



President's Report

First Quarter 2015

LT Group, Inc.'s (LTG) unaudited attributable net income for 1Q15 reached Php1.587 billion, compared to Php1.612 billion in the same period in 2014.

Philippine National Bank (PNB) posted an income of Php1.387 billion under the pooling method, with LTG's share at Php754 million. Part of the PNB's income included a Php193 million gain from the sale of a property to Eton Properties Philippines, Inc. (Eton). LTG's share of the gain, at Php109 million was eliminated from LTG's attributable net income from PNB.

PNB's attributable income contribution to LTG amounted to Php645 million or 41% of total. The tobacco business contributed Php409 million or 26% of total, followed by Asia Brewery, Inc. (ABI) at Php301 million or 19%. Tanduay Distillers, Inc. (TDI) accounted for Php75 million or 5%, while Eton added Php51 million or 3%. Equity in net earnings from the 20.17% stake VMC provided Php93 million or 6% of total.

LTG's balance sheet remained strong, with the parent company's cash balance at Php4.2 billion as of the end of March 2015. Debt-to-Equity Ratio was at 3.15:1 as of end-March 2015 with the bank, and at 0.13:1 without the bank.

Philippine National Bank (PNB)

PNB reported an unaudited net income of Php1.387 billion in 1Q15, under the pooling method, 2% higher than 1Q14's Php1.355 billion. This is largely due to higher other income, which amounted to Php1.367 billion in 1Q15, compared to Php916 million a year ago. The higher other income was due to the sale of Php509 million worth of ROPAs in 1Q15.

Net interest income was 4% lower year-on-year (y-o-y) at Php4.229 billion from Php4.384 billion.

The Bank managed to grow net loans to Php293 billion by end-March 2015, from Php252 billion as of end-March 2014, while loans to deposit ratio improved to 69% from 58% in the same periods. However, net interest margin was slightly lower at 3.2% for 1Q15, from 3.5% a year ago.

Net service fees and commission income was flat at Php636 million, while trading and forex gains were 14% lower y-o-y at Php501 million.

The Bank's asset quality continued to improve with the net NPL ratio at 0.6% as of end-March 2015, from 1.3% as of end-March 2014.

Tobacco

LTG's income from the tobacco business amounted to Php411 million for the first three months of 2015, 29% lower than the Php578 million reported in the same period in 2014.

Equity in net earnings from the 49.6% stake in PMFTC amounted to Php415 million. Although this is lower than the Php480 million equity in net earnings in 1Q14, it is noteworthy that this is a turnaround from the losses booked in the third and fourth quarters of 2014.

The turnaround was brought about by the recent increase in the selling price of the low and super-low segments. In end-January 2015, our major competitor raised the truck price of its super-low cigarettes by Php6 per pack to Php28, with a recommended retail price of Php1.75 to Php2.00 per stick. The price increase was higher than the Php4 per pack increase in excise taxes to Php21 per pack, effective January 1, 2015.

We also raised the price of our Jackpot brand to match their prices. Philip Morris International (PMI) disclosed that "we have recently witnessed significant positive price movements at the lower end of the market. We believe that the introduction of tax stamps will further improve the competitive environment in a market where cigarette consumption remained resilient last year at around 100 billion units. These developments augur well for profitability to improve over the mid-term and we remain bullish on the prospects for this market." PMI further stated that "This has restored positive unit margins in the super-low price segment."

For 1Q15, PMFTC's shipment volume reached 15.9 billion sticks. While this is 1.6% lower than 1Q14's 16.2 billion sticks, there was a favorable change in the mix. Marlboro's volume reached 4.1 billion sticks, close to 14% more than the volume in 1Q14 of 3.6 billion sticks, and accounted for 26% of total volume, from 22% in the same period last year. It was the low and super-low brands that had the decline in volume, at 5.7 billion sticks from 6.3 billion sticks a year ago, mainly due to the average 27% increase in the recommended retail price of this segment since October of 2014.

The recent price increase has narrowed the price gaps between the different segments. The premium Marlboro's recommended retail price is Php3 per stick, while the mid-priced Fortune is at Php2.00 per stick. The low and super-low brands are selling at Php1.75 to Php2.00 per stick.

