

LT GROUP, INC. MANAGEMENT REPORT

ITEM 1. BUSINESS

1.1. CORPORATE HISTORY

LT Group, Inc. (“LTG” or the “Company”), originally incorporated on 25 May 1937 as “The Manila Wine Merchants, Inc.”, a trading company, is now a holding company with principal office at the 11th Floor, Unit 3 Bench Tower, 30th St. Corner Rizal Drive Crescent Park West 5 Bonifacio Global City, Taguig City. It is listed with the Philippine Stock Exchange (“PSE”) since 1947 and was granted an extension of its corporate life for another 50 years in 1987. In 1995, it changed its corporate name to “Asian Pacific Equity Corporation” and its primary purpose to that of a holding company.

In 1999, the Company acquired Twin Ace Holdings Corporation (now known as “Tanduay Distillers, Inc.” and hereafter referred to as “TDI”, a producer of distilled spirits) through a share swap with Tangent Holdings Corporation (“Tangent” or the “Parent Company”) - the swap resulted in Tangent increasing its ownership in LTG to 97.0%. The Company thereafter changed its corporate name to “Tanduay Holdings, Inc”.

In 2012, in preparation for the Company’s new role, it adopted the corporate name “LT Group, Inc.”. A series of restructuring activities followed in 2012 through 2013 whereby LTG expanded and diversified its investments to include the beverage, tobacco, property development, and banking businesses of Mr. Lucio C. Tan and his family and assignees (collectively referred to as the “Controlling Shareholders” or the “Tan Companies”), to wit:

The Company has interests in the following businesses:

- **Distilled Spirits**—The Company conducts its distilled spirits business through its 100%-owned subsidiary TDI. TDI is the third-largest distilled spirits producer in the Philippines according to Nielsen Philippines, with an approximate 22.5% share of the Philippine spirits market in 2020.
- **Beverages**— The Company owns 99.9% of Asia Brewery, Inc. (“ABI”), one of the Philippines’ leading producers of non-alcoholic beverages which includes energy drinks, bottled water, and soymilk. ABI conducts its alcoholic beverage business through a 50% stake in AB Heineken Philippines, Inc. (“ABHP”), which produces bear and alcopop.
- **Tobacco**— The Company owns 99.6% in Fortune Tobacco Corporation (“FTC”), which in turn owns 49.6% of PMFTC Inc. (“PMFTC”). PMFTC is the leading tobacco manufacturer and distributor in the Philippines with a 67.2% market share in the year 2020.

- **Banking**— The Company conducts its banking business through Philippine National Bank (“PNB”), a universal bank currently listed in the Philippine Stock Exchange (“PSE”). The Corporation’s indirect ownership in PNB is approximately 56.47%. PNB is the Philippines’ fourth largest private commercial bank in terms of total assets.
- **Property Development**— The Company conducts its property development business through Paramount Landequities, Inc. and Saturn Holdings, Inc., with an effective indirect ownership of 99.6% in Eton Properties Philippines, Inc. (Eton). Eton has a diverse portfolio of property development projects in various areas throughout the Philippines, primarily in Metro Manila and surrounding areas, and access to the large land bank of the Lucio Tan Companies. Eton’s project portfolio mainly comprises residential real estate projects (including large-scale township projects). Eton also develops and leases out commercial properties to retail and BPO tenants.

1.2. DESCRIPTION OF SUBSIDIARIES

A. *Distilled Spirits*

Tanduay Distillers, Inc. (“TDI”)

TDI was incorporated in the Philippines in 1988 and is primarily engaged in the business of manufacturing, compounding, bottling, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail, such finished goods as rum, brandy, whiskey, gin and other liquor products, and all equipment, materials, supplies used in the manufacture of such finished goods.

The following are subsidiaries of TDI:

- **Asian Alcohol Corporation (AAC) – 95%**

AAC is a domestic corporation registered with the SEC in 1973. The company is primarily involved in the manufacture of refined and/or denatured alcohol, the production of fodder yeast, and in the sale of such liquids or products.

- **Absolut Distillers, Inc. (ADI) – 96%**

ADI was incorporated in the Philippines in 1990 to engage in, manufacturing, distilling, importing, exporting, buying, selling or otherwise deal in alcohol, molasses, bioethanol, biogas and biomass for renewable energy at wholesale and retail. ADI is also engaged in the generation of renewable energy from solar power for lighting and power purposes.

- **Tanduay Brands International, Inc. (TBI) – 100%**

TBI was incorporated in 2003 to handle the marketing of TDI's products. In 2016, LTG sold its 100% ownership interest in TBI to TDI. In 2017, TBI opened its first store "Tanduay" in Century Park Hotel in Manila.

B. Beverage

Asia Brewery, Inc. ("ABI")

ABI was incorporated in the Philippines in 1979. In 2012, ABI, in partnership with Corporacion Empresarial Pascual S. L. of Spain, formed ABI Pascual Holdings Pte. Ltd., a jointly controlled entity organized and domiciled in Singapore. Later that year, the joint venture established ABI Pascual Foods Incorporated (APFI), an operating company in the Philippines engaged in the sale and distribution of yogurt products in the country.

In 2016, ABI and Heineken International B.V. (HIBV) of the Netherlands partnered to form AB Heineken Philippines Inc., a jointly controlled corporation engaged in the manufacture and sale of alcoholic beverages, non-alcoholic beer, malt-based beverages and related products of the aforementioned beverages. Pursuant to the partnership, ABI transferred its alcoholic beverage business to ABHP. Brands now controlled by ABHP include ABI-developed brands, Beer na Beer, Colt 45 and Brew Kettle, and HIBV's Heineken and Tiger.

On December 21, 2020, ABI entered into an amended Shareholders' Agreement contemporaneously with the Termination Deed with Heineken and ABHP, to wind down the business and operations of ABHP effective December 31, 2020. The amended Shareholders' Agreement was entered into to amend, restate and eventually terminate the Shareholders' Agreement entered into on May 27, 2016 in its entirety, including the other agreements covered by the said agreement.

In addition, in accordance with the Termination Deed, ABI acquired fixed assets, including beer equipment, inventories and spare parts, from ABHP for purchase price totaling to ₱1.6 billion.

The following are the wholly owned subsidiaries of ABI:

- **Agua Vida Systems, Inc. ("AVSI")**

AVSI was incorporated in the Philippines in 1994 as a purified water distribution and refilling company for homes and offices.

- **Waterich Resources Corporation ("WRC")**

WRC, incorporated in the Philippines in 1997, performs manufacturing of *Absolute Pure Distilled Drinking Water* and *Summit Water* for ABI.

- **Packageworld, Inc. (“PWI”)**

PWI, incorporated in the Philippines in 1998, manufactures corrugated cartons for wholesale.

- **Interbev Philippines, Inc. (“IPI”)**

IPI was incorporated in the Philippines in 2003 for the production and distribution of *Cobra* and *energy drinks*.

- **AB Nutribev, Inc. (“ABNC”)**

ABNC, incorporated in the Philippines in 2014, manufactures and sells dairy and soy milk-based beverages.

- **Asia Pacific Beverages Pte. Ltd. (“APBPL”)**

APBPL was incorporated in 2014 under the laws of Singapore as an investment holding company for business opportunities in the region. ABPBL acquired 90% of Asia Pacific Beverages Myanmar Co. Ltd. (APBM) in April 2017. APBM is a company incorporated in the Republic of the Union of Myanmar engaged in the manufacture and sale of non-alcoholic ready-to-drink beverage products in Myanmar.

C. Tobacco

Fortune Tobacco Corporation (“FTC”)

FTC was incorporated in the Philippines in 1965 to engage in cigarette manufacturing, selling, importing and exporting. FTC was responsible for introducing some of the most successful local cigarette brands in the Philippines, including the *Fortune*, *Champion* and *Hope* menthol brands. Prior to the creation of PMFTC, FTC was the largest domestic tobacco business in the Philippines.

