



President's Report

Full Year 2015

LT Group, Inc.'s (LTG) unaudited attributable net income for 2015 reached Php6.60 billion, 49.6% more than the Php4.41 billion reported for 2014.

Philippine National Bank (PNB) posted an income of Php6.77 billion under the pooling method, with LTG's share at Php3.72 billion. Part of the PNB's income included a Php369 million gain from the sale of four (4) properties to Eton Properties Philippines, Inc. (Eton). LTG's share of the gain, at Php208 million was eliminated from LTG's attributable net income from PNB, bringing PNB's contribution for 2015 to Php3.51 billion. In 2014, PNB's attributable income contribution to LTG was at Php2.50 billion, from the Php3.26 billion share in PNB's income, less LTG's share in the gain from the sale of Victorias Milling Company (VMC) shares of Php755 million, as LTG purchased the VMC shares.

PNB's attributable income contribution to LTG of Php3.51 billion was 53% of total. Asia Brewery, Inc.'s (ABI) contribution added Php1.10 billion or 17% of total, followed by the tobacco business at Php1.04 billion or 16%. Tanduay Distillers, Inc. (TDI) accounted for Php422 million or 6%, while Eton added Php312 million or 5%. Equity in net earnings from our stake in VMC provided Php214 million or 3% of total. As of end-2015, LTG's stake in VMC stood at 22.59%. With the purchase of additional shares in February 2016, LTG's stake in VMC is currently at 30.17%.

LTG's balance sheet remains strong, with the parent company's cash balance at Php2.6 billion as of the end of 2015. Debt-to-Equity Ratio was at 3.41:1 as of end-2015 with the bank, and at 0.13:1 without the bank.

Philippine National Bank (PNB)

PNB reported an unaudited net income of Php6.77 billion for 2015, under the pooling method. This is 15% more than the Php5.90 billion reported for 2014.

Interest Income grew to Php21.7 billion, 6% higher year-on-year (y-o-y) from Php20.6 billion in 2014, as Gross Loans grew by 20% to Php336 billion as of end-December 2015 from Php279 billion as of end-2014. Net Interest Margin was steady at 3.2%, resulting to a Net Interest Income of Php17.6 billion for FY2015, 6% more than 2014's Php16.7 billion.

Net Service Fees and Commission Income increased by 38% to Php3.6 billion from Php2.6 billion due to higher fees earned by PNB Capital, as well as more deposit- and loan-related fees.

Trading and Foreign Exchange Gains declined to Php1.8 billion or by 34% from Php2.7 billion, while Other Income was 35% lower at Php3.7 billion from Php5.7 billion. Trading Gains and Other Income in 2014 included a Php1.3 billion gain from the sale of VMC shares to LTG.

The Bank continued its disposal of Real and Other Properties Acquired (ROPA), reaching Php5.0 billion (book value) in 2015, 127% higher than the Php2.2 billion sold in 2014. ROPA sales in 2015 included Php1 billion of Heritage Park memorial lots in 2Q, and Php1.2 billion from the sale of lots to Eton in 1Q and 4Q. The Bank booked a gain of Php1.6 billion from the sale of ROPA in 2015 compared to Php1.7 billion in 2014. The Bank also reclassified Php2.2 billion worth of ROPAs to bank premises in 2015. As of the end of December 2015, the Bank's ROPA stood at Php11.8 billion.

Operating Expenses declined by 9% or Php1.7 billion to Php18.4 billion from Php20.2 billion as the Bank reversed a previously booked probable loss of Php974 million from the National Steel Corporation case, as well as lower provisioning for 2015. NPL cover stood at 126% as of end-2015, from 99% as of end-2014.

Asia Brewery, Inc. (ABI)

ABI's unaudited income for 2015 reached Php1.099 billion, 2% lower than the Php1.122 billion reported for 2014.

Revenues were relatively flat at Php14.3 billion. However, gross profit margin (GPM) was slightly lower at 28% from 29% in 2014 largely due to incentives given to wholesalers and retailers. Operating expenses were only slightly higher by 1%, primarily due to higher depreciation of returnable containers.

Cobra, our energy drink, continues to have a dominant market share of over 70%. However, sales volume was affected by the price war between the major carbonated cola companies. As a result, our volume was 4% lower in 2015 compared to 2014. However, Cobra continues to account for the biggest share of revenues at 35%.

Absolute and Summit, our bottled water brands, accounted for 19% of revenues. Volume increased by 8% y-o-y, despite the intense competition from low-priced brands. We continue to be a co-leader in this category, with our market share at around 27% as of the end of 2015. We are currently expanding our capacity, which is targeted to be completed within the second quarter of 2016.

Beer volume was around 16% lower, but contributed 17% of revenues. Tanduay Ice's volume was about 14% lower but remains the leading brand in the alcopop category with over 70% market share.

Vitamilk, the soymilk brand under an exclusive distributorship agreement with Green Spot, continues to post robust sales growth, and enjoys a market share of over 80%. Construction of our plant is in full swing, and we expect to commercially manufacture the beverage within the second half of 2016.

Tobacco

The tobacco business reported a net income of Php1.04 billion for 2015, significantly more than the Php148 million reported for 2014.

