



President's Report

First Quarter 2016

LT Group, Inc.'s (LTG) had an unaudited attributable net income of Php2.23 billion for the first three months of 2016, 40% higher than the Php1.59 billion realized in 1Q15.

Philippine National Bank (PNB) reported an income of Php2.57 billion under the pooling method, with LTG's share at Php1.43 billion. Part of the PNB's income included a Php1.3 billion gain from the sale of property to Eton Properties Philippines, Inc. (Eton). LTG's share of the gain, at Php725 million was eliminated from LTG's attributable net income from PNB, bringing PNB's 1Q16 contribution to Php708 million. In 1Q15, PNB's attributable income contribution to LTG was at Php645 million, from the Php753 million share in PNB's income, less LTG's share in the gain from the sale of a property to Eton of Php109 million.

The tobacco business contributed Php945 million or 42% of LTG's total attributable income. This was followed by PNB at Php708 million or 32% of total. Asia Brewery, Inc.'s (ABI) contribution was at Php350 million or 16% of total. Tanduay Distillers, Inc. (TDI) accounted for Php82 million or 4%, while Eton added Php62 million or 3%. Equity in net earnings from our stake in Victorias Milling Company, Inc. (VMC) provided Php96 million or 4% of total. In February 2016, LTG purchased 131.86 million VMC shares at Php5 per share. This increased our stake to the current 30.17% from 22.54% as of end-2015.

LTG's balance sheet remains strong. As of end-March 2016, the parent company's cash balance was at Php2.6 billion. Debt-to-Equity Ratio was at 3.44:1 with the bank, and at 0.14:1 without the bank.

Tobacco

The tobacco business had a net income of Php949 million for the first three months of 2016, significantly higher than the Php411 million reported for 1Q15.

Equity in net earnings from LTG's 49.6% stake in PMFTC reached Php913 million, 120% more than the Php415 million realized in 1Q15.

For the first three months of 2016, the shipment volume of PMFTC was 9% lower than the volume in 1Q15. The industry's volume was estimated to have declined by 11% y-o-y mainly due to the impact of price increases, notably in the fourth quarter of 2015. While volume was

lower, PMFTC was able to improve its market share to close to 74% in 1Q16 from around 72% in 1Q15.

More significant was the continued shift in the sales mix of PMFTC. The volume of premium *Marlboro* was around 31% more than in 1Q15. *Marlboro* also accounted for 37% of sales volume in 1Q16, compared to 27% of total for FY2015 and 22% for FY2014. This was attributed to the continued trading up of customers with the narrowing of price gaps.

Philippine National Bank (PNB)

PNB's unaudited net income for 1Q16 reached Php2.57 billion, under the pooling method, 85% more than 1Q15's Php1.39 billion.

Interest income was 13% higher y-o-y at Php5.8 billion from Php5.1 billion, on the back of a 17% y-o-y growth in loans to Php358 billion as of end-March 2016 vis-à-vis Php306 million as of end-March 2015, as well as an increase in the investment portfolio. Net Interest Margin slightly improved to 3.11% from 3.00%, for the same periods. As a result, Net Interest Income grew by 13% to Php4.6 billion from Php4.1 billion. Loan to Deposit Ratio (LDR) was at 71.8% as of end-March 2016.

Net Service Fees and Commission Income was 18% higher at Php846 million from Php715 million largely due to higher loan and trade-related fees.

Trading and Foreign Exchange Gains grew by 51% to Php748 million from Php497 million. Meanwhile, Other Income rose by Php1.6 billion to Php2.4 billion from Php842 million due to higher gains from the sale of Real and Other Properties Acquired (ROPA).

In 1Q16, PNB sold Php655 million (book value) worth of ROPA and booked a gain of Php1.48 billion. ROPA sold included a lot sold to Eton. In 1Q15, PNB sold Php509 million (book value) worth of ROPA and booked a gain of Php300 million. With the continued sale of ROPA, PNB's ROPA stood at Php11.0 billion compared to Php18.3 billion as of end-March 2015 and Php11.8 billion as of end-2015.

Operating Expenses grew by 15% y-o-y to Php5.2 billion from Php4.5 billion largely on higher marketing expenses and professional fees. NPL cover was at 128% as of end-March 2016 compared to 108% as of end-March 2015.

