



LT GROUP, INC.

President's Report First Quarter of 2022

LT Group, Inc. (LTG) reported an attributable net income of Php6.53 billion for the first three months of 2022, 0.6% higher than the Php6.49 billion of first quarter 2021.

The tobacco business accounted for Php4.21 billion or 64% of total attributable income. Philippine National Bank (PNB) contributed Php1.61 billion or 25%. Tanduay Distillers, Inc. (TDI) added Php330 million or 5% of total while Eton Properties Philippines, Inc. (Eton) contributed Php127 million or 2%. Asia Brewery, Inc. (ABI) accounted for Php80 million or 1%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) added Php111 million or 2% of total. LTG Parent also booked net Other Income of Php65 million or 1% of total income.

In March, the Company declared a total of Php0.30 per share dividends, regular and special, or Php3.246 billion, which was paid on April 12. This is equivalent to 16.0% of LTG's 2021 attributable net income.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 3.73:1 with the Bank, and at 0.15:1 without the Bank as of end-March 2022.

As of the end of the first quarter, the cash balance of the parent company was at Php1.14 billion.

Tobacco

The tobacco business reported a net income of Php4.22 billion for the first three months of 2022, Php806 million or 16% lower than the Php5.03 billion in the same period in 2021.

Equity in net earnings from LTG's 49.6% stake in PMFTC was Php4.24 billion, Php812 million or 16% less than 1Q21's Php5.06 billion.

PMFTC's shipment volume in 1Q22 was 18.4% or 1.5 billion sticks higher year-on-year (y-o-y) to 9.7 billion sticks from 8.2 billion sticks. The increase in volume is largely due to higher sales of *Marlboro* and *Chesterfield* (reported as part of others) that was launched in 1Q21.

Marlboro accounted for 68% of volume in 1Q22, same share as the previous year, but volume increased to 6.6 billion sticks from 5.6 billion sticks. Based on Nielsen estimates, PMFTC's market share was at 62.0% in 1Q22 compared to 62.4% in 1Q21.

The industry's volume was estimated at 15.6 billion sticks, 19.4% or 1.6 billion sticks higher over the same period.

Under Republic Act (RA) 11346, there was a Php5 per pack increase in excise taxes to Php55 per pack of 20 sticks starting January 1, 2022. As no price increase was implemented in 2021, with the previous one in October 2020, the lower profit in 1Q22 can be attributed to the increase in excise taxes that PMFTC had to absorb.

PMFTC announced a price increase on March 21, 2022, with a Php1 per stick increase in the recommended retail price of *Marlboro* and *Jackpot/Chesterfield* to Php8 per stick and Php6 per stick, respectively. *Fortune* remains unchanged at Php6 per stick. The late March 2022 price increase should translate in higher margins per pack going forward.

The Government continued its efforts against the illicit trade with 57 enforcements in 1Q22 compared to 39 in 1Q21.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php2.86 billion for 1Q22, Php1.03 billion or 57% higher than 1Q21's Php1.83 billion.

Net Interest Income was Php288 million or 3% higher at Php8.53 billion from Php8.24 billion despite loans and receivables lower at Php561 billion as of end-March 2022 from Php609 billion in March 2021, as Net Interest Margin improved to 3.2% from 3.0% over the comparative first quarters.

Net Service Fees and Commission Income were Php43 million or 3% lower to Php1.25 billion from Php1.29 billion. Other Income dropped 66% or Php1.03 billion to Php524 million from Php1,55 billion.

Operating Expenses were 24% lower at Php6.63 billion from Php8.75 billion primarily due to net reversals of impairment, credit and other losses of Php394 in 1Q22, compared to provisions of Php2.10 billion in 1Q21. NPL cover stood at 60.3% as of end-March 2022, compared to 43.2% as of March 2021 and 54.1% as of end-2021.

Tanduay Distillers, Inc. (TDI)

TDI's net profit for the first quarter of 2022 was Php333 million, Php98 million or 42% more than 1Q21's Php235 million.

Total revenues reached Php6.31 billion, Php705 million or 13% higher than 1Q21's Php5.61 billion. Liquor volume was 2% higher than the same period last year at 5.13 million cases from 5.03 million cases. TDI implemented an average Php60 per case increase in 1Q22 to pass on the increase in excise taxes. Revenues from liquor were Php5.11 billion, Php438 million or 9% higher than 1Q21's Php4.67 billion. Revenues from bioethanol were higher by 79% or Php438 million to Php993 million from Php555 million as volume was 61% higher. Denatured and rectified alcohol contributed the balance of revenues at Php215 million, from Php386 million in 1Q21.

As of the end of March 2022, TDI's nationwide market share for distilled spirits was at 30.2%, compared to end-March 2021's 26.5% and end-2020's 22.5%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 70.3% and 80.1%, respectively, compared to 70.1% and 76.0% as of end-March 2021 and 66.9% and 74.3% as of end-2021.

Gross Profit Margin (GPM) was slightly higher at 13% from 12%, due to higher prices. Operating expenses were 18% higher at Php425 million from Php360 million due to higher advertising and marketing costs.

Eton Properties Philippines, Inc. (Eton)

Eton reported a bottom line of Php128 million in 1Q22, 15% or Php22 million lower than the Php150 million reported for the same quarter last year.

Revenues of Php438 million were purely from leasing operations, Php42 million or 9% lower than 1Q21's Php480 million which included Php56 million from the sale of residential units.

Projects in the pipeline include Eton City Square in Sta. Rosa, Laguna which will add 5,824 square meters of net leasable space in 2Q22. Meanwhile, the residential component of Blakes Tower will add 13,900 square meters of leasable area.