FTC currently has an effective 49.6% stake in PMFTC, the business combination between the Philippine operations of Philip Morris International and the operations of FTC. PMFTC now carries the FTC brands and Philip Morris’ Marlboro.

D. Banking

Philippine National Bank (“PNB”)

PNB was incorporated in the Philippines in 1916. It is the country’s first universal bank and the fourth largest private local commercial bank in terms of assets as of 31 December 2020. PNB celebrated its Centennial Year in 2016.

It provides a full range of banking and other financial services to diversified customer bases including government entities, large corporate, middle market, SME and retail customers, with PNB having the distinction of being one of the

only five authorized Government depository banks in the Philippines. The current PNB is a result of the merger between PNB and Allied Banking Corp., which was completed in 2013.

The following companies are owned by PNB:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership	
				Direct	Indirect
Subsidiaries					
PNB Savings Bank (PNBSB) ^(a)	Banking	Philippines	Php	100.00	—
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	Php	100.00	—
PNB Holdings	Holding Company	- do -	Php	100.00	—
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	Php	100.00	—
PNB General Insurers, Inc. (PNB Gen) ^(b)	Insurance	- do -	Php	65.75	—
PNB Corporation – Guam ^(c)	Remittance	USA	USD	100.00	—
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	100.00	—
PNB Remittance Centers, Inc. (PNB RCI) ^(d)	Remittance	- do -	USD	—	100.00
PNB Remittance Co. (Nevada) ^(e)	Remittance	-do-	USD	—	100.00
PNB RCI Holding Co. Ltd. (PNB RHCL) ^(e)	Holding Company	- do -	USD	—	100.00
PNB Remittance Co. (Canada) ^(f)	Remittance	Canada	CAD	—	100.00
PNB Europe PLC	Banking	United Kingdom	GBP	100.00	—
Allied Commercial Bank (ACB)	Banking	China	CNY	99.04	—
PNB-Mizuho Leasing and Finance Corporation (PMLFC) (formerly PNB-IBJL Leasing and Finance Corporation)	Leasing/Financing	Philippines	Php	75.00	—
PNB-Mizuho Equipment Rentals Corporation (formerly PNB- IBJL Equipment Rentals Corporation) ^(g)	Rental	- do -	Php	—	75.00
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	100.00	—
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	51.00	—
ACR Nominees Limited ^(h)	Banking	- do -	HKD	—	51.00
Oceanic Holding (BVI) Ltd.	Holding Company	British Virgin Islands	USD	27.78	—
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	- do -	Php	44.00	—

^(a) Pending SEC approval of change in name and conversion to a holding company as of December 31, 2020 (see further discussion below and Note 37)

^(b) 34.25% indirect ownership by the Group as of December 31, 2019 through PNB Holdings was disposed in 2020 (see further discussion below); remaining 65.75% direct ownership was reclassified to 'Assets of disposal group classified as held for sale' (see Note 36).

^(c) Ceased operations on June 30, 2012 and license status became dormant thereafter

^(d) Owned through PNB IIC

^(e) Owned through PNB RCI

^(f) Owned through PNB RHCL

^(g) Owned through PMLFC

^(h) Owned through ABCHKL

Bank Holding Companies

In 2013, LTG acquired indirect ownership in PNB by acquiring several companies with a total ownership interest in PNB of 59.83% (collectively referred to as “Bank Holding Companies”), to wit:

1. Allmark Holdings Corp.
2. Dunmore Development Corp.
3. Kenrock Holdings Corp.
4. Leadway Holdings, Inc.
5. Multiple Star Holdings Corp.
6. Pioneer Holdings & Equities, Inc.
7. Donfar Management Ltd.
8. Fast Return Enterprises Ltd.
9. Mavelstone International Ltd.
10. Uttermost Success Ltd.
11. Ivory Holdings, Inc.
12. Merit Holdings & Equities Corp.
13. True Success Profits Ltd.
14. Key Landmark Investments Ltd.
15. Fragile Touch Investments Ltd.
16. Caravan Holdings Corp.

17. Solar Holdings Corp.
18. All Seasons Realty Corp.
19. Dynaworld Holdings Inc.
20. Fil-Care Holdings Inc.
21. Kentwood Development Corp.
22. La Vida Development Corp.
23. Profound Holdings Inc.
24. Purple Crystal Holdings, Inc.
25. Safeway Holdings & Equities Inc.
26. Society Holdings Corp.
27. Total Holdings Corp.

As of 31 December 2020, LTG has majority ownership over the Bank Holding Companies with 56.47% ownership of PNB.

E. Property Development

Saturn Holdings, Inc. (“Saturn”)

Saturn Holdings, Inc. was incorporated in the Philippines in 1997 as a holding company.

Paramount Landequities, Inc. (“Paramount”)

Paramount, incorporated in the Philippines in 1988, is a real estate development company.

Eton Properties Philippines, Inc. (“Eton”)

Eton was incorporated and registered in the Philippines in 1971 under the name “Balabac Oil Exploration & Drilling Co., Inc.” to engage in oil exploration and mineral development projects in the Philippines. It became a holding company in 1996 and in 2007, changed its name to Eton Properties Philippines, Inc. simultaneous with converting itself into a real estate development company.

The following real estate companies are 100%-owned by Eton:

- **Belton Communities, Inc. (“BCI”)**

Belton Communities, incorporated in 2007, caters primarily to the middle-income market segment with well-located communities.

- **Eton City, Inc. (“ECI”)**

ECI, incorporated in 2008, is a realty and holding company.

- **FirstHomes, Inc. (“FHI”)**

FHI was incorporated in 2010 as a real estate development company.

- **Eton Properties Management Corporation (“EPMC”)**

EPMC, incorporated in 2011, is a realty management company. It began commercial operations in 2016.

ITEM 2. DIRECTORS AND OFFICERS

Please refer to Item 5 of the Information Statement.

ITEM 3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1. RESULTS OF OPERATIONS

The following discussion and analysis of the Group’s financial condition and results of operations should be read in conjunction with the consolidated financial statements as at December 2020, 2019 and 2018 included in this report.

2020 vs 2019

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2020	2019
Revenues	₱94,428	₱94,151
Cost of Sales	42,859	46,802
Equity in Net Earnings of Associates and Joint Ventures	17,615	14,813
Operating Expenses	49,948	34,608
Operating Income	19,236	27,554
Other income-net	2,351	3,589
Income Before Income Tax	21,587	31,143
Total Net Income	22,326	27,566
Net Income Attributable to Equity Holders of the Parent Company	21,022	23,118

LT Group, Inc. (LTG) posted consolidated net income of **₱22.3 billion** for the year ended 31 December 2020, 19.0% lower than the **₱27.6 billion** reported for the same period last year.

The consolidated net income attributable to equity holders of LTG was **₱21.0 billion** for 2020, 9.1% lower than 2019’s **₱23.1 billion**. This was on account of the decline in the operating results of the banking and property development segments, which offset the improvements in the net incomes of the tobacco, distilled spirits and beverage segments. The banking segment’s net income decreased from **₱9.9 billion** for the year ended 31 December 2019 to **₱2.8 billion** in the same period of 2020. Property development segment’s net income was **₱802 million** in 2020 and **₱900 million** for 2019. The tobacco segment’s net income increased by **₱1.3 billion** from **₱15.6 billion** in 2019 to **₱16.9 billion** in 2020. Distilled spirits segment’s net income was **₱1.1 billion** significantly better than the **₱676 million** for 2019. The beverage segment’s net income

of ₱591 million in 2020 was higher compared to the reported income of ₱398 million in the same period last year. Equity in net earnings in VMC amounted to ₱264 million.

Consolidated revenues amounted to ₱94.4 billion for the year ended 31 December 2020 slightly higher than the ₱94.2 billion earned in 2019 mainly on account of the increased revenues in the distilled spirits segment which outweighs the decline in all other business segments revenues.

Cost of sales and services decreased by 8.4% from ₱46.8 billion for the year ended 31 December 2019 to ₱42.9 billion in the same period in 2020, primarily attributable to the lower interest expense incurred on deposits and other borrowings by the banking segment, lower sales volume by the beverage segment and decline in sales of the property development segment.