Asia Brewery, Inc. (ABI)

ABI reported an income of Php350 million for the quarter ended March 2016, a 16% increase over the Php301 million generated in the same period last year.

Revenues were 6% higher y-o-y to Php3.7 billion from Php3.5 billion, as higher revenues from bottled water, alcopop and soymilk more than offset the drop in beer revenues. Gross Profit

Margin (GPM) improved to 30% from 28% with the higher contribution of higher margin products.

Our energy drink Cobra continues to have over 70% market share despite the slight decline in volume of 1% due to stiff competition in the carbonated beverage market. It remains the biggest contributor to revenues at 33% of total.

Our water brands, Absolute and Summit had a volume increase of 21% due to the exceptionally hot summer and some impact from election-related spending. The expanded capacity is expected to be completed within the second quarter of 2016. We continue to be a co-leader in this category, with our market share at around 28%. Bottled water accounted for 22% of total revenues in 1Q16.

Beer's volume was 6% lower y-o-y, but still accounted for 16% of total revenues. On the other hand, there was a turnaround in Tanduay Ice's volume which grew by 41% y-o-y, partly due to front loading ahead of the price increase in mid-February. We have over 70% market share in the alcopop category.

Vitamilk, the soymilk brand under an exclusive distributorship agreement with Green Spot, continues to enjoy a market share of over 80% and post robust sales growth. Construction of our plant is nearing completion, with commissioning runs targeted to start in June.

The packaging business accounted for 17% of revenues in 1Q16. ABI supplies its glass bottle requirements of its beverage business, as well as those of TDI and other third parties.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 1Q16 amounted to Php82 million, 9% higher than the Php75 million reported in 1Q15.

Revenues amounted to Php3.1 billion, 4% higher y-o-y from Php3.0 billion with the contribution of bio-ethanol, which offset the lower revenues from distilled spirits.

Sales volume of distilled spirits dropped 17% due to higher withdrawals in 4Q15 and some impact from the effects of the El Niño that affected agriculture-related incomes, especially in the Visayas area.

As of end-March 2016, TDI's market share stood at 24.2%, relatively flat compared to the 24.5% as of end-March 2015, based on Nielsen's estimates on customer off-take. Our market share in the Visayas-Mindanao area was slightly higher at 61.3% from 58.3% in the same periods, although the Visayas in particular, experienced a drop in total volume.

However, GPM dropped to 16% from 19% a year ago, due to the higher prices of alcohol which was not passed on by the price increase in December 2015 that primarily covered the increase

in excise tax starting January 1, 2016. Meanwhile, operating expenses were 2% lower y-o-y, which coupled with interest savings from the payment of the Php5 billion bond in February 2015, resulted to a 9% increase in net income to Php82 million from Php75 million in 1Q15.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for the first three months of 2016 reached Php62 million, 22% more than the Php51 million generated in the same period last year.

Revenues from the sale of residential units was at Php346 million, 10% below the Php386 million of 1Q15, 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.

Leasing revenues, on the other hand, grew by 20% y-o-y to Php309 million from Php258 million due to higher lease rates for renewed contracts in its BPO office buildings. Eton's BPO office buildings, with a gross leasable area of about 124,000 square meters remain fully leased out.

A fifth BPO office tower at Eton Centris in Quezon City is targeted to commence construction within the third quarter of 2016. It will have a gross leasable area (GLA) of around 37,000 square meters and is expected to take two years to complete.

Also scheduled to start in 3Q16 is the expansion of Centris Walk in Eton Centris. The 5,000 square meter expansion will complement the existing 15,000 square meters of retail space at Centris Walk and Centris Station.