Eton currently has a leasing portfolio of 237,000 square meters

Asia Brewery, Inc. (ABI)

ABI's net profit for the first quarter of 2022 was Php80 million, 62% or Php131 million lower than the Php211 million reported for 1Q21.

Revenues were 14% higher y-o-y at Php3.84 billion from Php3.38 billion as revenues from alcoholic and non-alcoholic beverages were up. The volume of bottled water and Cobra Energy Drink were higher, while the volume of Vitamilk soymilk was relatively flat.

Overall GPM was lower at 20% from 27% due to higher raw material, fuel and other costs. Operating expenses were 1% lower to Php619 million from Php626 million.

Cobra energy drink continues to account for the largest share of revenues. It remains the market leader with a share of 58% in 1Q22. Cobra's volume was 8% higher y-o-y.

Our bottled water brands, Absolute and Summit, continue to have the second-largest share in this segment at 22%. Volume was 14% higher y-o-y.

Soy milk Vitamilk's market share was at 75% in 1Q22, and volume was 3% higher.

The packaging business' revenues were 15% higher in 1Q22. ABI supplies the glass bottle and other packaging requirements of TDI and ABI and also sells to third parties.

LT GROUP, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P247,968,696	P265,139,174
Financial assets at fair value through profit or loss (FVTPL)	20,838,229	11,205,269
Financial assets at fair value through other comprehensive income (FVTOCI)	61,767,779	75,800,753
Financial assets at amortized cost	59,531,434	45,931,953
Loans and receivables	174,304,670	216,143,944
Inventories	14,920,767	14,286,523
Due from related parties	6,290,544	7,685,534
Other current assets	10,909,940	10,298,762
Total Current Assets	596,532,059	646,491,912
Noncurrent Assets		
Loans and receivables-net of current portion	404,441,701	407,515,357
Financial assets at FVTOCI	65,904,896	71,468,657
Financial assets at amortized cost	49,126,817	43,523,890
Investment in associates and joint ventures	21,974,411	22,208,309
Property, plant and equipment:		
At appraised values	60,040,993	60,468,871
At cost	13,231,075	13,642,782
Investment properties	34,260,120	34,447,353
Deferred income tax assets	6,484,196	6,291,847
Other noncurrent assets	5,257,422	5,777,386
Total Noncurrent Assets	660,721,631	665,344,452
TOTAL ASSETS	P1,257,253,690	P1,311,836,364

LIABILITIES AND EQUITY

Current Liabilities		
Deposit liabilities	P813,928,423	P842,061,358
Financial liabilities at FVTPL	1,266,409	891,531
Bills and acceptances payable	17,874,764	49,780,354
Accounts payable and accrued expenses	21,157,303	18,115,661
Short-term debts	3,840,000	3,940,000
Current portion of long-term debts	3,649,249	3,597,299
Income tax payable	1,116,904	381,539
Due to related parties	66,234	65,325
Other current liabilities	8,448,756	9,381,064
Total Current Liabilities (Carried Forward)	871,348,042	928,214,131

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Total Current Liabilities (Brought Forward)	₱871,348,042	₱928,214,131
Noncurrent Liabilities		
Deposit liabilities - net of current portion	39,029,579	38,508,755
Bills and acceptances payable	3,202,187	3,173,443
Long-term debts - net of current portion	59,263,631	59,046,035
Net retirement benefits liabilities	1,825,605	1,817,657
Deferred income tax liabilities	8,456,292	8,499,173
Other noncurrent liabilities	8,093,422	9,040,491
Total Noncurrent Liabilities	119,870,716	120,085,554
Total Liabilities	991,218,758	1,048,299,685
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
Other comprehensive income, net of deferred income tax effect	12,935,897	14,410,914
Other equity reserves	(5,959,881)	(5,959,881)
Retained earnings	138,470,081	134,905,274
Shares of the Company held by subsidiaries	(12,519)	(12,519)
	192,161,198	190,071,408
Non-controlling interests	73,873,734	73,465,271
Total Equity	266,034,932	263,536,679
TOTAL LIABILITIES AND EQUITY	₱1,257,253,690	₱1,311,836,364

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

	Three Months Ended March 31	
	2022	2021
	(Unaudited)	(Unaudited)
REVENUE		
Banking	₱11,731,764	₱12,834,717
Beverage	3,559,496	3,199,507
Distilled spirits	6,303,021	5,579,021
Property development	514,206	479,545
	22,108,487	22,092,790
COST OF SALES AND SERVICES	10,604,073	9,730,119
GROSS INCOME	11,504,414	12,362,671
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	4,331,158	5,246,639
	15,835,572	17,609,310
OPERATING EXPENSES		
Selling expenses	504,666	443,729
General and administrative expenses	7,258,871	9,717,350
	7,763,537	10,161,079
OPERATING INCOME	8,072,035	7,448,231
OTHER INCOME (CHARGES)		
Finance costs	(108,459)	(87,174)
Finance income	46,476	9,772
Foreign exchange gains - net	271,578	148,052
Others - net	605,836	487,608
	815,431	558,258
INCOME BEFORE INCOME TAX	8,887,466	8,006,489
PROVISION FOR INCOME TAX		
Current	1,227,026	955,730
Deferred	(201,170)	(248,627)
	1,025,856	707,103
NET INCOME FROM CONTINUING OPERATIONS	7,861,610	7,299,386
NET INCOME FROM DISCONTINUED OPERATIONS	—	20,616
NET INCOME	₱7,861,610	₱7,320,002
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Company	₱6,526,028	₱6,486,519
Non-controlling interests	1,335,582	833,483
	₱7,861,610	₱7,320,002
Basic/Diluted Earnings Per Share	₱0.60	₱0.60