Equity in net earnings from LTG's 49.6% stake in PMFTC reached Php975 million, 89% higher than the Php515 million realized in 2014.

PMFTC's shipment volume for 2015 reached 66.2 billion sticks. While this is 3.1% lower than the previous year, notable is the shift in the mix, with *Marlboro* accounting for 27.2% of total volume, from 22.2% in 2014. The favorable change in mix is attributed to the further narrowing of price gaps and the *Marlboro* Crossover campaign launched in April 2015, which saw customers trading up to the more premium brand. The 18.8% y-o-y increase in *Marlboro*'s volume also enabled us to improve our market share to 74.0% as of December 2015 from 71.5% in December 2014, based on Nielsen estimates.

There were two price hikes in 2015 for the super low priced brands; in end-January and in early November 2015. This increased the recommended retail price per stick of our super low priced *Jackpot* from Php1.50 in November 2014 to Php1.75 in January 2015 and subsequently to Php2.00 in November 2015. In November 2015, the recommended retail price of the low priced *Fortune* was also increased from Php2.00 to Php2.50 per stick. This has narrowed the price gap between *Marlboro* (Php3.00 per stick) and the bottom of the market from Php1.50 in 2014 to Php1.00 in 2015.

From only Php0.50 per stick in 2012, the recommended retail price of the super low priced cigarettes has gone up by at least four times to Php2.00 since the implementation of the Excise Tax Law in 2013.

The government required tax stamps to be affixed on each pack of cigarettes produced starting December 1, 2014, and on all locally manufactured packs in the market effective March 1, 2015. Already we see strong compliance in the market, although a focused effort on enforcement will be required to remain vigilant against the illicit cigarette trade. PMFTC will continue to do its part in informing wholesalers and retailers to purchase only cigarettes that have the proper tax stamps.

Tanduay Distillers, Inc. (TDI)

TDI's unaudited net income for 2015 reached Php422 million, significantly higher than the Php101 million reported in 2014.

Revenues were relatively flat at Php12.1 billion from Php12.0 billion, on the back of a 3% decline in sales volume to 16.5 million cases. The volume decline was offset by three price increases; in October 2014 by an average of Php10 per case, in mid-January 2015 at Php28 per case, and in December 2015 at Php8 per case. The 2015 price increases were mainly to cover the excise tax increases for distilled spirits at the start of 2015 and 2016. The price increases likewise caused a slight improvement in GPM to 19% in 2015, from 18% in 2014.

Operating expenses were 2% lower at Php1.6 billion, primarily due to lower advertising expenses. Interest expenses likewise decreased with the payment of the Php5 billion bond in mid-February 2015.

According to Nielsen, TDI's market share improved to 24.1% as of the end of 2015 from 22.0% as of the end of 2014. The market share gain was from the Visayas and Mindanao areas where we continue to have the largest share at 57.9% as of end-2015.

In July, we launched Tanduay Select, a rum with 30% alcohol content, to try to capture more of the young urban drinkers, and capture more of the Metro Manila-Luzon market.

Eton Properties Philippines, Inc. (Eton)

Eton's unaudited net income for 2015 amounted to Php313 million, or Php193 million more than the Php120 million reported for 2014.

Revenues from the sale of residential units were 15% lower y-o-y at Php1.3 billion from Php1.5 billion, as revenues were largely from the percentage of completion of previously sold units. Eton halted sales activities for about two years to revisit its projects' master plans to optimize values, and only started selling units in projects that it previously launched in May 2015.

Meanwhile, leasing revenues increased by 59% to Php1.2 billion from Php740 million with the higher contribution of the twin-tower Centris Cyberpod Three and higher lease rates for renewed or new contracts in other office buildings. Eton has fully leased out about 124,000 square meters of BPO office space in five buildings.

To increase its leasing portfolio, Eton will add a fifth BPO office tower at Eton Centris in Quezon City. Centris Cyberpod Five will have a gross leasable area (GLA) of around 37,000 square meters, and is targeted to commence construction within the first half of 2016 and expected to take two years to complete.

To complement the existing retail space at Eton Centris, the company will also be expanding Centris Walk by 5,000 square meters of GLA, from the current 15,000 square meters of Centris Walk and Centris Station.

Another project in the pipeline is Eton West End Square, a mixed-used development along Pasong Tamo, Makati. It will have about 15,000 square meters of GLA for retail and office use, as well as a 44-storey residential component. Construction is targeted to start before the end of 2016, with the mall and office component taking about three years to complete.

Meanwhile, in early 2016, LTG entered into a joint venture agreement with Ayala Land, Inc. to develop a 35-hectare township project along Circumferential Road 5 (C-5), which spans portions of Pasig City and Quezon City. Work on the master plan is ongoing, and this project will provide Eton with opportunities to further increase its product offerings.

