



President's Report

First Nine Months of 2016

LT Group, Inc.'s (LTG) unaudited attributable net income for the first nine months of 2016 amounted to Php6.25 billion, an increase of 33% over the Php4.71 billion reported for January to September in 2015.

In 9M16, Philippine National Bank (PNB)'s net income under the pooling amounted to Php5.91 billion, with LTG's share at Php3.26 billion. As part of PNB's income included a Php1.28 billion gain from the sale of property to Eton Properties Philippines, Inc. (Eton) in 1Q16, LTG's share of the gain at Php725 million was eliminated. This brought PNB's net contribution to LTG to Php2.54 billion, or 41% of LTG's attributable income. In 9M15, PNB's attributable income contribution to LTG was at Php2.78 billion, from the Php2.89 billion 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 Php1.79 billion or 29% of total, while Asia Brewery, Inc. (ABI) added Php894 million or 14%. Tanduay Distillers, Inc. (TDI) generated Php679 million or 11%, and Eton accounted for Php248 million or 4%. Equity in net earnings from Victorias Milling Company, Inc. (VMC) amounted to Php96 million, or 2% of total.

LTG's balance sheet remains strong. As of end-September 2016, the parent company's cash balance was at Php2.20 billion. Debt-to-Equity Ratio was at 3.46:1 with the Bank, and at 0.15:1 without the Bank.

Philippine National Bank (PNB)

PNB reported a net income of Php5.91 billion for 9M16, under the pooling method, a 12% growth year-on-year (y-o-y) from Php5.26 billion.

Net Interest Income increased by 14% to Php14.63 billion as loans and receivables grew by 16% year-on-year (y-o-y), while Net Interest Margin improved slightly to 3.1% from 3.0% in 9M15. Loan to Deposit Ratio (LDR) was at 70.8% as of end-September 2016, lower than the 72.0% as of end-September 2015, as deposits grew at a faster pace of 17% y-o-y compared to loans growth.

Net Service Fees and Commission Income dropped by 28% to Php2.00 billion from Php2.76 billion. Service Fee Income was 22% lower largely due to lower deposit-related fees, while Service Fee Expenses were 15% higher.

Other Income grew by 55% to Php6.92 billion from Php4.46 billion due to higher Trading and Foreign Exchange Gains, as well as income from the sale of Real and Other Properties Acquired (ROPA) and the 51% stake in the life insurance business to Allianz.

PNB continues to sell its ROPAs which stood at Php10.57 billion as of end-September 2016, from Php17.2 billion as of end-September 2015 and Php11.8 billion as of end-2015. ROPA sold in 9M16 amounted to Php809 million (book value), which enabled the Bank to book a gain of Php2.30 billion. ROPA sold included a lot sold to Eton in 1Q16 for Php1.9 billion and booked a gain of Php1.3 billion.

Operating Expenses were 17% higher at Php16.51 billion from Php14.12 billion in the January to September period in 2015, which included a reversal of a previously booked probable loss of Php974 million from the National Steel Corporation case. Without the reversal, Operating Expenses for 9M16 would be 9% higher than 9M15 primarily due to higher marketing expenses and compensation. As of the third quarter of 2016, PNB's Net Non-Performing Loans (NPL) ratio was at 0.1% while NPL cover stood at over 138% as of end-September 2016, compared to 125% as of end-2015.

Tobacco

Income from the tobacco business amounted to Php1.80 billion for the first nine months of 2016, compared to Php525 million for the same period in 2015.

Equity in net earnings from the 49.6% stake in PMFTC, Inc. (PMFTC) reached Php1.80 billion for 9M16, significantly higher than the Php533 million reported in 9M15.

The higher earnings was mainly attributed to the change in mix of PMFTC's sales, with Marlboro accounting for 38% of total volume, compared to 26% in 9M15, and 22% in FY2014. The volume of premium Marlboro was 31% higher y-o-y, as customers continued to trade up with the narrowing of price gaps.

The total industry's volume was estimated to have declined by 12% y-o-y, while PMFTC's shipment volume was 13% lower y-o-y. The decrease in volume was due to the impact of price increases in the fourth quarter of 2015. PMFTC's market share was estimated at 72% for the nine-month period in 2016, from 73% in 9M15.

Asia Brewery, Inc. (ABI)

For the first nine months of 2016, ABI's earnings amounted Php895 million, a 29% increase over the Php694 million generated in the same period in 2015.

Revenues rose 8% to Php11.21 billion from Php10.38 billion on account of higher sales for most products. Gross profit margin (GPM) improved to 29% from 27% with the higher contribution of

higher margin products bottled water and alcopop, while operating expenses increased by 7% largely due to higher advertising expenses.

