



## **President's Report First Nine Months of 2021**

LT Group, Inc.'s (LTG) posted an attributable net income of Php9.95 billion for the first nine months of 2021, compared to an attributable net income of Php16.10 billion reported for the same period in 2020. The 38% decline is mainly due to the bank's higher provision for credit losses in 9M21.

The tobacco business accounted for Php13.27 billion 33% more than LTG's total attributable income. Tanduay Distillers, Inc. (TDI) added Php998 million, 10% of total. Asia Brewery, Inc. (ABI) contributed Php411 million while Eton Properties Philippines, Inc. (Eton) accounted for Php366 million, around 4% of total from both subsidiaries. The 30.9% stake in Victorias Milling Company, Inc. (VMC) added Php169 million or 2% of total. Net expenses at the parent level amounted to Php62 million. Philippine National Bank (PNB) had a negative net contribution of Php5.20 billion after eliminating the gain of Php33.60 billion.

In June, LTG declared a Php0.24 per share special cash dividend or a total of Php2.60 billion and was paid in July. This brought total cash dividends declared in 2021 to Php0.48 per share or Php5.19 billion. This is equivalent to 24.7% of LTG's 2020 attributable net income.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 3.94:1 with the Bank, and at 0.15:1 without the Bank as of end-September 2021.

As of the end of September 2021, the cash balance of the parent company stood at Php94 million.

### **Philippine National Bank (PNB)**

PNB's net income under the pooling method was Php24.44 billion for the first nine months of 2021, Php20.44 billion higher than the Php4.00 billion reported in 9M20. This included the Php33.60 billion gain that the bank booked from transferring real estate assets into PNB Holdings Corporation (PHC), wherein 51% was subsequently declared as a property dividend.

Net Interest Income was 1% or Php339 million lower at Php25.76 billion from Php26.09 billion as loans and receivables were 4% higher at Php600 billion from Php577 billion while Net Interest Margin declined to 3.2% from 3.5%.

Net Service Fees and Commission Income were 52% higher at Php3.87 billion from Php2.55 billion. Trading and Foreign Exchange Gains were 63% lower at Php1.56 billion from Php4.16 billion. Other Income rose to Php35.47 billion from Php1.03 billion due to the gain on the transfer of real estate assets to PHC.

Operating Expenses were Php40.13 billion, 40% or Php11.38 billion higher as the bank booked Php20.45 billion in provisions for credit losses in 9M21, compared to Php9.02 billion in 9M20.

Net Non-Performing Loans (NPL) ratio was at 5.1% as of September 2021, higher than the 3.6% as of September 2020. NPL cover stood at 63.8%, compared to 59.8% as of end-September 2020.

## **Tobacco**

The tobacco business had a net income of Php13.32 billion in 9M21, Php1.15 billion or 9% more than 9M20's Php12.17 billion.

Equity in net earnings from LTG's 49.6% stake in PMFTC was Php13.41 billion, Php1.17 billion or 10% higher than 9M20's Php12.24 billion.

In the first nine months of 2021, PMFTC's shipment volume was 25.6 billion sticks, 20.6% lower than 9M20's 32.1 billion sticks. The drop in volume is attributed to continuous price increases to pass on higher excise taxes, the last of which was in October 2020. The enhanced community quarantine (ECQ) implemented in the National Capital Region and surrounding areas starting March 27, 2021 likewise impacted on volumes. The adverse effect on consumers' purchasing power led some to trade down to the more popular competitor's low-end brand, which PMFTC is trying to counter with the launch of Chesterfield in 1Q21.

*Marlboro* accounted for 69% of volume in 9M21 compared to 60% of in 9M20, but lower at 17.7 billion sticks from 19.4 billion sticks. Based on Nielsen estimates, PMFTC's market share was at 62.2% in 9M21, lower than 9M20's 68.4%.

The industry's volume was estimated at 41.2 billion sticks in 9M21, 12.3% lower than 9M20's 47.0 billion sticks.

The Government continued its efforts against the illicit trade which included smuggled and locally produced products. In 9M21, there were 139 enforcements, compared to 114 in 9M20.

On July 25, 2019, President Duterte signed Republic Act (RA) 11346 which increased further the excise tax on tobacco starting January 2020. From Php35 per pack in 2019, it increased to Php45 per pack in 2020 and to Php50 in 2021. It will increase by Php5 per pack annually in 2022 and 2023, then increase by 5% annually thereafter.

In early October 2020, PMFTC implemented price increases across all brands at Php1 per stick. Currently, the recommended retail price per stick of premium *Marlboro* is at Php7 (from Php6), mid-priced *Fortune* at Php6 (from Php5) and low-end *Jackpot* at Php5 (from Php4). Prior to this increase, the previous one was in late August 2019. Subsequently in early November, PMFTC's main competitor raised prices and the recommended retail prices of their brands are at par with PMFTC's products.

### **Tanduay Distillers, Inc. (TDI)**

TDI's net income for the first nine months of 2021 was Php1.00 billion, Php86 million or 8% lower than 9M20's Php1.09 billion.

