



LT GROUP, INC.

Press Release

LTG's Full Year 2017 Net Income at Php10.83 Billion, 15% Higher Than 2016

LT Group, Inc.'s (LTG) reported today (March 16, 2018) that its unaudited attributable net income for full year 2017 amounted to Php10.83 billion, 15% more than the Php9.39 billion reported for 2016.

Philippine National Bank (PNB) contributed Php4.83 billion or 45% of total attributable income, followed by the tobacco business at Php4.39 billion or 40% of total. Tanduay Distillers, Inc. (TDI) added Php631 million or 6%, while Asia Brewery, Inc. (ABI) accounted for Php551 million or 5%. Eton Properties Philippines, Inc. (Eton) provided Php348 million or 3%, and the 30.9% stake in Victorias Milling Company, Inc. (VMC) contributed Php174 million or 2%.

LTG's balance sheet remains strong. As of end-2017, the cash balance of the parent company stood at Php1.6 billion. Debt-to-Equity Ratio was at 3.70:1 with the Bank, and at 0.15:1 without the Bank.

Philippine National Bank (PNB)

PNB's net income was Php8.56 billion in 2017, Php1.18 billion or 16% higher than 2016's Php7.38 billion. The higher income was attributed to higher net interest income, net service fee income and higher gain from the sale of Real and Other Properties Acquired (ROPA) which was at Php4.16 billion in 2017, Php1.60 billion or 62% higher than the Php2.56 billion gain booked in 2016.

Net Interest Income increased by 13% or Php2.53 billion to Php22.07 billion on the back of a 17% growth in loans and receivables to Php502 billion. Net Service Fees and Commission Income increased by 20% to Php3.20 billion from Php2.66 billion due to higher loan, remittance and deposit-related fees. Other Income was 7% lower at Php8.62 billion from Php9.29 billion primarily due to lower Trading and Foreign Exchange Gains, partially offset by higher ROPA sale gains.

Tobacco

Income from the tobacco business was Php4.40 billion in 2017, while equity in net earnings from the 49.6% stake in PMFTC, Inc. (PMFTC) reached Php4.37 billion.

The higher earnings were mainly attributed to better pricing and improved mix. In November 2016, PMFTC raised the price of Marlboro, the first time since 2013.

The industry's total volume was estimated to have decreased by 6% to 74.9 billion sticks, largely due to excise tax driven price increases, tempered by trade loading towards the end of 2017, in anticipation of more price increases as the excise tax was further increased starting 2018.

Tanduay Distillers, Inc. (TDI)

For FY2017, TDI's net income was at Php631 million, 31% or Php277 million lower than the Php908 million reported for 2016.

Liquor revenues were 20% higher y-o-y at Php15.19 billion. Based on Nielsen estimates, TDI's market share in the Visayas was at 61% and in Mindanao at 65% as of December 2017. However, revenues from ethanol were 31% lower to Php1.60 billion as volume dropped 21%, and selling prices were lower.

Asia Brewery, Inc. (ABI)

ABI's net income for 2017 was at Php552 million for 2017, 69% lower than 2016's Php1.76 billion, primarily due to higher spending on new products. Moreover, 2016's income included a Php594 million extraordinary income arising from the gain from the revaluation of the beer assets.

Revenues were 17% higher y-o-y at Php13.89 billion from Php11.85 billion with the higher contribution from bottled water, soymilk and packaging partly offset by the decrease from energy drinks. Cobra Energy Drink and Vitamilk soymilk continue to market leaders, while Absolute and Summit bottled water have the second largest market share.

Operating expenses increased as the Company had to spend more on advertising and selling expenses due to the competitive environment in the carbonated beverage segment, and to promote the recently launched Vitamilk in returnable glass bottles. The Company also had to book additional depreciation expenses from the new soymilk plant.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for 2017 was Php348 million, Php42 million or 11% lower than 2016's Php390 million. Revenues were 21% lower at Php2.23 billion with lower sales due to the change in strategy to focus on increasing its recurring income base. But leasing revenues were 9% higher y-o-y at Php1.39 billion with the opening of 2,100 square meters (sqm) of additional retail space in Eton Tower Makati and higher lease rates. Eton's BPO office buildings had a take-up rate of 99% as of end-2017.

Eton is increasing its leasing portfolio from the current 125,000 sqm of office space and 36,000 sqm of retail space. These are 6,500 sqm from Eton City Square in Laguna, 1,300 sqm from Eton Square Ortigas (community lifestyle dev't. in San Juan City), the 5,200 sqm expansion of Centris Walk and the 39,000 sqm BPO office building at Eton Centris, Quezon City, and the 15,000 sqm retail and office component of the mixed-use WestEnd Square in Pasong Tamo, Makati.