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)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P159,270,615	P137,556,341
Financial assets at fair value through profit or loss	6,667,286	9,663,734
Available for sale (AFS) investments	6,165,996	2,915,170
Loans and receivables	156,442,139	172,140,625
Due from related parties	1,591,155	1,593,034
Inventories	14,350,953	14,024,047
Other current assets	8,588,451	8,841,923
	353,076,595	346,734,874
Assets of disposal group classified as held for sale	24,123,527	23,526,757
Total Current Assets	377,200,122	370,261,631
Noncurrent Assets		
Loans and receivables - net of current portion	220,237,938	206,782,709
AFS investments	65,452,603	66,649,517
Held-to-maturity (HTM) investments	22,953,593	23,096,473
Investment in associates and a joint venture	12,772,602	11,761,290
Property, plant and equipment:		
At appraised values	39,760,063	39,538,145
At cost	5,393,631	5,299,731
Investment properties	22,094,595	22,231,525
Deferred income tax assets	472,496	551,237
Other noncurrent assets	3,245,649	3,380,244
Total Noncurrent Assets	392,383,170	379,290,871
TOTAL ASSETS	P769,583,292	P749,552,502

LIABILITIES AND EQUITY

Current Liabilities		
Deposit liabilities	P466,214,531	P436,362,854
Financial liabilities at fair value through profit or loss	369,396	126,075
Bills and acceptances payable	6,836,366	5,836,839
Short-term and long-term debts - current	1,876,015	1,876,015
Accounts payable and accrued expenses	16,270,830	17,079,820
Income tax payable	401,301	294,581
Due to related parties	40,942	46,770
Other current liabilities	15,146,406	13,249,643
	507,155,787	474,872,597
Liabilities of disposal group classified as held for sale	22,087,137	21,452,621
Total Current Liabilities (Carried Forward)	529,242,924	496,325,218

	March 31, 2016	December 31, 2015
Total Current Liabilities (Brought Forward)	P529,242,924	P496,325,218
Noncurrent Liabilities		
Deposit liabilities - net of current portion	24,185,171	39,793,338
Financial liabilities at fair value through profit or loss	88,988	9,118
Bills and acceptances payable	21,605,877	19,915,383
Long-term debts - net of current portion	10,571,113	10,706,431
Accrued retirement benefits	3,888,814	3,900,926
Deferred income tax liabilities	1,166,730	1,182,976
Other noncurrent liabilities	5,631,676	7,961,017
Total Noncurrent Liabilities	67,138,369	83,469,189
Total Liabilities	596,381,293	579,794,407
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
Reserves of disposal group classified as held for sale	354,734	335,000
Other comprehensive income, net of deferred income tax effect	2,831,776	3,116,572
Retained earnings	62,348,091	59,855,195
Shares of the Company held by subsidiaries	(22,464)	(22,464)
	131,103,852	128,876,018
Non-controlling interests	42,098,147	40,882,077
Total Equity	173,201,999	169,758,095
TOTAL LIABILITIES AND EQUITY	P769,583,292	P749,552,502

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)

	Three Months Ended March 31	
	2016	2015
	(Unaudited)	(Unaudited)
REVENUE		
Banking	₱7,155,363	₱6,189,662
Beverage	3,436,496	3,205,227
Distilled spirits	3,089,085	2,975,815
Property development	654,403	644,456
	14,335,347	13,015,160
COST OF SALES AND SERVICES	6,521,207	6,090,257
GROSS INCOME	7,814,140	6,924,903
EQUITY IN NET EARNINGS OF ASSOCIATES	1,008,513	507,189
	8,822,653	7,432,092
OPERATING EXPENSES		
Selling expenses	623,774	629,855
General and administrative expenses	5,793,877	5,093,110
	6,417,651	5,722,965
OPERATING INCOME	2,405,002	1,709,127
OTHER INCOME (CHARGES)		
Finance costs	(90,376)	(75,763)
Finance income	13,055	13,596
Foreign exchange gains - net	399,567	290,585
Others - net	1,229,144	679,460
	1,551,390	907,878
INCOME BEFORE INCOME TAX	3,956,392	2,617,005
PROVISION FOR INCOME TAX		
Current	1,254,636	480,317
Deferred	(48,479)	102,199
	1,206,157	582,516
NET INCOME FROM CONTINUING OPERATIONS	2,750,235	2,034,489
NET INCOME FROM DISCONTINUED OPERATIONS	63,984	104,510
NET INCOME	₱2,814,219	₱2,138,999
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Company	₱2,228,613	₱1,586,674
Non-controlling interests	585,606	552,325
	₱2,814,219	₱2,138,999
Basic/Diluted Earnings Per Share	₱0.21	₱0.15