The lower income is due to lower margins due to higher production costs, higher operating expenses and lower selling prices for bioethanol.

Total revenues were Php18.93 billion, Php1.58 billion or 9% more than 9M20's Php17.35 billion. Liquor volume was 2% higher than last year at 16.70 million cases. TDI implemented an average Php48 per case increase in 1Q21 to pass on the increase in excise taxes. Revenues from liquor were Php15.31 billion, 11% higher than 9M20's Php13.80 billion. Revenues from bioethanol were higher by 80% to Php2.43 billion from Php1.35 billion as volume was 94% higher, partially offset by lower prices. Denatured and rectified alcohol contributed the balance of revenues at Php1.19 billion, from Php2.21 billion in 9M20.

As of end-September 2021, TDI's nationwide market share for distilled spirits was at 29.9%, compared to September 2020's 25.8%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 69.2% and 76.2%, respectively, as of September 2021, compared to 62.2% and 77.6%, respectively, as of September 2020.

Gross Profit Margin (GPM) was lower at 14% from 16%, due to higher alcohol costs. Operating expenses were 20% higher at Php1.50 billion from Php1.25 billion due to higher advertising and marketing costs.

### **Asia Brewery, Inc. (ABI)**

ABI's net income for 9M21 was Php411 million, a significant improvement from the Php4 million reported in 9M20. The higher income is largely due to the absence of any losses from the AB Heineken joint venture as the partnership transitions starting 2021 to the engagement of ABI to brew and distribute Heineken® and Tiger® beers in the Philippines.

Revenues were at Php10.14 billion, 2% higher than 9M20's Php9.96 billion. The volume of bottled water and Vitamilk soymilk were lower, partially offset by the higher volume of Cobra Energy Drink. ABI's on-the-go sales at convenience stores continue to be adversely affected by the various forms of lockdowns imposed since March 2020.

Overall GPM was slightly lower at 25% from 26% due to sales mix. Operating expenses were 9% higher at Php1.88 billion from Php1.73 billion due to higher marketing and selling expenses.

Cobra energy drink continues to account for the largest share of revenues. It remains the market leader with a share of 65% in 9M21. Cobra's volume was 9% higher y-o-y.

Our bottled water brands, Absolute and Summit, continue to have the second largest share in this segment at 23%. Volume declined 13% y-o-y.

Soymilk Vitamilk's market share was at 69% in 9M21, but volume was 21% lower.

The packaging business' revenues were flat y-o-y. ABI supplies the glass bottle and other packaging requirements of TDI and ABI. It also sells to third parties. Packaging accounted for 16% of revenues.

### **Eton Properties Philippines, Inc. (Eton)**

Eton's net income for 9M21 was Php367 million, 42% or Php266 million lower than 9M20's Php633 million. The lower net income is largely attributed to the decline in residential unit sales.

Total revenues were at Php1.29 billion, 31% lower than 9M20's Php1.88 billion. Real estate sales amounted to Php86 million from Php520 million. Leasing revenues were 11% lower at Php1.21 billion from Php1.36 million due to lower occupancy rates.

Projects in the pipeline include Eton City Square 1, the 4.3-hectare neighborhood retail and commercial center in Sta. Rosa, Laguna which will add 7,000 square meters of net leasable area to Eton's commercial leasing portfolio in phase 1. Another project is phase 2 of WestEnd Square in Makati which will have 23,000 square meters of net leasable area.

Eton currently has a leasing portfolio of around 181,000 square meters of office space and over 45,000 square meters of retail space.

# LT GROUP, INC. AND SUBSIDIARIES

## INTERIM CONSOLIDATED BALANCE SHEETS (Amounts in Thousands)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱229,138,006	₱304,061,222
Financial assets at fair value through profit or loss	32,457,653	23,858,324
Financial assets at fair value through other comprehensive income (FVTOCI)	41,732,352	59,680,618
Financial assets at amortized cost	38,897,636	40,216,142
Loans and receivables	222,886,378	223,006,163
Inventories	15,200,515	13,175,605
Due from related parties	1,956,193	1,954,502
Other current assets	10,835,485	10,908,904
Assets of disposal group classified as held for sale	—	7,945,945
<b>Total Current Assets</b>	<b>593,104,218</b>	<b>684,807,425</b>
<b>Noncurrent Assets</b>		
Loans and receivables-net of current portion	392,826,329	393,592,324
Financial assets at FVTOCI	73,500,738	76,644,306
Financial assets at amortized cost	50,249,452	55,019,851
Investment in associates and joint ventures	22,213,698	23,777,783
Property, plant and equipment:		
At appraised values	58,884,321	59,918,473
At cost	13,971,286	11,586,799
Investment properties	34,149,707	32,837,375
Deferred income tax assets	9,335,661	8,889,031
Other noncurrent assets	5,263,090	6,049,087
<b>Total Noncurrent Assets</b>	<b>660,394,282</b>	<b>668,315,029</b>
<b>TOTAL ASSETS</b>	<b>₱1,253,498,500</b>	<b>₱1,353,122,454</b>