Operating expenses amounted to ₱49.9 billion in 2020 from ₱34.6 billion in 2019 or an increase of 44.3%. This was as a result of higher general and administrative expenses by 51.6%, from ₱31.6 billion in 2019 to ₱47.9 billion in 2020 and is mainly due to the additional provisions for impairment and credit losses for the anticipated impact of the Corona Virus Disease 2019 (COVID-19) pandemic to the bank's loan portfolio. Selling expenses slightly decreased to ₱2.1 billion in 2020 from ₱3.0 billion in 2019 as lower advertising and related expenses were incurred.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was ₱16.9 billion for the year ended 31 December 2020, higher than the ₱15.6 billion of the same period last year primarily on account of the increase in equity in net earnings from PMFTC (FTC's 49.6% owned associate) from ₱15.4 billion last year to ₱17.1 billion in 2020.

Banking

The banking segment's net income was ₱2.8 billion in 2020, lower than the ₱9.9 billion recorded in 2019 as the bank recognized significant provisions for impairment, credit and other losses of ₱16.9 billion during the year. On the other hand, there was a substantial improvement in the current period's net interest income and net gains from trading and investment securities.

Interest income in the current period of ₱47.0 billion was 7.1% lower compared to the same period last year on account of the net decrease in interest income from loans and receivables, trading and investment securities and interbank receivables. Total interest expense's significant reduction of 38.7% or ₱7.0 billion was primarily due to the decline in interest expense from high-cost deposit liabilities, bills and acceptances payable and other borrowings partially offset by the increase in interest from bonds payable. This resulted to net interest income of ₱35.8 billion, 10.6% higher year-on-year.

Net service fees and commission income were lower at ₱3.7 billion in 2020 compared to 2019's ₱4.2 billion due to lower volume of banking transactions and waived fees on

bank transfers and overseas remittances in compliance with Bayanihan to Heal as One Act.

Trading and investment securities and net foreign exchange gains were higher at ₱4.3 billion in 2020 compared to 2019's ₱2.2 billion as the bank took advantage to dispose of securities with high fair market values.

Operating expenses increased by 56.7% mainly due to larger provisions for impairment, credit and other losses amounting to ₱16.9 billion in 2020 in anticipation of the impact of the COVID-19 pandemic to the bank's loan portfolio compared to ₱2.9 billion that was provided in 2019.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.1 billion for the year ended 31 December 2020, significantly greater than the ₱676 million reported in the same period last year.

Net revenues were higher by 29.8% y-o-y to ₱25.0 billion in 2020 mainly due to higher pricing and improvement in the sales volume of liquor.

Cost of sales increased by 32.9% to ₱21.4 billion in the current period as against ₱16.1 billion in the same period last year primarily due to sales volume and higher excise taxes. Gross profit margin was at 14.7% in 2020 lower than the 16.7% in 2019.

Operating expenses were lower at ₱1.8 billion in 2020 compared ₱2.2 billion in 2019 as lower advertising and other related expenses were incurred.

Property Development

The property development segment reported a net income of ₱802 million in 2020 lower than the ₱900 million in 2019.

Rental revenue for the current period accounted for ₱1.8 billion or 73.3% of revenues, representing an 2.9% growth over the same period in 2019, as lease contracts were renewed at higher rates for the BPO offices. On the other hand, real estate sales were 54.9% lower y-o-y to ₱642 million.

Operating expenses were lower by 19.3% from ₱919 million in 2019 to ₱742 million in 2020 as commissions, advertising and promotional expenses and general and administrative expenses decreased.

Beverage

The beverage segment's net income was higher at ₱591 million for the year ended December 31, 2020 from ₱398 million last year.

Revenues of the beverage segment were lower at ₱13.3 billion in 2020 compared to 2019's ₱15.9 billion largely on account of lower sales volume from bottled water and

the packaging business. Overall gross profit margin declined to 26.0% from 26.9% as a result of the unfavorable sales mix.

Operating expenses decreased by 10.1% to ₱2.3 billion in 2020 from ₱2.6 billion in 2019 on account of lower advertising and promotional expenses.

In 2020, ABI stopped recording share in losses of its affiliate ABHP as recognition of losses should only be to the extent of investment cost and is consistent with the changes in the plan for the alcoholic beverage business. Equity in net losses from ABHP recognized in 2019 amounted to ₱717 million.

2019 vs 2018

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2019	2018
Revenues	₱94,151	₱75,559
Cost of Sales	46,802	35,965
Equity in Net Earnings of Associates and Joint Ventures	14,813	7,967
Operating Expenses	34,608	31,003
Operating Income	27,554	16,558
Other income-net	3,589	8,990
Income Before Income Tax	31,143	25,548
Total Net Income	27,566	20,558
Net Income Attributable to Equity Holders of the Parent Company	23,118	16,195

LT Group, Inc. (LTG) reported a consolidated net income attributable to equity holders of ₱23.1 billion for the year ended 31 December 2019, 42.7% higher than the ₱16.2 billion recorded for the same in 2018. This was on account of the improvement in the operating results of the tobacco, banking and property development segments, which more than offset the lower net income of the distilled spirits and beverage segments. The tobacco segment's net income increased by ₱6.8 billion from ₱8.8 billion in 2018 to ₱15.6 billion in 2019. The banking segment's net income improved by 1.6% from ₱9.8 billion for 2018 to ₱9.9 billion in 2019 on account of the recorded increase in the bank's core income comprising primarily of net interest income and net service fees and commission. Property development segment's net income was ₱900 million, 87.9% higher than the ₱479 million in 2018. Distilled spirits segment's net income was ₱676 million, 25.6% less than the ₱909 million recognized for the period ended 31 December 2018. The beverage segment's net income decreased to ₱398 million in the current period from ₱421 million in 2018. Equitized earnings from the 30.9% owned VMC contributed ₱251 million in 2019 compared to ₱247 million in 2018.

Consolidated revenues amounted to ₱94.2 billion for the year ended 31 December 2019, 24.6% more than the ₱75.6 billion recognized in 2018 as banking, beverage and distilled spirits revenues increased.

Cost of sales and services increased by 30.1% from ₱36.0 billion for 2018 to ₱46.8 billion in 2019, primarily attributable to higher interest expense incurred in

deposit liabilities and increased cost of sales of the distilled spirits and beverage segments due to higher volume and raw materials cost.

Operating expenses amounted to ₱35.7 billion in 2019 from ₱32.5 billion in 2018 or an increase of 9.9%. This was as a result of increased general and administrative expenses by 9.8%, from ₱29.8 billion in 2018 to ₱32.7 billion in 2019 and higher selling expenses by 11.5%.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was ₱15.6 billion for the year ended 31 December 2019, significantly higher than the ₱8.8 billion for 2018 on account of the increase in equity in net earnings from PMFTC (49.6% owned associate) from ₱8.5 billion in 2018 to ₱15.4 billion in 2019. PMFTC's income increased due to favorable mix with premium Marlboro accounting for a higher portion of sales volume and price increases implemented in late August 2019.

Banking

The banking segment's net income was ₱9.9 billion for the year ended 31 December 2019 higher than the ₱9.8 billion recorded in 2018.

Interest income from banking operations was at ₱50.5 billion in 2019, 40.3% higher than the ₱36.0 billion earned in 2018, mainly on account of the expansion in loans, interbank loans and trading and investment securities portfolios. Interest expense was at ₱18.2 billion for the period ended 31 December 2019, up 101.5% from ₱9.0 billion in 2018 primarily due to growth in deposit liabilities and other borrowings resulting to a net interest income of ₱32.4 billion, 19.9% higher year-on-year.

Net service fees and commission income improved from 2018's ₱3.5 billion to ₱4.2 billion in 2019 driven by the growth in deposit and credit card related fees.

Trading and investment securities and net foreign exchange gains were higher at ₱2.2 billion in 2019 compared to 2018's ₱1.1 billion. On the other hand, miscellaneous income decreased by 72.2% to ₱2.1 billion from ₱7.4 billion, due to lower gain from the sale of ROPA.

