



President's Report

Nine Months 2015

LT Group, Inc.'s (LTG) unaudited attributable net income for the first nine months of 2015 reached Php4.710 billion, 88% more than the Php2.496 billion reported in the same period in 2014.

Philippine National Bank (PNB) posted an income of Php5.258 billion under the pooling method, with LTG's share at Php2.889 billion. 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, bringing PNB's contribution for 9M15 to Php2.780 billion. In 9M14, PNB's attributable income contribution to LTG was at Php1.294 billion, from the Php2.050 billion share in PNB's income, less LTG's share in the gain from the sale of Victorias Milling Company (VMC) shares of Php756 million, as LTG purchased the VMC shares.

PNB's attributable income contribution to LTG of Php2.780 billion was 59% of total. Asia Brewery, Inc. (ABI) added Php693 million or 15% of total, followed by the tobacco business at Php523 million or 11%. Tanduay Distillers, Inc. (TDI) accounted for Php337 million or 7%, while Eton added Php196 million or 4%. Equity in net earnings from the 20.17% stake in VMC provided Php172 million or 4% of total.

LTG's balance sheet remained strong, with the parent company's cash balance at Php3.4 billion as of the end of September 2015. Debt-to-Equity Ratio was at 3.31:1 as of end-September 2015 with the bank, and at 0.12:1 without the bank.

Philippine National Bank (PNB)

PNB reported a net income of Php5.258 billion for 9M15, under the pooling method. This is Php 1.543 billion or 42% more than the Php3.715 billion reported in 9M14.

Interest Income rose by 7% year-on-year (y-o-y) to Php16.296 billion from Php15.197 billion, as Gross Loans grew by 10% to Php331 billion as of end-September 2015 from Php303 billion as of end-September 2014. Net Interest Margin was steady at 3.1%, resulting to a Net Interest Income of Php13.182 billion for 9M15, 7% more than 9M14's Php12.267 billion.

Service Fee Income increased by 29% to Php3.169 billion from Php2.457 billion due to higher fees earned by PNB Capital, as well as more deposit and loan-related fees. Service Fee Expense

was at Php627 million, 4% higher, with Net Service Fees and Commission Income reaching Php2.542 billion, a 37% growth y-o-y.

Trading and Foreign Exchange Gains declined by 39% to Php1.343 billion from Php2.193 billion, while Other Income was 17% lower at Php2.858 billion from Php3.440 billion. Trading Gains and Other Income in 9M14 included a Php1.338 billion gain from the sale of VMC shares to LTG.

The Bank continued its disposal of Real and Other Properties Acquired (ROPA), reaching Php2.345 billion (book value) for 9M15, 172% more than the Php861 million sold for 9M14. ROPA sales in 9M15 included Php1 billion of Heritage Park memorial lots in 2Q, and Php410 million from the sale of a lot to Eton in 1Q. The bank booked a gain of Php1.150 billion from the sale of ROPAs in 9M15 compared to Php509 million in 9M14. The bank also reclassified Php2.2 billion worth of ROPAs to bank premises. As of the end of September 2015, the Bank's ROPAs stood at Php14.319 billion.

Operating Expenses declined by 7% to Php13.688 billion from Php14.742 billion in 9M14 as the Bank reversed a previously booked probable loss of Php974 million from the National Steel Corporation case. Without the reversal, Operating Expenses would have amounted to Php14.662 billion, relatively flat y-o-y.

Asia Brewery, Inc. (ABI)

ABI's income for the first nine months of 2015 amounted to Php694 million, 13% lower than the Php797 million reported for the same period in 2014.

Revenues were 2% lower at Php10.378 billion from Php10.576 billion. ABI managed to keep GPM steady at 27% despite the incentives given to wholesalers and retailers. Operating expenses were slightly higher by 3%, primarily due to higher depreciation of returnable containers.

Our carbonated energy drink, Cobra, continued to account for the biggest share of revenues at 36%. However, volume was 3% lower y-o-y as this category of the beverage industry has been adversely affected by the continued price war of major players of the carbonated soft drinks market. Our market share remains at over 70% as of end-September 2015.

Absolute and Summit, our bottled water brands, accounted for 20% of revenues. Volume increased by 6% 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 the period.

Beer volume was around 11% lower, but contributed 17% of revenues. Tanduay Ice's volume was about 8% lower but remains the leading brand in the alcopop category with over 70% market share.

