIC CHANGES IN OUR CONSUMER BASE. TO THIS END, WE HAVE ROLLED-OUT LOW-ALCOHOL AND FLAVORED PRODUCTS AND IMPROVED THE PACKAGING OF OUR BRANDS, TO SUSTAIN THE CONTINUING PATRONAGE OF OUR CONSUMERS.

MANY OF OUR PROGRAMS WERE LAUNCHED TOWARDS THE LAST QUARTER OF 2011, AND WE ARE JUST STARTING TO REAP THE FRUITS OF OUR LABOR. WE ARE GREATLY ENCOURAGED BY HOW QUICKLY THE FOLLOWING FOR OUR PRODUCTS HAVE RETURNED.

COST MANAGEMENT IS INDISPENSABLE TO MARKET COMPETITIVENESS AND PROFIT IMPROVEMENT. TO ACHIEVE THIS, WE HAVE INITIATED PROGRAMS TO REDUCE OUR MATERIAL COSTS, AND IMPROVE OUR PRODUCTION AND DISTRIBUTION EFFICIENCIES.

TO OUR EMPLOYEES AND SHAREHOLDERS, OUR SINCEREST APPRECIATION FOR STANDING ALONGSIDE US THROUGH WHAT HAS BEEN A MOST TRYING YEAR. 2012 SHALL BE A COMEBACK YEAR FOR GSMI.