Operating expenses increased by 12.7% as growth in revenues particularly in interest income and trading gains translated to higher business taxes and other related administrative expenses.

Distilled Spirits

The distilled spirits segment posted a net income of ₱676 million for the year ended 31 December 2019, lower than the net income of ₱909 million reported in 2018.

Net revenues were higher by 6.3% y-o-y to ₱19.3 billion in 2019 mainly due to the improvement in liquor and bioethanol revenues.

Cost of sales increased by 8.2% to P16.1 billion in 2019 as against P14.8 billion in 2018 primarily due to higher volume and raw material costs. Gross profit margin was lower at 16.7% in 2019 compared to 18.1% in 2018.

Operating expenses were higher at P2.2 billion in 2019 from P2.1 billion in 2018, due to higher advertising, repairs and maintenance and other administrative expenses.

Property Development

The property development segment reported a net income of P900 million for the year 2019, 87.9% greater than the P479 million for 2018.

Leasing revenues in 2019 accounted for P1.7 billion or 54.5% of revenues, representing a 14.2% increase compared to 2018, as lease contracts were renewed at higher rates for the BPO offices as well as the additional retail space at Eton Square Ortigas that was completed in 2018. Real estate sales were 16.4% lower y-o-y to P1.4 billion, but gross profit margin improved to 53% from 29%.

Operating expenses were slightly lower at P919 million in 2019 compared to 2018's P947 million.

Beverage

The beverage segment's net income was lower by 5.5% to P398 million for the year ended 31 December 2019 from P421 million in the same period last year.

Revenues of the beverage segment were higher by 5.5% to P15.9 billion in 2019 from P15.1 billion in 2018. This was driven by the growth in revenues in energy drinks, bottled water and soymilk. Overall gross profit margin was flat at 27%.

Operating expenses increased by 9.5% to P2.6 billion in 2019 from P2.4 billion in 2018 on account of higher advertising, personnel, outside services, selling materials and freight and handling expenses.

2018 vs 2017

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2018	2017
Revenues	P75,559	P63,727
Cost of Sales	35,965	29,680
Equity in Net Earnings of Associates and Joint Ventures	7,967	3,964
Operating Expenses	31,003	27,073
Operating Income	16,558	10,938
Other income-net	8,990	7,062
Income Before Income Tax	25,548	18,000
Total Net Income	20,558	14,581
Net Income Attributable to Equity Holders of the Parent Company	16,195	10,831

LT Group, Inc. (LTG) recorded a consolidated net income of **₱20.6 billion** for the year ended 31 December 2018, 41.0% higher than the **₱14.6 billion** reported in 2017.

The consolidated net income attributable to equity holders of LTG was **₱16.2 billion** for the year 2018, 49.5% more than 2017. This was on account of the improvement in the operating results of the tobacco, banking, distilled spirits and property development segments, which more than offset the lower net income of the beverage segment. The tobacco segment's net income increased by 100.0% from **₱4.4 billion** in 2017 to **₱8.8 billion** in 2018. The banking segment's net income was up by 14.3% from **₱8.6 billion** for the year 2017 to **₱9.8 billion** in 2018. Distilled spirits segment's 2018 net income was **₱909 million**, 44.1% higher than the **₱631 million** recognized for the year ended 31 December 2017. Property development segment's net income was **₱479 million** in 2018, 37.6% higher than the **₱348 million** in 2017. The beverage segment's net income of **₱421 million** in 2018 was lower by 23.7% compared to the reported income of **₱552 million** in 2017. Equity in net earnings from the 30.9% stake in VMC contributed **₱247 million**.

Consolidated revenues amounted to **₱75.6 billion** for the year ended 31 December 2018, 18.2% higher than the **₱63.7 billion** recognized in 2017 on account of the increased revenues in the banking, distilled spirits, beverage and property development segments.

Cost of sales and services increased by 21.2% from **₱29.7 billion** for the year ended 31 December 2017 to **₱36.0 billion** in the same period in 2018, primarily attributable to higher interest expense on deposit liabilities and increased cost of sales of the beverage and distilled spirits segments mainly due to the sugar tax imposed starting 2018 and higher raw material costs.

Operating expenses amounted to **₱31.0 billion** in 2018 from **₱27.1 billion** in 2017 or an increase of 14.5%. This was as a result of increased general and administrative expenses by 16.1%, from **₱24.4 billion** in 2017 to **₱28.3 billion** in 2018 and increase of 0.3% year-on-year in selling expenses.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was **₱8.8 billion** for the year ended 31 December 2018, significantly higher than the **₱4.4 billion** in 2017 on account of the increase in equity in net earnings from PMFTC (FTC's 49.6% owned associate) from **₱8.5 billion** in 2017 to **₱4.4 billion** in 2018.

Banking

The banking segment's net income was **₱9.8 billion** for the year ended 31 December 2018, 14.3% higher than the **₱8.6 billion** recorded for the year 2017.

Interest income from banking operations was at ₱36.0 billion in 2018, 30.6% higher than the ₱27.6 billion earned last year, mainly on account of higher interest income from loans, investment securities and interbank loans receivables as well as the improvement of Net Interest Margin (NIM) to 3.2% from 3.1%. Interest expense was at ₱9.0 billion for the year ended December 31, 2018, up 62.3% from ₱5.6 billion in same period of 2017 resulting to a net interest income of ₱27.0 billion, 22.7% higher year-on-year.

Net service fees and commission income improved from 2017's ₱3.2 billion to ₱3.5 billion in 2018 due to higher deposit, credit, interchange and bancassurance fees income.

Miscellaneous income increased by 34.9% to ₱8.6 billion from ₱6.4 billion, due to higher gain from the sale of Real and Other Properties Acquired (ROPA). On the other hand, trading and net foreign exchange gains were lower at ₱1.1 billion in 2018 compared to 2017's ₱2.2 billion.

Operating expenses increased by 16.5% primarily due to higher provisioning on loans, taxes and licenses, depreciation, occupancy, personnel costs and miscellaneous expenses.

Distilled Spirits

The distilled spirits segment posted a net income of ₱909 million for the year ended 31 December 2018, a 44.1% increase from the net income of ₱631 million reported in 2017.

Net revenues of ₱18.1 billion in 2018 were higher by 8.0% y-o-y mainly due to the improvement in sales of Tanduay Five Years rum, the Company's flagship product, and bioethanol revenues.

Cost of sales increased by 5.5% to ₱14.8 billion in 2018 as against ₱14.1 billion in 2017 primarily due to higher volume, raw material costs and depreciation. Gross profit margin was at 18.1% in 2018, higher than the 16.2% in 2017.

Operating expenses were higher by ₱214 million at ₱2.1 billion in 2018, due to increased selling and administrative expenses.

Property Development

The property development segment reported a net income of ₱479 million for the year 2018, 37.6% higher than the ₱348 million for the year 2017.

Real estate sales of ₱1.7 billion were 101.7% higher y-o-y and comprised 53.3% of revenues. Rental revenue for the year 2018 accounted for ₱1.5 billion or 46.7% of revenues, representing a 7.7% growth over the same period in 2017, as lease contracts were renewed at higher rates for the BPO offices as well as the additional retail space completed in December 2017.

Operating expenses were higher by 29.5% from ₱732 million in 2017 to ₱948 million in 2018.

Beverage

The beverage segment's net income of ₱421 million for the year ended 31 December 2018 was lower by 23.7% against ₱552 million in 2017.

Revenues of the beverage segment were higher by 8.7% to ₱15.1 billion in 2018 from ₱13.9 billion in 2017. This was driven by the growth in revenues in packaging, energy drinks, bottled water and soymilk. Overall gross profit margin declined to 27.2% from 31.0% as a result of product mix, higher purchase price of raw materials, fuel and oil as well as the excise tax on sweetened beverages.

Operating expenses were flat at ₱2.4 billion for the years 2018 and 2017.