Our market share, based on customer offtake, has stabilized at slightly over 70% for the past six quarters.

Under the government's Internal Revenue Stamps Integrated System (IRSIS), all local manufacturers were required to affix numbered stamps on each pack of cigarettes starting

December 1, 2014. While effective March 1, 2015, all locally manufactured cigarettes in the market are supposed to have the said stamps, we believe that it may be by the middle of 2015 before we can see the full effects of the tax stamps, both in terms of compliance and impact on the illicit trade.

Asia Brewery, Inc. (ABI)

ABI's income reached Php301 million for the first three months of 2015, 14% more than the Php263 million reported for the same period in 2014.

Revenues grew 4% y-o-y, while GPM remained flat at 28%. Operating expenses declined slightly by 3%, due to lower advertising expenses.

Our carbonated energy drink, Cobra, accounted for 35% of revenues. Volume was flat y-o-y as major players in the carbonated soft drinks market continued their price war, and limited our ability to capture more of the beverage market. Cobra continues to be the market leader for energy drinks, with a market share of over 70%.

Sales continue to be robust for our water brands, Absolute and Summit, with volume continuing to grow in the low double digits. After Cobra, our water brands contribute the most to total revenues at close to 20% of total.

Beer revenues are slightly lower, on the back of a similar decline in volume. For Tanduay Ice, volumes and revenues were also lower, but remains the leading brand in the alcopop category with over 90% market share.

Vitamilk, our soymilk drink under an exclusive distribution agreement with Green Spot of Thailand, continues to be the country's leading soymilk brand. Sales volume has been increasing, and Vitamilk now accounts for about 6% of ABI's total revenues.

Revenues from our packaging business accounted for close to 20% of total revenues in 1Q15. This is on the back of a 25% growth in the sales of glass bottles, with the coming on stream of a second furnace in the second half of 2014 after it was refurbished. ABI supplies the glass bottle requirements of its beverage business, Tanduay and other third parties.

Tanduay Distillers, Inc. (TDI)

TDI reported an unaudited net income of Php75 million in 1Q15, a turnaround from the loss of Php11 million in 1Q14.

Revenues were relatively flat at Php2.99 billion, as sales volume was about 1% lower to 4.197 million cases.

The relatively flat volume can be attributed to two recent price increases. In October 2014, TDI raised prices by an average of Php12 per case. This was followed by a Php28 per case increase in mid-January 2015. The most recent price increase was partly to cover another excise tax increase for distilled spirits in 2015.

The price increase resulted in a slight improvement in GPM to 19% in 1Q15, from 17% in 1Q14. Coupled with relatively flat operating expenses, and the interest savings from the payment of the Php5 billion bond in mid-February 2015, TDI swung to a profit in the first quarter of 2015.

According to Nielsen, TDI's market share stood at 24.5% as of the end of March 2015, slightly higher than the 23.1% market share as of end-March 2014.

Eton Properties Philippines, Inc. (Eton)

Eton's income for January to March 2015 amounted to Php51 million in the first quarter of 2015, an improvement over the Php29 million reported in the same period in 2014.

Revenues from the sale of residential units were lower than the year ago level at Php386 million from Php408 million as Eton halted sales activities for about two years to revisit its projects' master plans to optimize values. Eton plans to start selling residential projects within the second quarter of 2015.

Meanwhile, leasing revenues continued to increase with the contribution of the twin-tower Centris Cyberpod Three and higher lease rates for renewed or new contracts in other office buildings. Eton currently has about 124,000 square meters of leasable BPO office space in five buildings that are fully leased out as of the end of March 2015.

Plans for new BPO office buildings include the fifth tower at Eton Centris in Quezon City with about 60,000 square meters and another on the recently acquired property from PNB in Ortigas Center with 40,000 square meters. These projects are expected to break ground in late 2015 and mid-2016, respectively, and will take two and half to three years to construct.