Cobra, our energy drink, continues to account for the largest portion of revenues at 34%. With a share of over 70% for the nine-month period in 2016, it remains the market leader. Cobra's volume for 9M16 was 2% higher over the previous year despite stiff competition in the carbonated beverage market, due to intensified advertising.

Our bottled water brands, Absolute and Summit, sustained strong sales, with volume increasing 17% y-o-y, although slower than the 2Q16 growth which was boosted by the exceptionally hot summer and some impact from election-related spending. The expansion in our Laguna plant was completed in June, and after commissioning, started commercial operations in mid-September. We have the second largest market share in this segment, at 26% for 9M16. Water contributed 21% of ABI's total revenues.

Our beer volume was 3% lower y-o-y in 9M16, and accounted for 16% of ABI's total revenues. Meanwhile, the volume of Tanduary Ice, our alcopop brand, was 3% higher in the nine-month period, and maintains its over 70% market share.

Vitamilk, the soymilk brand under an exclusive distributorship agreement with Green Spot, continues to post sales growth and enjoy a market share of over 80%. Our plant has been completed, and we are targeting to commercially produce the beverage before the end of 2016.

The packaging business accounted for 15% of revenues for January to September 2016. Aside from supplying the glass bottle requirements of its beverage business and TDI, ABI also sells to other third parties.

Tanduary Distillers, Inc. (TDI)

TDI's net income for January to September 2016 reached Php679 million, double the Php337 million reported for 9M15.

Revenues increased by 24% to Php10.89 billion from Php8.81 billion due to bioethanol's contribution in 2016. Revenues from liquor grew by 2% y-o-y to Php8.98 billion, from Php8.81 billion.

TDI started selling bioethanol to fuel companies in 2016. Revenues from the sale of bioethanol amounted to Php1.91 billion for 9M16. TDI has two distilleries, Absolute Distillers, Inc. and Asian Alcohol Corporation. These distilleries supply some of the alcohol requirements of TDI, aside from selling bioethanol.

The sales volume of liquor slightly improved by 1% in the first three quarters of 2016. TDI's market share based on Nielsen's customer off-take on volume was at 25% as of end-September 2016, steady compared to end-September 2015. Most of our sales are generated in the Visayas

and Mindanao areas, where our market share stood at 63% and 64%, respectively, as of September 2016. Our market share in the Visayas area has been steady at 61-63% in the past three quarters, but we managed to improve our market share in Mindanao from 59% as of end-2015.

TDI's GPM dropped to 18% from 19% in 9M15, due to lower margins for liquor. Higher prices of alcohol were not passed on by the price increase in December 2015 that primarily covered the increase in excise tax starting January 1, 2016.

Eton Properties Philippines, Inc. (Eton)

Eton reported a bottom line of Php249 million for the first three quarters of 2016, 26% more than the Php197 million generated in the same period in 2015.

Total revenues increased by 17% to Php2.20 billion with the 12% increase in leasing revenues brought about by higher lease rates at the fully-leased out BPO office buildings with a gross leasable area (GLA) of about 124,000 square meters. Revenues from the sale of residential units were 22% higher than the previous year primarily due to the percentage completion of previously sold units.

Eton broke ground on the fifth BPO office tower at Eton Centris in Quezon City in August. It will have a GLA of around 37,000 square meters and is expected to take two years to complete. Moreover, the 5,000 square meter expansion of the retail space at Centris Walk in Eton Centris which commenced in April 2016 is targeted to be completed in 2Q17.

In the second quarter, Eton also broke ground on Eton WestEnd Square, a mixed-use 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. The office and retail components are targeted to be completed in 2019.

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

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P176,680,108	P137,556,341
Financial assets at fair value through profit or loss	6,374,651	9,663,734
Available for sale (AFS) investments	8,012,777	2,915,170
Loans and receivables	163,020,084	172,140,625
Due from related parties	1,591,177	1,593,034
Inventories	15,363,022	14,024,047
Other current assets	9,962,879	8,841,923
	381,004,698	346,734,874
Assets of disposal group classified as held for sale	–	23,526,757
Total Current Assets	381,004,698	370,261,631
Noncurrent Assets		
Loans and receivables - net of current portion	237,581,203	206,782,709
AFS investments	63,636,717	66,649,517
Held-to-maturity (HTM) investments	23,711,051	23,096,473
Investment in associates and a joint venture	13,865,778	11,761,290
Property, plant and equipment:		
At appraised values	39,623,751	39,538,145
At cost	5,726,173	5,299,731
Investment properties	21,776,031	22,231,525
Deferred income tax assets	621,913	551,237
Other noncurrent assets	3,646,914	3,380,244
Total Noncurrent Assets	410,189,531	379,290,871
TOTAL ASSETS	P791,194,229	P749,552,502