LT GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**
(Amounts in Thousands)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	P174,024,418	P174,676,789
Financial assets at fair value through profit or loss	6,518,419	6,441,511
Available-for-sale investments	2,544,589	8,473,221
Loans and receivables	204,622,577	189,812,938
Due from related parties	2,028,625	1,922,467
Inventories	13,365,089	12,849,799
Other current assets	13,483,801	10,600,399
Total Current Assets	416,587,518	404,777,124
Noncurrent Assets		
Loans and receivables - net of current portion	307,622,788	248,621,351
AFS investments	70,664,823	60,128,678
Held-to-maturity investments	26,732,182	24,102,594
Investments in associates and joint ventures	17,230,925	16,817,351
Property, plant and equipment:		
At appraised values	36,214,947	36,104,048
At cost	6,990,286	5,170,574
Investment properties	28,890,793	28,217,373
Deferred income tax assets - net	1,460,889	1,424,159
Other noncurrent assets	4,700,538	3,727,772
Total Noncurrent Assets	500,508,171	424,313,900
TOTAL ASSETS	P917,095,689	P829,091,024
LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities	P588,394,301	P515,554,099
Financial liabilities at fair value through profit or loss	343,522	232,832
Bills and acceptances payable	36,634,337	25,068,268
Accounts payable and accrued expenses	22,023,972	17,291,277
Income tax payable	1,113,799	282,025
Short-term debts	1,550,000	1,750,000
Current portion of long-term debts	114,681	466,946
Due to related parties	56,842	57,054
Other current liabilities	15,166,369	17,364,001
Total Current Liabilities (Carried Forward)	665,397,823	578,066,502

	December 31	
	2017	2016
Total Current Liabilities (Brought Forward)	P665,397,823	P578,066,502
Noncurrent Liabilities		
Deposit liabilities - net of current portion	39,286,226	45,866,133
Bills and acceptances payable	7,282,350	10,817,679
Long-term debts - net of current portion	1,475,466	5,101,801
Net retirement benefits liability	2,205,229	3,899,342
Deferred income tax liabilities - net	1,414,348	1,323,121
Other noncurrent liabilities	4,718,832	5,411,870
Total Noncurrent Liabilities	56,382,451	72,419,946
Total Liabilities	721,780,274	650,486,448
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
Preferred shares of subsidiaries issued to Parent Company	18,060,000	18,060,000
Other equity reserves	804,095	804,095
Other comprehensive income, net of deferred income tax effect	4,299,674	1,878,006
Retained earnings	78,435,633	68,640,783
Shares of stock of the Company held by subsidiaries	(12,519)	(12,519)
	148,314,503	136,097,985
Non-controlling interests	47,000,912	42,506,591
Total Equity	195,315,415	178,604,576
TOTAL LIABILITIES AND EQUITY	P917,095,689	P829,091,024

LT GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

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

	Years Ended December 31		
	2017	2016	2015 (As re-presented)
REVENUES			
Banking	P31,893,616	P29,111,818	P26,600,160
Beverage	12,948,796	10,932,326	10,386,308
Distilled spirits	16,704,933	14,904,343	12,002,266
Property development	2,233,063	2,851,514	2,484,453
	63,780,408	57,800,001	51,473,187
COST OF SALES AND SERVICES	29,679,810	26,126,881	22,002,882
GROSS INCOME	34,100,598	31,673,120	29,470,305
EQUITY IN NET EARNINGS OF ASSOCIATES	3,963,290	2,785,845	1,188,974
	38,063,888	34,458,965	30,659,279
OPERATING EXPENSES			
Selling expenses	2,692,425	2,351,522	2,202,441
General and administrative expenses	25,629,894	25,563,084	21,156,533
	28,322,319	27,914,606	23,358,974
OPERATING INCOME	9,741,569	6,544,359	7,300,305
OTHER INCOME (CHARGES) - Net			
Foreign exchange gains - net	1,701,302	1,535,217	1,322,400
Finance costs	(141,937)	(202,490)	(202,518)
Finance income	157,100	106,426	110,376
Others - net	6,619,677	4,952,142	3,686,974
	8,336,142	6,391,295	4,917,232
INCOME BEFORE INCOME TAX	18,077,711	12,935,654	12,217,537
PROVISION FOR INCOME TAX			
Current	3,613,116	2,535,861	2,490,527
Deferred	(116,061)	(361,393)	238,292
	3,497,055	2,174,468	2,728,819
NET INCOME FROM CONTINUING OPERATIONS	14,580,656	10,761,186	9,488,718
NET INCOME FROM DISCONTINUED OPERATIONS	—	1,327,970	7,936
NET INCOME	P14,580,656	P12,089,156	P9,496,654

(Forward)

Years Ended December 31			
	2017	2016	2015 (As re-presented)
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Company	P10,830,773	P9,390,407	P6,599,035
Non-controlling interests	3,749,883	2,698,749	2,897,619
	P14,580,656	P12,089,156	P9,496,654
Basic/Diluted Earnings Per Share			
Attributable to Equity Holders of the Company	P1.00	P0.87	P0.61
Basic/Diluted Earnings Per Share			
Attributable to Equity Holders of the Company from Continuing Operations	P1.00	P0.86	P0.58