3.2. FINANCIAL CONDITION

2020

The Company's consolidated Total Assets as of 31 December 2020 and 2019 amounted to ₱1.4 trillion and ₱1.3 trillion, respectively. Current Assets increased by 29.9% or ₱157.7 billion and Noncurrent Assets were lower by ₱70.4 billion or 9.5%.

The consolidated Current Assets increased by 29.9% from ₱527.1 billion as of 31 December 2019 to ₱684.8 billion. Cash and Cash Equivalents increased level from ₱184.9 billion as of end-2019 to ₱304.1 billion as of 31 December 2020 on account of higher Due from BSP, Interbank Loans Receivables, Securities Held Under Agreement to Resell and Due from Other banks of the banking segment. Financial Assets at Fair Value through Other Comprehensive income increased due to purchases of various securities, net of disposal. Financial Assets at Amortized Cost-current increased due to reclassification of currently maturing investments. Current portion of Loans and Receivables declined by ₱37.9 billion from end-2019 balance of ₱260.9 billion on account of lower current loans receivables by the banking segment. Inventories as of 31 December 2020 amounted to ₱13.2 billion, 8.0% higher than end-2019 due to higher ending inventory levels of the distilled spirits segment. On 11 December and 9 October 2020, PNB approved the sale of all its shareholdings in PNB General Insurers Co., Inc. (PNB Gen) to Alliedbankers Insurance Corporation, an affiliate. As a result, the Group reclassified all the assets and liabilities of PNB Gen to 'Assets of disposal group classified as held for sale' and 'Liabilities of disposal group classified as held for sale', respectively, in the consolidated statement of financial position

The 9.5% decrease in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Loans and Receivables, Financial Assets FVTOCI, Financial Assets at Amortized Cost, as well as Investment in associates and joint ventures. Noncurrent portion of Loans and Receivables amounted to ₱393.6 billion, ₱17.7 billion lower than end-2019 level on account of the banking segments net paydowns of loans and receivables and additional provision for impairment, credit and other losses. Financial Assets at FVTOCI and Financial Assets at Amortized Cost were lower by ₱33.9 billion and ₱20.2 billion, respectively on account of disposal of various investment securities, net of purchases made as of 31 December 2020. Investment in

associates and joint venture decline of ₱3.5 billion was due to higher dividends received from PMFTC than equitized earnings during the year. Other noncurrent assets were lower at ₱6.0 billion as of end-2020. Deferred income tax assets (DTA) were higher by ₱6.5 billion, from ₱2.4 billion as of end-2019 to ₱8.9 billion as of 31 December 2020 as additional DTA was recognized on allowance for expected credit losses, for which the bank has the benefit of tax deductions against future taxable income only upon actual write-offs.

Consolidated Total Liabilities increased by 8.5% to ₱1.1 trillion as of 31 December 2020 from ₱1.0 trillion as of 31 December 2019. This was on account of the increase in Total Current Liabilities by 8.8% from ₱876.7 billion in 31 December 2019 to ₱953.5 billion as of the end of the current period and higher Noncurrent Liabilities by 6.6% from ₱135.2 billion to ₱144.0 billion.

Current portion of the banking segment's Deposit Liabilities amounted to ₱822.1 billion as of 31 December 2020, 6.5% higher than end-2019. Current portion of Bills and Acceptances Payable increased by 40.8% brought by increase in the level of interbank borrowing and repurchase agreements. Accounts payable and accrued expenses were lower due to the settlements made during the year. Short-term debts as of 31 December 2020 amounted to ₱4.7 billion, 8.0% lower than end-2019 on account of payments made by the parent company. Current portion of long-term debts outstanding of ₱1.0 billion as of 31 December 2019 increased to ₱14.5 billion as of 31 December 2020 to recognize the bank's maturing bonds payable. Other current liabilities decreased from ₱18.8 billion as of end-2019 to ₱10.2 billion in current period due to settlements made as of 31 December 2020. Financial liabilities at fair value through profit or loss increased to ₱701 million mainly from the increase in the volume of transactions for the period. Income tax payable was higher by 46.0% versus the 31 December 2019 level due to the income tax provisions made in the current period.

The increase in the Noncurrent Liabilities was on account of the higher Noncurrent Deposit Liabilities, Bills and Acceptances Payable net of current portion by ₱12.3 billion and ₱10.0 billion, respectively as of 31 December 2020, as the bank had higher levels of deposit and bills and acceptances payable were higher due to increased interbank borrowings and repurchased agreements transactions. Long-term debts net of current portion decreased by ₱16.4 billion due mainly on the reclassification from noncurrent to current of the maturing bonds payable. Other Noncurrent liabilities increased by 75.6% to ₱5.5 billion as of 31 December 2020 from ₱3.1 billion due to various accruals in 2020. Accrued retirement benefits increased due to accruals made for the year 2020.

LTG's consolidated Total Equity slightly increased by 0.6% to ₱255.5 billion as of 31 December 2020, on account of the net increase in the retained earnings brought about by the income earned for the period ended 31 December 2020 of ₱21.0 billion less dividends declared and paid amounting to ₱8.8 billion, which offset the decrease in the other comprehensive income due to lower net unrealized gain in fair value of investments and payment to fully settle the Preferred shares of subsidiaries issued to Parent company amounting to ₱8.5 billion.

2019

The Company's consolidated Total Assets as of 31 December 2019 and 31 December 2018 amounted to ₱1.3 trillion and ₱1.1 trillion, respectively. Current Assets increased by 15.0% or ₱68.8 billion and Noncurrent Assets were higher by ₱99.3 billion or 15.5%.

The increase in consolidated Current Assets by 15.0% from ₱458.4 billion as of 31 December 2018 to ₱527.1 billion was primarily due to higher Cash and Cash Equivalents level from ₱177.0 billion as of end-2018 to ₱184.9 billion as of 31 December 2019 on account of higher deposits received, Loans and Receivables – Current Portion of the banking segment. Current portion of Loans and Receivables was greater than end-2018 level by 24.2% at ₱260.9 billion as the banking segment was able to lend out more corporate loans in 2019.

Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) and Financial Assets at Fair Value through Profit or Loss increased due to acquisitions during the year and favorable hike in the fair values of the various investment portfolio. Inventories as of 31 December 2019 amounted to ₱12.2 billion, 7.0% lower than end-2018 due to lower ending inventory levels of the property development and distilled spirits segments. Other Current Assets amounted to ₱11.4 billion as of 31 December 2019, 8.6% increase from ₱10.5 billion as of 31 December 2018.

The 15.5% increase in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Loans and Receivables and Financial Assets at FVTOCI. Noncurrent portion of Loans and Receivables were higher by ₱22.6 billion due to the growth in booked loans by the banking segment. Financial Assets at FVTOCI were higher by ₱62.4 billion on account of acquisitions of various investment securities made as of 31 December 2019.

Investments in associates and joint ventures increased by 34.2% on account of equitized earnings recorded for the year ended December 2019. Property, plant and equipment – at cost was higher by ₱4.3 billion due to various acquisitions during the year 2019 and recognition of Right of Use of Assets. Investment properties were higher by 7.6% due to various acquisitions during the year 2019. Deferred income tax assets were higher by 24.0% on account of adjustments on temporary tax differences recorded in 2019. Other noncurrent assets were higher by ₱1.1 billion, from ₱6.4 billion as of end-2018 to ₱7.5 billion as of 31 December 2019.

Consolidated Total Liabilities increased by 16.8% to ₱1.0 trillion as of 31 December 2019 from ₱866.6 billion as of 31 December 2018. This was on account of the increase in Total Current Liabilities by 13.0% from ₱775.8 billion in 31 December 2018 to ₱876.7 billion as of the end of the current period and increase in Noncurrent Liabilities of 48.9% from ₱90.8 billion to ₱135.2 billion.