LIABILITIES AND EQUITY**Current Liabilities**

Deposit liabilities	P502,711,035	P436,362,854
Financial liabilities at fair value through profit or loss	525,581	126,075
Bills and acceptances payable	23,438,482	5,836,839
Accounts payable and accrued expenses	18,362,286	17,079,820
Income tax payable	195,860	294,581
Short-term and long-term debts – current	1,668,630	1,876,015
Due to related parties	41,839	46,770
Other current liabilities	14,832,787	13,249,643
	561,776,500	474,872,597
Liabilities of disposal group classified as held for sale	–	21,452,621
Total Current Liabilities (Carried Forward)	561,776,500	496,325,218

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Total Current Liabilities (Brought Forward)	₱561,776,500	₱496,325,218
Noncurrent Liabilities		
Deposit liabilities - net of current portion	27,605,780	39,793,338
Financial liabilities at fair value through profit or loss	83,705	9,118
Bills and acceptances payable	9,634,924	19,915,383
Long-term debts - net of current portion	5,279,684	10,706,431
Accrued retirement benefits	3,637,580	3,900,926
Deferred income tax liabilities	1,172,250	1,182,976
Other noncurrent liabilities	4,523,836	7,961,017
Total Noncurrent Liabilities	51,937,759	83,469,189
Total Liabilities	613,714,259	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	—	335,000
Other comprehensive income, net of deferred income tax effect	3,411,029	3,116,572
Retained earnings	65,269,182	59,855,195
Shares of the Company held by subsidiaries	(12,519)	(22,464)
	134,259,407	128,876,018
Non-controlling interests	43,220,563	40,882,077
Total Equity	177,479,970	169,758,095
TOTAL LIABILITIES AND EQUITY	₱791,194,229	₱749,552,502

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME

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

FOR THE NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2016 AND 2015

	Nine Months Ended September 30		For the Quarter Ending September 30	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
Banking	₱21,619,429	₱19,539,095	₱7,331,469	₱6,765,405
Beverage	10,455,091	9,745,126	3,204,363	3,179,197
Distilled spirits	10,849,411	8,725,897	3,803,316	3,137,511
Property development	2,198,170	1,875,396	886,820	626,859
	45,122,101	39,885,514	15,225,968	13,708,972
COST OF SALES	21,092,685	18,353,881	7,184,605	6,296,252
GROSS INCOME	24,029,416	21,531,633	8,041,363	7,412,720
EQUITY IN NET EARNINGS OF ASSOCIATES	1,899,340	704,725	403,100	112,940
	25,928,756	22,236,358	8,444,463	7,525,660
OPERATING EXPENSES				
Selling expenses	2,077,110	1,914,018	773,953	704,024
General and administrative expenses	18,234,324	15,928,207	6,506,531	6,107,787
	20,311,434	17,842,225	7,280,484	6,811,811
OPERATING INCOME	5,617,322	4,394,133	1,163,979	713,849
OTHER INCOME (CHARGES)				
Finance costs	(134,812)	(174,417)	(37,144)	(59,072)
Finance income	41,743	50,716	28,039	2,720
Foreign exchange gains	1,190,360	908,735	382,434	332,910
Others - net	3,499,823	3,120,678	758,138	967,728
	4,597,114	3,905,712	1,131,467	1,244,286
INCOME BEFORE INCOME TAX	10,214,436	8,299,845	2,295,446	1,958,135
PROVISION FOR INCOME TAX				
Current	2,355,483	1,637,264	75,938	381,864
Deferred	21,929	(56,899)	(28,858)	(11,488)
	2,377,412	1,580,365	47,080	370,376
NET INCOME FROM CONTINUING OPERATIONS	7,837,024	6,719,480	2,248,366	1,587,759
NET INCOME FROM DISCONTINUED OPERATIONS	507,848	279,330	123,784	78,220
NET INCOME	₱8,344,872	₱6,998,810	₱2,372,150	₱1,665,979
Net Income Attributable To:				
Equity holders of the parent company	₱6,247,119	₱4,709,856	₱1,685,471	₱1,137,013
Non-controlling interests	2,097,753	2,288,954	686,679	528,966
	₱8,344,872	₱6,998,810	₱2,372,150	₱1,665,979
Basic/Diluted Earnings Per Share	₱0.58	₱0.44	₱0.16	₱0.11