Sales of our soymilk drink, Vitamilk, continue to increase and currently accounts for about 7% of ABI's revenues. Vitamilk is under an exclusive distribution agreement with Green Spot of Thailand and is the Philippines' leading soymilk brand.

The packaging business contributed 16% to total revenues in 9M15. With the additional capacity installed in the second half of 2014, the sales volume of commercial bottles increased by 28% over 9M14 with increased orders from customers. ABI supplies the glass bottle requirements of its beverage business, Tanduay and other third parties.

ABI recently introduced Barista's Best, a ready-to-drink coffee latte in selected modern trade outlets. This is the company's latest effort to broaden its portfolio.

Tobacco

The tobacco business reported a net income of Php525 million in 9M15, 13% more than the Php464 million reported for 9M14.

Equity in net earnings from LTG's 49.6% stake in PMFTC amounted to Php533 million, 3% higher than the Php520 million equity in net earnings in the same period in 2014. In 3Q15, LTG realized a Php113 million income from its stake in PMFTC, a turnaround from the loss of Php167 million in 3Q14. In 2014, PMFTC raised the price of its low-end brands only in end-October, compared to the end-January increase this year.

Although there was a price increase in end-January 2015 for the super-low segment, these cigarettes were still priced at a level that does not contribute to our bottom line.

The government required tax stamps to be affixed on each pack of cigarettes produced starting December 1, 2014, and on all packs in the market effective March 1, 2015. PMFTC will continue to work with the government in informing wholesalers and retailers to purchase only cigarettes that have the proper tax stamps.

For 9M15, PMFTC's shipment volume was at 49.8 billion sticks, 2% lower than the 50.9 billion sticks in 9M14. Despite the slightly lower volume, there was a favorable change in the mix. High-end Marlboro's volume reached 12.8 billion sticks, 16% more than the brand's volume in the same period in 2014, and accounted for 26% of total volume, from 22% previously. In 3Q15, the up-trading to Marlboro was more significant, with volume at 4.4 billion sticks or 19% more than 3Q14. The narrowing of the price gaps with brands at the bottom end of the market, coupled with the Marlboro **CROSSOVER** campaign that PMFTC launched in April resulted to this up-trading of customers.

Tanduay Distillers, Inc. (TDI)

TDI's unaudited net income reached Php337 million for the first three quarters of 2015, a turnaround from the loss of Php83 million for 9M14.

Revenues were relatively flat at Php8.810 billion from Php8.755 billion despite the 4% decline in sales volume to 12.15 million cases. This is due to the two price increases, in October 2014 by an average of Php10 per case, and in mid-January 2015 at Php28 per case. The most recent price increase was partly to cover another excise tax increase for distilled spirits in 2015. The price increase likewise caused a slight improvement in GPM to 19% in 9M15, from 17% in 9M14.

Operating expenses dropped 10% versus the previous year to Php1.16 billion from Php1.29 billion, as advertising expenses were lower. There was also a decrease in interest expenses with the payment of the Php5 billion bond in mid-February 2015.

According to Nielsen, TDI's market share stood at 24.9% as of the end of September 2015, relatively steady since the start of 2015.

Eton Properties Philippines, Inc. (Eton)

Eton's unaudited net income for January to September 2015 stood at Php197 million, an increase from the Php65 million reported in 9M14.

Revenues from the sale of residential units were 43% higher y-o-y at Php1.032 billion from Php724 million, with the higher percentage of completion of previously sold units, as well as the resumption of sale of existing projects. In May, Eton started selling units in projects that it previously launched. Prior to this, Eton halted sales activities for about two years to revisit its projects' master plans to optimize values.

Meanwhile, leasing revenues rose to Php843 million from Php470 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.