LT GROUP, INC.
(a Subsidiary of Tangent Holdings Corporation)
AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P144,041,580	P147,275,490
Financial assets at fair value through profit or loss	20,525,226	22,811,921
Available for sale (AFS) investments	5,024,091	3,774,286
Loans and receivables	134,261,984	143,653,521
Due from related parties	1,795,975	1,797,390
Inventories	12,268,951	12,936,865
Other current assets	8,274,025	7,886,609
Total Current Assets	326,191,832	340,136,082
Noncurrent Assets		
Loans and receivables - net of current portion	191,532,418	187,438,860
AFS investments	62,736,498	60,039,059
Held-to-maturity (HTM) investments	23,694,845	22,895,493
Investment in associates and a joint venture	12,361,801	12,297,509
Property, plant and equipment:		
At appraised values	38,529,340	38,470,525
At cost	4,020,403	3,975,397
Investment properties	26,770,691	27,197,933
Deferred income tax assets	637,231	717,218
Other noncurrent assets	3,603,404	3,665,132
Total Noncurrent Assets	363,886,631	356,697,126
TOTAL ASSETS	P690,078,463	P696,833,208

LIABILITIES AND EQUITY

Current Liabilities		
Deposit liabilities	P407,591,676	P411,391,378
Financial liabilities at fair value through profit or loss	11,992,286	10,837,220
Bills and acceptances payable	5,500,879	6,640,221
Short-term and long-term debts - current	808,114	5,806,123
Accounts payable and accrued expenses	14,482,880	16,120,561
Income tax payable	401,353	326,282
Due to related parties	34,665	49,859
Other current liabilities	16,054,165	17,974,819
Total Current Liabilities (Carried Forward)	456,866,018	469,146,463

(Forward)

	March 31, 2015	December 31, 2013
Total Current Liabilities (Brought Forward)	₱456,866,018	₱469,146,463
Noncurrent Liabilities		
Deposit liabilities - net of current portion	22,739,009	23,468,731
Financial liabilities at fair value through profit or loss	52,964	24,805
Bills and acceptances payable	13,945,788	12,409,837
Long-term debts - net of current portion	11,173,596	11,291,321
Accrued retirement benefits	3,819,471	3,776,261
Deferred income tax liabilities	1,329,183	1,355,247
Other noncurrent liabilities	13,972,833	12,638,349
Total Noncurrent Liabilities	67,032,844	64,964,551
Total Liabilities	523,898,862	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
Preferred shares of subsidiaries issued to Parent Company	18,060,000	18,060,000
Other comprehensive income, net of deferred income tax effect	5,316,097	4,582,667
Other equity reserves	790,136	790,136
Retained earnings	55,951,558	54,079,986
Shares of the Company held by subsidiaries	(12,518)	(12,518)
	126,832,893	124,227,891
Non-controlling interests	39,346,708	38,494,303
Total Equity	166,179,601	162,722,194
TOTAL LIABILITIES AND EQUITY	₱690,078,463	₱696,833,208

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)
FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

	2015 (Three Months) (Unaudited)	2014 (Three Months) (Unaudited)
REVENUE		
Banking	P6,300,561	P6,389,295
Beverage	3,205,227	3,010,157
Distilled spirits	2,975,815	2,948,271
Property development	644,456	539,142
Tobacco	—	—
	13,126,059	12,886,865
COST OF SALES AND SERVICES	6,167,357	6,097,122
GROSS INCOME	6,958,702	6,789,743
EQUITY IN NET EARNINGS OF ASSOCIATES	507,189	480,476
	7,465,891	7,270,219
OPERATING EXPENSES		
Selling expenses	629,855	649,625
General and administrative expenses	5,537,357	5,289,649
	6,167,212	5,939,274
OPERATING INCOME	1,298,679	1,330,945
OTHER INCOME (CHARGES)		
Finance costs	(75,763)	(106,944)
Finance income	13,596	20,846
Foreign exchange gains - net	292,428	416,123
Others - net	1,202,530	1,172,267
	1,432,791	1,502,292
INCOME BEFORE INCOME TAX	2,731,470	2,833,237
PROVISION FOR INCOME TAX		
Current	608,588	605,940
Deferred	(16,117)	6,263
	592,471	612,203
NET INCOME	P2,138,999	P2,221,034
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Company	P1,586,674	P1,611,703
Non-controlling interests	552,325	609,331
	P2,138,999	P2,221,034
Basic/Diluted Earnings Per Share	P0.15	P0.15