LT GROUP, INC.**(A Subsidiary of Tangent Holdings Corporation)****AND SUBSIDIARIES****UNAUDITED CONSOLIDATED BALANCE SHEETS****(Amounts in Thousands)**

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	₱137,554,502	₱147,275,490
Financial assets at fair value through profit or loss	9,663,735	22,811,921
Available for sale (AFS) investments	2,915,170	3,774,286
Loans and receivables	173,033,707	143,653,521
Due from related parties	1,592,842	1,797,390
Inventories	12,964,190	12,936,865
Assets of the disposal group held for sale	23,526,757	-
Other current assets	8,890,634	7,886,609
Total Current Assets	370,141,537	340,136,082
Noncurrent Assets		
Loans and receivables - net of current portion	206,819,401	187,438,860
AFS investments	66,649,517	60,039,059
Held to maturity investments	23,096,473	22,895,493
Investments in associates and a joint venture	12,161,290	12,297,509
Property, plant and equipment		
At appraised values	39,007,752	38,470,525
At cost	5,830,123	3,975,397
Investment properties	22,187,676	27,197,933
Deferred income tax assets	554,465	717,218
Other noncurrent assets	3,708,046	3,665,132
Total Noncurrent Assets	380,014,743	356,697,126
TOTAL ASSETS	₱750,156,280	₱696,833,208

LIABILITIES AND EQUITY**Current Liabilities**

Deposit liabilities	₱449,200,514	₱411,391,378
Financial liabilities at fair value through profit or loss	93,058	10,837,220
Bills and acceptances payable	4,868,371	6,640,221
Accounts payable and accrued expenses	16,067,727	16,120,561
Income tax payable	294,581	326,282
Short-term and long-term debts - current	1,876,015	5,806,123
Current portion of due to related parties	46,792	49,859
Liabilities of the disposal group held for sale	21,452,621	-
Other current liabilities	15,964,756	17,974,819
Total Current Liabilities (Carried Forward)	509,864,435	469,146,463

	December 31	
	2015	2014
Total Current Liabilities (Brought Forward)	P509,864,435	P469,146,463
Noncurrent Liabilities		
Deposit liabilities - net of current portion	26,955,679	23,468,731
Financial liabilities at fair value through profit or loss	42,135	24,805
Bills and acceptances payable	20,883,850	12,409,837
Long-term debts - net of current portion	10,707,651	11,291,321
Accrued retirement benefits	3,900,926	3,776,261
Deferred income tax liabilities	1,183,509	1,355,247
Other noncurrent liabilities	6,380,494	12,638,349
Total Noncurrent Liabilities	70,054,244	64,964,551
Total Liabilities	579,918,679	534,111,014
Equity		
Attributable to equity holders of the Company:		
Capital stock	10,821,389	10,821,389
Capital in excess of par	35,906,231	35,906,231
Deposits for future stock subscription	—	—
Preferred shares of subsidiaries issued to Parent Company	18,060,000	18,060,000
Other equity reserves	790,136	790,136
Other comprehensive income, net of deferred income tax effect	3,734,181	4,582,667
Retained earnings	60,099,825	54,079,986
Shares of the Company held by subsidiaries	(12,518)	(12,518)
	129,399,244	124,227,891
Non-controlling interests	40,838,357	38,494,303
Total Equity	170,237,601	162,722,194
TOTAL LIABILITIES AND EQUITY	P750,156,280	P696,833,208

LT GROUP, INC.

(A Subsidiary of Tangent Holdings Corporation)

AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands, Except for Basic/Diluted Earnings Per Share)

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Banking	P26,600,160	P24,639,374	P28,855,871
Beverage	13,286,994	13,288,369	12,701,784
Distilled spirits	12,002,266	11,919,131	10,425,603
Tobacco	—	—	151,722
Property development	2,484,453	2,278,600	3,656,950
	54,373,873	52,125,474	55,791,930
COST OF SALES AND SERVICES	24,880,372	25,073,927	26,021,935
GROSS INCOME	29,493,501	27,051,547	29,769,995
EQUITY IN NET EARNINGS OF ASSOCIATES	1,188,974	894,555	3,704,117
	30,682,475	27,946,102	33,474,112
OPERATING EXPENSES			
Selling expenses	2,639,788	2,746,640	2,776,946
General and administrative expenses	20,816,998	22,558,997	21,681,011
	23,456,786	25,305,637	24,457,957
OPERATING INCOME	7,225,689	2,640,465	9,016,155
OTHER INCOME (CHARGES)			
Finance costs	(202,518)	(454,855)	(480,892)
Finance income	109,340	119,041	139,093
Foreign exchange gains - net	1,226,782	1,345,705	1,260,899
Others – net	3,716,184	5,510,668	3,648,639
	4,849,788	6,520,559	4,567,739
INCOME BEFORE INCOME TAX	12,075,477	9,161,024	13,583,894
PROVISION FOR INCOME TAX			
Current	2,599,797	2,399,603	2,509,506
Deferred	(20,976)	289,215	(400,676)
	2,578,821	2,688,818	2,108,830
NET INCOME	P9,496,656	P6,472,206	P11,475,064
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	P6,599,111	P4,410,230	P8,669,220
Non-controlling interests	2,897,545	2,061,976	2,805,844
	P9,496,656	P6,472,206	P11,475,064
Basic/Diluted Earnings Per Share	P0.61	P0.41	P0.85