## LIABILITIES AND EQUITY

### Current Liabilities

Deposit liabilities	₱795,975,223	₱822,131,355
Financial liabilities at fair value through profit or loss	1,690,986	701,239
Bills and acceptances payable	45,296,144	72,978,082
Accounts payable and accrued expenses	19,855,941	20,849,044
Short-term debts	3,940,000	4,740,000
Current portion of long-term debts	1,261,094	14,527,082
Income tax payable	1,216,511	1,008,067
Due to related parties	65,325	65,325
Other current liabilities	10,447,639	10,180,106
Liabilities of disposal group classified as held for sale	—	6,353,964
<b>Total Current Liabilities (Carried Forward)</b>	<b>879,748,863</b>	<b>953,534,264</b>

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Total Current Liabilities (Brought Forward)</b>	<b>₱879,748,863</b>	<b>₱953,534,264</b>
<b>Noncurrent Liabilities</b>		
Deposit liabilities - net of current portion	38,680,952	58,380,208
Bills and acceptances payable	3,228,071	14,181,368
Long-term debts - net of current portion	61,165,439	55,215,562
Net retirement benefits liabilities	2,431,769	2,418,637
Deferred income tax liabilities	8,226,464	8,327,412
Other noncurrent liabilities	6,299,331	5,526,724
<b>Total Noncurrent Liabilities</b>	<b>120,032,026</b>	<b>144,049,911</b>
<b>Total Liabilities</b>	<b>999,780,889</b>	<b>1,097,584,175</b>
<b>Equity</b>		
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
Other comprehensive income, net of deferred income tax effect	8,874,680	15,056,237
Other equity reserves	(2,058,370)	(2,058,370)
Reserves of disposal group classified as held for sale	—	88,616
Retained earnings	130,932,403	125,612,353
Shares of the Company held by subsidiaries	(12,519)	(12,519)
	<b>184,463,814</b>	<b>185,413,937</b>
Non-controlling interests	69,253,797	70,124,342
<b>Total Equity</b>	<b>253,717,611</b>	<b>255,538,279</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,253,498,500</b>	<b>₱1,353,122,454</b>

**LT GROUP, INC. AND SUBSIDIARIES**
**INTERIM CONSOLIDATED STATEMENTS OF INCOME**
**(Amounts in Thousands, Except for Basic/Diluted Earnings Per Share)**

	Nine Months Ended September 30		For the Quarter Ended September 30	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
<b>REVENUE</b>				
Banking	₱37,069,458	₱41,687,010	₱12,081,094	₱11,975,569
Beverage	9,535,595	9,170,028	3,075,934	2,854,231
Distilled spirits	18,844,075	17,317,092	7,212,415	7,335,187
Property development	1,491,996	1,877,626	430,947	681,303
	66,941,124	70,051,756	22,800,390	22,846,290
<b>COST OF SALES AND SERVICES</b>	30,188,114	31,417,770	10,492,647	10,702,944
<b>GROSS INCOME</b>	36,753,010	38,633,986	12,307,743	12,143,346
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	13,764,854	12,052,252	4,369,536	3,980,343
	50,517,864	50,686,238	16,677,279	16,123,689
<b>OPERATING EXPENSES</b>				
Selling expenses	1,811,909	1,462,988	614,686	518,323
General and administrative expenses	42,345,733	31,142,558	8,510,007	7,871,206
	44,157,642	32,605,546	9,124,693	8,389,529
<b>OPERATING INCOME</b>	6,360,222	18,080,692	7,552,586	7,734,160
<b>OTHER INCOME (CHARGES)</b>				
Finance costs	(264,473)	(268,632)	(87,812)	(65,869)
Finance income	41,324	32,782	16,401	927
Foreign exchange gains - net	586,887	790,170	247,036	269,491
Others - net	2,210,994	1,311,176	1,169,908	418,001
	2,574,732	1,865,496	1,345,533	622,550
<b>INCOME BEFORE INCOME TAX</b>	8,934,954	19,946,188	8,898,119	8,356,710
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	3,263,076	4,075,345	1,267,461	1,294,350
Deferred	(515,771)	(1,974,889)	295,742	(121,369)
	2,747,305	2,100,456	1,563,203	1,172,981
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	6,187,649	17,845,732	7,334,916	7,183,729
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	20,616	76,508	—	25,952
<b>NET INCOME</b>	₱6,208,265	₱17,922,240	₱7,334,916	₱7,209,681
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Company	₱9,945,352	₱16,102,940	₱6,215,480	₱6,075,713
Non-controlling interests	(3,737,087)	1,819,300	1,119,436	1,133,968
	₱6,208,265	₱17,922,240	₱7,334,916	₱7,209,681
<b>Basic/Diluted Earnings Per Share</b>	₱0.92	₱1.49	₱0.57	₱0.56