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P133,907,756	P147,275,490
Financial assets at fair value through profit or loss	23,986,807	22,811,921
Available for sale (AFS) investments	5,533,346	3,774,286
Loans and receivables	136,409,755	143,653,521
Due from related parties	1,594,142	1,797,390
Inventories	13,338,526	12,936,865
Other current assets	8,794,539	7,886,609
Total Current Assets	323,564,871	340,136,082
Noncurrent Assets		
Loans and receivables - net of current portion	212,551,604	187,438,860
AFS investments	81,329,863	60,039,059
Held-to-maturity (HTM) investments	24,349,487	22,895,493
Investment in associates and a joint venture	11,764,028	12,297,509
Property, plant and equipment:		
At appraised values	40,336,192	38,470,525
At cost	4,603,158	3,975,397
Investment properties	22,703,118	27,197,933
Deferred income tax assets	752,401	717,218
Other noncurrent assets	3,353,564	3,665,132
Total Noncurrent Assets	401,743,415	356,697,126
TOTAL ASSETS	P725,308,286	P696,833,208
LIABILITIES AND EQUITY		
Current Liabilities		
Deposit liabilities	P433,215,234	P411,391,378
Financial liabilities at fair value through profit or loss	13,719,902	10,837,220
Bills and acceptances payable	6,007,128	6,640,221
Short-term and long-term debts - current	1,120,358	5,806,123
Accounts payable and accrued expenses	15,529,855	16,120,561
Income tax payable	136,681	326,282
Current portion of due to related parties	46,777	49,859
Other current liabilities	16,717,567	17,974,819
Total Current Liabilities (Carried Forward)	486,493,502	469,146,463
(Forward)		

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Total Current Liabilities (Brought Forward)	₱486,493,502	₱469,146,463
Noncurrent Liabilities		
Deposit liabilities - net of current portion	22,675,757	23,468,731
Financial liabilities at fair value through profit or loss	76,590	24,805
Bills and acceptances payable	19,707,171	12,409,837
Long-term debts - net of current portion	10,796,830	11,291,321
Accrued retirement benefits	4,111,860	3,776,261
Deferred income tax liabilities	1,262,821	1,355,247
Other noncurrent liabilities	11,973,888	12,638,349
Total Noncurrent Liabilities	70,604,917	64,964,551
Total Liabilities	557,098,419	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 equity reserves	790,136	790,136
Other comprehensive income, net of deferred income tax effect	3,830,659	4,582,667
Retained earnings	58,017,316	54,079,986
Shares of the Company held by subsidiaries	(12,518)	(12,518)
	127,413,213	124,227,891
Non-controlling interests	40,796,654	38,494,303
Total Equity	168,209,867	162,722,194
TOTAL LIABILITIES AND EQUITY	₱725,308,286	₱696,833,208

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, 2015 AND 2014**

	Nine Months Ended September 30		For the Quarter Ending September 30	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
REVENUE				
Banking	₱19,905,162	₱18,091,683	₱6,889,596	₱5,712,506
Beverage	9,745,126	9,762,138	3,179,197	3,272,070
Distilled spirits	8,725,897	8,710,916	3,137,512	3,166,588
Property development	1,875,396	1,194,376	626,859	323,588
	40,251,581	37,759,113	13,833,164	12,474,752
COST OF SALES	18,565,047	18,300,212	6,353,241	6,270,720
GROSS INCOME	21,686,534	19,458,901	7,479,923	6,204,032
EQUITY IN NET EARNINGS OF ASSOCIATES	704,725	488,442	112,940	(216,526)
	22,391,259	19,947,343	7,592,863	5,987,506
OPERATING EXPENSES				
Selling expenses	1,914,018	2,023,190	704,024	688,582
General and administrative expenses	15,497,121	16,647,123	5,889,307	5,446,323
	17,411,139	18,670,313	6,593,331	6,134,905
OPERATING INCOME	4,980,120	1,277,030	999,532	(147,399)
OTHER INCOME (CHARGES)				
Finance costs	(174,417)	(353,899)	(59,072)	(124,280)
Finance income	50,716	68,241	2,720	35,612
Foreign exchange gains	919,339	1,028,669	339,158	269,183
Others – net	2,834,548	3,317,722	765,187	1,061,255
	3,630,186	4,060,733	1,047,993	1,241,770
INCOME BEFORE INCOME TAX	8,610,306	5,337,763	2,047,525	1,094,371
PROVISION FOR INCOME TAX				
Current	1,779,087	1,842,921	503,726	524,062
Deferred	(167,591)	(86,782)	(122,180)	(49,570)
	1,611,496	1,756,139	381,546	474,492
NET INCOME	₱6,998,810	₱3,581,624	₱1,665,979	₱619,879
Net Income Attributable To:				
Equity holders of the parent company	₱4,709,856	₱2,496,045	₱1,137,013	₱335,891
Non-controlling interests	2,288,954	1,085,579	528,966	283,988
	₱6,998,810	₱3,581,624	₱1,665,979	₱619,879
Basic/Diluted Earnings Per Share	₱0.44	₱0.23	₱0.11	₱0.03