The current portion of the banking segment's Deposit Liabilities amounted to ₱772.1 billion as of 31 December 2019, 14.8% higher than end-2018 balance. Accounts Payable and Accrued Expenses increased to ₱26.7 billion or 17.5% higher than ₱22.7 billion as of 31 December 2018 due to the various accruals in 2019. Short-term debts as of 31 December 2019 amounted to ₱5.2 billion, 151.2% higher than end-2018 on account of availments by the beverage segment and parent company. The current

portion of long-term debts outstanding of ₱91 million as of 31 December 2018 increased to ₱1.0 billion as of 31 December 2019 due to a reclassification from noncurrent to current for the nearly maturing debt and recognition of current portion of lease liability along with the recording of the right of use of asset account for the adoption of PFRS 16 - Leases.

Other current liabilities increased from 16.5 billion as of end-2018 to ₱18.8 billion in current period due to additional accrual of transactions during the year 2019. Current portion of Bills and Acceptances Payable decreased by 14.4% due to settlement of interbank loans from the BSP and local banks. The Current Financial Liabilities at Fair Value through Profit or Loss were lower by 47.8% to ₱246 million as of end-2019. Income tax payable was lower by 31.8% versus the 31 December 2018 level due to the income tax payments made in the current period. The current portion of Due To Related Parties decreased from ₱80 million to ₱65 million as payments were made in 2019.

The increase in the Noncurrent Liabilities was on account of the higher Long-Term debts net of current portion of the banking segment by ₱53.0 billion as of 31 December 2019, as the bank issued fixed-rate bonds and Euro Medium Term Notes (EMTN) partially offset by Noncurrent Bills and Acceptances Payable which decreased by ₱5.4 billion. Other Noncurrent liabilities declined by 37.1% to ₱3.1 billion as of 31 December 2019 from ₱5.0 billion due to various settlements in 2019.

LTG's consolidated Total Equity grew 9.9% to ₱254.0 billion as of 31 December 2019, on account of the increase in Retained Earnings coming from the net earnings during the period and increase in the other comprehensive income from the unrealized gain in fair value of investments. The increase in the noncontrolling interests were relative to the increase in the other comprehensive income and issuance of stock rights by the banking segment. This was partially offset by the partial redemption of the Preferred shares of subsidiaries issued to Parent company amounting to ₱9.5 billion.

2018

The Company's consolidated Total Assets as of 31 December 2018 amounted to ₱1,097.8 billion, an increase of 19.7% from ₱917.1 billion as of 31 December 2017. This was mainly on account of the increase in Current Assets by 14.3% or ₱59.4 billion and increase in Noncurrent Assets of ₱121.3 billion or 24.2%.

The increase in consolidated Current Assets by 14.3% from ₱416.6 billion as of 31 December 2017 to ₱475.0 billion was primarily due to the higher Current Portion of Loans and Receivables on account of the increased booking of loans and higher Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) – formerly called Held To Maturity (HTM) Investments by the bank. Cash and Cash Equivalents were higher from ₱174.0 billion as of end-2017 to ₱176.5 billion as of 31 December 2018. Inventories and Other Current Assets declined by ₱0.26 billion and ₱3.4 billion, respectively, mainly due to lower inventory level of the property development segment, while for Other Current Assets, it declined because of the banking segments' lower levels of FXTN and miscellaneous assets. Assets of Disposal Group Classified as Held for Sale pertains to the banking segment's PNB General Insurance (PNB Gen) assets which will be exchanged for shares in Allied Bankers Insurance Corporation (ABIC), an affiliate.

The 24.2% increase in Total Noncurrent Assets was mainly due to the movements in the Noncurrent Financial Assets at Amortized Cost, Property, Plant and Equipment and Noncurrent Portion of Loans Receivables. Noncurrent Financial Assets at Amortized Cost were higher by 273.2% due to the bank's reclassification of Financial Assets at FVTOCI to HTM investments. Noncurrent Financial Assets at FVTOCI decreased by 31.9% to ₱48.1 billion from ₱70.7 billion. Noncurrent portion of Loans and Receivables were higher by ₱40.1 billion due to higher booking of loans by the bank. Property, plant and equipment (PPE) – at cost was higher by ₱0.8 billion due to various acquisitions during the year 2018, while PPE – at appraised was higher by ₱24.1 billion due to the banking segment's new appraisal of properties in 2018.

Investment in Associates and Joint Ventures was higher by ₱3.1 billion to ₱20.3 billion, due to higher equity earnings from PMFTC. Other noncurrent assets and Deferred income tax assets were higher by ₱0.8 billion and ₱0.4 billion, respectively compared to end-2017 balances.

Consolidated Total Liabilities increased by 19.1% to ₱859.4 billion as of 31 December 2018 from ₱721.8 billion as of December 31, 2017. This was on account of the increase in Total Current Liabilities by 16.5% from ₱665.4 billion in 31 December 2017 to ₱775.0 billion as of the end of the current period and increase in Noncurrent Liabilities of 62.5% from ₱56.4 billion to ₱91.6 billion.

The current portion of the banking segment's Deposit Liabilities amounted to ₱672.3 billion as of 31 December 2018 – 14.3% higher than 31 December 2017. Accounts Payable and Accrued Expenses increased to ₱22.5 billion or 2.2% higher than ₱22.0 billion as of 31 December 2017 due to the various accruals as of end-2018. Income tax payable is 9.1% versus the 31 December 2017 level due to the income tax payments made during the year 2018. Financial liabilities at Fair Value through P&L increased by ₱0.5 billion as of 31 December 2018, on account of the bank's higher derivative liabilities. Short-term debt was higher by 32.3% to ₱2.1 billion in the current period from ₱1.6 billion in 31 December 2017, due to the availing of a loan by the beverage segment. The current portion of Due to Related Parties increased to ₱0.1 billion on account of reclassifications made during the year. The current portion of Bills and Acceptances Payable increased by 65.3% mainly due to the higher currently maturing bills and acceptances payable by the banking segment. The current portion of long-term debts outstanding of ₱91 million as of 31 December 2018 was lower versus end-2017 due to payments made during the year. Other current liabilities decreased from ₱15.2 billion as of end-2017 to ₱8.6 billion in current period due to various settlements made during the year 2018. Liabilities of disposal group classified as held for sale pertains to the banking segment's PNB Gen Liabilities.

The increase in the Noncurrent Liabilities was on account of the issuance of bonds by the banking segment which increased the Long-Term Debts Noncurrent portion by ₱17.1 billion to ₱18.6 billion as of end-2018, and higher Noncurrent Bills and Acceptances Payable by ₱2.3 billion of the banking segment. Deposit Liabilities (noncurrent) of the banking segment increased from ₱39.3 billion as of 31 December, 2017 to ₱47.2 billion as of 31 December 2018. Accrued Retirement Benefits decreased by 25.8% or ₱0.6 billion. Other noncurrent liabilities increased by 24.3% to ₱5.9 billion as of 31 December 2018 from ₱4.7 billion due to various accruals and additional

obligations incurred in 2018. Deferred income tax liabilities increased to P8.8 billion due to various tax temporary timing differences accrued in 2018.

LT Group's consolidated Total Equity grew 18.4% to P231.2 billion as of 31 December 2018, on account of the increase in Retained Earnings coming from the net earnings during the period and increase in Other Comprehensive Income of 257.9% due to the increase in revaluation surplus of the banking segment's properties.

3.3. KEY PERFORMANCE INDICATORS

LTG uses the following major performance measures. The analyses are based on comparisons and measurements on financial data of the current period against the same period of the previous year. The discussion on the computed key performance indicators can be found in the "Results of Operations" in the MD&A above.

2020 vs 2019

1.) Gross Profit Ratio

Gross profit ratio in 2020 was 54.6% versus 50.3% in 2019.

2.) Return on Equity

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2020 amounted to P21.0 billion; lower by 9.1% from last year's P23.1 billion. Ratio of net income to equity is 11.3% in 2020 and 12.4% in 2019.

3.) Current Ratio

Current Ratio for 2020 is 0.72:1 while last year's was 0.60:1.

4.) Debt-to-equity ratio

Debt-to-equity ratio for 2020 is 4.30:1 as compared to last year's 3.98:1.

5.) Earnings per share

Earnings per share attributable to holders of the parent company for 2020 is P1.94 and P2.14 in 2019.

2019 vs 2018

1.) Gross Profit Ratio

Gross profit ratio in 2018 was 50.3% versus 52.4% in 2018.

2.) Return on Equity

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2019 amounted to ₱23.1 billion; higher by 42.7% from last year's ₱16.2 billion. Ratio of net income to equity is 12.4% in 2019 and 9.4% in 2018.

3.) Current Ratio

Current Ratio for 2019 is 0.60:1 while last year's was 0.59:1.

4.) Debt-to-equity ratio

Debt-to-equity ratio for 2019 is 3.98:1 as compared to last year's 3.75:1.

5.) Earnings per share

Earnings per share attributable to holders of the parent company for 2019 is ₱ 2.14 and ₱1.50 in 2018.

2018 vs 2017

1.) Gross Profit Ratio

Gross profit ratio in 2018 was 52.4% versus 53.4% in 2017.

2.) Return on Equity

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2018 amounted to ₱16.2 billion; higher by 49.5% from last year's ₱10.8 billion. Ratio of net income to equity is 9.4% in 2018 and 7.3% in 2017.

3.) Current Ratio

Current Ratio for 2018 is 0.61:1 while last year's was 0.62:1.

4.) Debt-to-equity ratio

Debt-to-equity ratio for 2018 is 3.75:1 as compared to last year's 3.70:1.

5.) Earnings per share

Earnings per share attributable to holders of the parent company for 2018 is ₱ 1.50 and ₱1.00 in 2017.

The manner by which LTG calculates the indicators above is as follows:

Gross profit ratio	= Gross profit/Net sales
Return on Equity	= Net Income Attributable to Equity Holders of the LTG/Stockholders equity
Current Ratio	= Current assets/Current liabilities
Debt-to-equity ratio	= Total liabilities/Total equity
Earnings per share	= Net income attributable to holders of the parent company/weighted average number of shares

3.4. OTHER MATTERS

- (i) The COVID-19 pandemic has affected the overall economy since the government declared an Enhanced Community Quarantine (ECQ) starting mid-March 2020. This affected the industries that LTG operates in particularly the bank, tobacco and the alcoholic and non-alcoholic businesses. Interest rate fluctuations may likewise affect the different businesses of the Group. Aside from this, there are no other trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's increasing or decreasing liquidity in any material way. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. The Company does not have any liquidity problems.
- (ii) There are no events that will trigger direct or contingent financial obligation that is material to LTG, including any default or acceleration of an obligation.
- (iii) There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LTG with unconsolidated entities or other persons created during the reporting period.
- (iv) On-going and planned capital expenditure projects of the Group are as follows:

Distilled spirits

TDI will have various capital expenditure projects to improve its manufacturing facilities.

Beverage

ABI continuously makes investments that enhance production safety, improve manufacturing efficiency, and improve the impact of its production processes to the environment. Apart from these, ABI has also invested in machinery and

equipment that will enhance its manufacturing capacity namely in the bottled water and carbonated soft drinks segments.

Apart from investments in the production process, ABI is in the process of re-fleeting its delivery trucks and upgrading its handling equipment to better control its repairs and maintenance costs and ensure safety in the transport of materials and products.

Investments in returnable containers were also made to replace bottles and crates used in the production of Cobra, Vitamilk and Summit Water in returnable glass bottles.

International Bottled Water Association Membership

ABI's bottled water plant in Cabuyao has been a member of the International Bottled Water Association (IBWA) since it started its bottled water business in 1992. IBWA in reference to U.S. FDA regulations of the Code of Federal Regulations prescribes the Good Manufacturing Practices for Processing and Bottling of Bottled Drinking Water. This includes specific design and performance requirements for determining whether the facilities, methods, practices, and controls used in the processing, bottling, holding and shipping of bottled drinking water are in conformance with or are operated or administered in conformity with good manufacturing practices to assure that bottled drinking water is safe and has been processed, bottled, held and transported under sanitary conditions.

ISO 9001:2015 Quality Management System Certification

ISO is a standard setting body that provides requirements, specifications, guidelines or characteristics that ensure that products and services are safe, reliable and are of good quality. To be ISO 9001:2015 certified, an organization must demonstrate its ability to consistently provide products that meets customer and applicable statutory and regulatory requirements. ABI manufacturing site in Cabuyao were recertified to ISO 9001:2015 in the first half of 2019, while the ABI manufacturing site in El Salvador was certified mid-2019. IPI's manufacturing facilities in Cabuyao, Pampanga, and Davao are likewise recertified to ISO 9001:2015. ISO 9001:2015 is an updated requirement for Quality Management System ISO 9001:2008.

- (v) The Group recognizes the COVID-19 pandemic effect on the overall Philippine economy. Interest rate fluctuations may likewise affect the different businesses of the Group. Apart from this, there are no known other trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenue or income from continuing operations.
- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) Causes for any material change from period to period include vertical and horizontal analyses of any material item;

Results of the Company's Horizontal (H) and Vertical (V) analyses showed the following material changes as of and for the years ended 31 December 2020 and 2019:

1. Cash and cash equivalents – V, 8%; H, 64%
2. Financial assets at fair value through other comprehensive income (FVTOCI) - current – H, 252%
3. Financial assets at amortized cost – current – H, 59%
4. Loans and receivables-current – H, (15%)
5. Inventories – H, 8%
6. Assets of disposal group classified as held for sale – H, 100%
7. Financial assets at FVTOCI - noncurrent – H, (31%)
8. Financial assets at amortized cost – noncurrent – H, (27%)
9. Investment in associates and joint ventures – H, (13%)
10. Deferred income tax assets – H, 272%
11. Other noncurrent assets- H, (19%)
12. Deposit liabilities – current – H, 7%
13. Financial liabilities at fair value through profit or loss – current – H, 186%
14. Bills and acceptances payable - current – H, 41%
15. Short-term debts – H, (8%)
16. Accounts payable and accrued expenses – H, (22%)
17. Income tax payable – H, 46%
18. Long-term debts-current – H, 1,349%
19. Other current liabilities – H, (46%)
20. Liabilities of disposal group classified as held for sale – H, 100%
21. Deposit liabilities – noncurrent – H, 27%
22. Bills and acceptances payable - noncurrent – H, 242%
23. Long-term debt – net of current portion – H, (23%)
24. Accrued retirement benefits – H, 42%
25. Other noncurrent liabilities- H, 76%
26. Preferred shares of subsidiary issued to Parent Company – H, (100%)
27. Other comprehensive income – H, (17%)
28. Other equity reserves – H, (292%)
29. Reserves of disposal group classified as held for sale – H, 100%
30. Retained earnings- H, 12%
31. Beverage revenue – H, (20%)
32. Distilled spirits revenue – H, 30%
33. Property development revenue – H, (23%)
34. Cost of sales and services – H, (8%)
35. Equity in net earnings of associates and joint ventures – H, 19%
36. Selling expenses – H, (32%)
37. General and administrative expenses – V, 17%; H, 52%
38. Finance costs – H, (24%)
39. Finance income – H, (71%)
40. Foreign exchange gains – net – H, (29%)
41. Others-net – H, (33%)
42. Provision for income tax – current – H, 43%
43. Provision for income tax – deferred – V, (6%); H, 1,195%
44. Net income- continuing operations – V, (6%); H, (19%)
45. Net income- discontinued operations – H, (34%)

46. Total Net Income – V, (15%); H, (19%)
47. Net income attributable to parent – H, (9%)
48. Net income attributable to noncontrolling interests – H, (71%)

The causes for these material changes in the balance sheet and income statement accounts are all explained in the Management's Discussion and Analysis (MDA) – Results of Operations and Financial Condition above.

- (viii) There are no seasonal aspects that have a material effect on the financial condition or results of operations of LTG.

ITEM 4. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

4.1. MARKET INFORMATION

The principal market for the Company's common equity is the Philippine Stock Exchange.

STOCK PRICES

	CLOSE	HIGH	LOW
2018			
1 st Quarter	18.80	19.72	18.80
2 nd Quarter	18.08	18.44	17.90
3 rd Quarter	14.40	15.20	14.40
4 th Quarter	15.50	15.56	15.26
2019			
1 st Quarter	16.10	17.60	14.60
2 nd Quarter	15.20	17.20	14.68
3 rd Quarter	13.94	16.40	13.40
4 th Quarter	11.98	14.40	11.00
2020			
1 st Quarter	8.30	12.24	5.50
2 nd Quarter	8.00	9.77	7.11
3 rd Quarter	9.00	9.05	7.11
4 th Quarter	13.10	14.08	8.64
2021			
1 st Quarter	13.50	15.50	12.50

The latest trading price as of 07 April 2021, the latest practicable date, is 13.90.

4.2. HOLDERS

As of 31 March 2021, the Company has 376 shareholders owning 10,821,388,889 common shares. The top 20 stockholders as of 31 March 2021 are as follows:

<u>Stockholders' Name</u>	<u>No. of Common Shares Held</u>	<u>% to Total</u>
Tangent Holdings, Corp.	8,046,318,193	74.3557
PCD Nominee Corporation (Non-Filipino)	1,046,920,984	9.6746
PCD Nominee Corporation (Filipino)	9,666,523,322	8.9316
Dragon Castle Holdings Ltd.	198,535,900	1.8347
Hinner Resources Ltd.	157,195,600	1.4526
Advance Goal Ltd.	152,812,600	1.4121
Absolute Classic Ltd.	95,811,000	0.8854
Conqueror Vision Ltd.	81,913,000	0.7570
Conway Equities, Inc.	35,000,000	0.3234
Pan Asia Securities Corp.	24,448,000	0.2259
Goldlabel Equities Corp.	5,039,800	0.0466
All Seasons Realty Corp.	4,974,794	0.0460
Dragonstar Management Corp.	1,773,900	0.0164
Kentron Holdings & Equities Corp.	569,800	0.0053
Luys Securities Co., Inc.	501,000	0.0046
Mandarin Securities Corp.	358,000	0.0033
Atlas Agricultural & Mercantile & Dev.	299,475	0.0028
Honorio Poblador Jr.	295,230	0.0027
Donald J.D. Nye	272,250	0.0025
Alex M. Tiongco	83,600	0.0008

* LTG has no preferred shares.

Voting Rights

Each share is entitled to one (1) vote.

With respect to the election of Directors, stockholders of record are entitled to as many number of votes as is equal to the number of shares he owns multiplied by eleven (11), the number of Directors to be elected. A stockholder may (i) cast all votes in favor of one (1) nominee, or (ii) cast votes for as many Directors to be elected, or (iii) distribute the votes among as many nominees he shall see fit.

4.3. DIVIDENDS

a.) Dividend declaration

Date Declared	Dividend Declared	Amount	Date Paid
23 November 2020	Special Cash	₱0.15 per share	14 December 2020
14 August 2020	Special Cash	₱0.23 per share	8 September 2020
22 May 2020	Regular Cash	₱0.15 per share	17 June 2020

	Special Cash	₱0.28 per share	
20 April 2019	Regular Cash	₱0.15 per share	09 May 2019
	Special Cash	₱0.15 per share	
13 March 2018	Regular Cash	₱0.15 per share	11 April 2018
	Special Cash	₱0.05 per share	

b.) Dividend Policy

Shareholders shall have the right to receive dividends subject to the discretion of the Board. They have the right to receive dividends out of the Unrestricted Retained Earnings of the Company when the said earnings become in excess of 100% of its Paid-in Capital Stock, except: (a) When justified by definite corporate expansion projects or programs approved by the Board; (b) When the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (c) When it can be clearly shown that such retention is necessary under special circumstances in obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

c.) Restrictions that limit the ability to pay dividends on common equity or that are likely to happen in the future.

There are no restrictions that limit the Company's ability to pay dividends apart from the requirement of law that the Company should have unrestricted retained earnings. The corporate by laws provide that dividends may be declared *"out of the surplus profits when such profit shall, in the opinion of the Directors, warrant the same."*

**4.4. RECENT SALES OF UNREGISTERED SECURITIES
(FOR THE PAST THREE YEARS)**

There are no recorded sales of unregistered securities during the past three years.

ITEM 5. INDEPENDENT PUBLIC ACCOUNTANTS AND EXTERNAL AUDIT FEES

Please see Item 7 of the Information Statement.

ITEM 6. CORPORATE GOVERNANCE

To ensure awareness and compliance, all incumbent directors and key officers of the Company attend an annual seminar on corporate governance conducted by an SEC-accredited provider.

The Company continues to review and strengthen its policies to ensure that such policies are consistent with the leading practices on good corporate governance that are in the best interest of the Company and its stakeholders.

In 2020, the Company conducted a self-assessment of the performance of the Directors to ensure the effectivity of the Board members and likewise improve on areas which requires its attention. The evaluation was conducted via the sending of individual forms per director through electronic mail wherein they were tasked to rate their own performance as well as that of the committee which they are a part of.

The form is composed of two (2) parts: (1) Questions on the Director's individual qualitative performance; and (2) Questions to the Board. Under part 1, the director is asked to rate himself/herself based on different questions pertaining to his/her individual performance. On the other hand, under part 2 of the form, the director is asked to rate the performance of the Board as a whole. Questions include, but are not limited to, the number of times the Board conducts its meetings, the attendance of the director/matters discussed during the meeting. The forms are thereafter submitted to the Office of the Corporate Secretary for consolidation and evaluation.

In 2020, the Board of Directors held a total of seventeen (18) meetings: twelve (12) regular meetings, five (5) special meetings, and one (1) organizational meeting. Each Board member complied with the minimum total Board meeting attendance requirement of 50%. The summary of attendance of each Director to Board and committee meetings are attached as Annex A.

The Company undertakes to provide without charge to each shareholder, upon written request by the shareholder, a copy of the Company's Annual Report on SEC Form 17-A. Please direct all such requests to the Corporate Secretary, Atty. Ma. Cecilia L. Pesayco, 2/F PNB Makati Center, 6754 Ayala Avenue, Makati City, Philippines.

ANNEX A
SUMMARY OF ATTENDANCE TO BOARD AND COMMITTEE MEETINGS
In 2020, the Board conducted 18 meetings which were religiously attended to by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Lucio C. Tan	June 30, 2020	18	17	94
Member	Carmen K. Tan	June 30, 2020	18	17	94
Member	Harry C. Tan	June 30, 2020	18	18	100
Member	Michael G. Tan	June 30, 2020	18	18	100
Member	Lucio C. Tan III	June 30, 2020	18	18	100
Member	Vivienne K. Tan	June 30, 2020	18	18	100
Member	Juanita T. Tan Lee	June 30, 2020	18	18	100
Independent	Johnip G. Cua	June 30, 2020	18	18	100
Independent	Mary G. Ng	June 30, 2020	18	17	94
Independent	Wilfrido E. Sanchez	June 30, 2020	18	18	100
Independent	Florencia G. Tarriela	June 30, 2020	18	18	100

In 2020, the Board conducted 8 Audit and Risk Management Committee meetings which were religiously attended to by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Johnip G. Cua	June 30, 2020	8	8	100
Member	Juanita T. Tan Lee	June 30, 2020	8	7	87.5
Member	Mary G. Ng	June 30, 2020	8	5	62.5
Member	Wilfrido E. Sanchez	June 30, 2020	8	8	100
Member	Florencia G. Tarriela	June 30, 2020	8	8	100

In 2020, the Board conducted 1 Corporate Governance Committee meeting which was religiously attended to by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Florencia G. Tarriela	June 30, 2020	1	1	100
Member	Michael G. Tan	June 30, 2020	1	1	100
Member	Juanita T. Tan Lee	June 30, 2020	1	0	0
Member	Johnip G. Cua	June 30, 2020	1	1	100
Member	Wilfrido E. Sanchez	June 30, 2020	1	1	100