



LT GROUP, INC.

President's Report First Half of 2022

LT Group, Inc. (LTG) reported an attributable net income of Php15.40 billion for the first half of 2022, 313% higher than the Php3.73 billion for the first half of 2021. The lower attributable income in 1H21 was due to the elimination at the LTG level of the Php33.60 billion gain that PNB booked from transferring real estate assets into PNB Holdings Corporation (PHC).

The tobacco business accounted for Php7.74 billion or 50% of total attributable income. Philippine National Bank (PNB) contributed Php6.28 billion or 41%. Tanduay Distillers, Inc. (TDI) added Php561 million or 4% of total, while Asia Brewery, Inc. (ABI) accounted for Php294 million or 2%. Eton Properties Philippines, Inc. (Eton) contributed Php257 million or 2%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) added Php186 million or 1% of total. LTG Parent also booked net Other Income of Php84 million, less than 1% of total attributable income.

In May, the Company declared a Php0.30 per share special dividend, or Php3.25 billion, which was paid on June 15. Together with the regular and special dividends declared in March of Php0.15 and Php0.15 per share, respectively, this brought the year-to-date total dividends to Php0.60 per share or Php6.49 billion, equivalent to 32.07% of LTG's 2021 attributable net income.

LTG's balance sheet remains strong. Debt-to-Equity Ratio was at 3.68:1 with the Bank and at 0.14:1 without the Bank as of end-June 2022.

As of the end of June 2022, the cash balance of the parent company was at Php1.39 billion.

Tobacco

The tobacco business reported a net income of Php7.77 billion for the first semester of 2022, Php1.24 billion or 14% lower than the Php9.01 billion reported in 1H21.

Equity in net earnings from LTG's 49.6% stake in PMFTC was Php7.81 billion, Php1.26 billion or 14% lower than 1H21's Php9.06 billion.

PMFTC's shipment volume in 1H22 was 16.7 billion sticks, flat compared to the 16.7 billion sticks of 1H21. There was a decline in the second quarter, with volume 17.7% lower compared to 2021 at 7.0 billion sticks from 8.5 billion sticks due to trade inventory adjustments and downtrading post the industry-wide price increase.

Marlboro accounted for 67% of volume in 1H22, slightly lower than the 68% share in the previous year. Based on Nielsen estimates, PMFTC's market share was at 62.0% in 1H22 compared to 62.3% in 1H21.

The industry's volume was estimated at 26.9 billion sticks in 1H22, 0.4% or 0.1 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 PMFTC only implemented a price increase in late March 2022 and with no price increase in 2021, with the previous one in October 2020, the lower profit in 1H22 can partially 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* remained unchanged at Php6 per stick.

The Government continued its efforts against the illicit trade with 135 enforcements in 1H22 compared to 98 in 1H21.

Philippine National Bank (PNB)

PNB's net income under the pooling method was Php11.15 billion for the first half of 2022, Php11.05 billion or 50% lower than 1H21's Php22.2 billion which included a Php33.60 billion gain from transferring real estate assets into PHC, wherein 51% was subsequently declared as a property dividend.

Net Interest Income was Php17.34 billion, 3% or Php491 million higher than 1H21's Php16.85 billion despite loans and receivables lower at Php597 billion as of end-June 2022 from Php618 billion in June 2021, as Net Interest Margin improved to 3.2% from 3.1% over the comparative periods.

Net Service Fees and Commission Income were Php2.38 billion, 3% or Php69 million lower than 1H21's Php2.45 billion. Other Income dropped 82% or Php29.64 billion to Php6.38 billion from Php36.02 billion, as 1H21 included the gain from the transfer of real estate assets into PHC.

Operating Expenses were 64% lower at Php11.66 billion from Php32.33 billion primarily due to net reversals of impairment, credit and other losses of Php3.16 billion in 1H22, compared to provisions of Php19.02 billion in 1H21. NPL cover stood at 80.2% as of end-June 2022, compared to 42.8% as of June 2021 and 54.1% as of end-2021.

Tanduay Distillers, Inc. (TDI)

TDI's net profit for the first six months of 2022 was Php564 million, Php41 million or 7% lower than 1H21's Php605 million.

Total revenues reached Php13.62 billion, Php1.96 billion or 17% higher than first half 2021's Php11.66 billion. Liquor volume was 10% higher year-on-year (y-o-y) at 11.43 million cases from

10.40 million cases. TDI implemented an average Php60 per case increase in 1Q22 to pass on the increase in excise taxes. Revenues from liquor were Php11.37 billion, Php1.65 billion or 17% higher than 1H21's Php9.72 billion. Revenues from bioethanol were 42% more at Php1.90 million from Php1.33 billion as volume was 25% higher. Denatured and rectified alcohol contributed the balance of revenues at Php357 million, from Php611 million in 1H21.

As of the end of June 2022, TDI's nationwide market share for distilled spirits was at 28.5%, compared to end-June 2021's 26.9% and end-2021's 26.6%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 70.3% and 73.8%, respectively, compared to 68.2% and 79.5% as of end-June 2021 and 66.9% and 74.3% as of end-2021.

Gross Profit Margin (GPM) was lower at 11% from 13%, largely due to higher alcohol and energy costs. Operating expenses were 11% higher at Php825 million from Php741 million due to higher advertising and marketing costs.

Asia Brewery, Inc. (ABI)

ABI's net income for the first semester of 2022 was Php294 million, 14% or Php49 million lower than the Php343 million reported for 1H21.

Revenues were 19% more than last year at Php8.14 billion from Php6.83 billion as revenues from alcoholic and non-alcoholic beverages were higher from improved volumes of Absolute and Summit bottled water, Cobra Energy Drink and Vitamilk soymilk.

Overall GPM was lower at 21% from 27% primarily due to higher raw materials and energy costs. Operating expenses were 3% higher to Php1.33 billion from Php1.29 billion.

Cobra energy drink remains the market leader with a share of 58% in 1H22. Cobra's volume was 6% higher y-o-y.

Our bottled water brands continue to have the second-largest share in this segment at 21%. Volume was 19% higher y-o-y.

Vitamilk's market share was at 76% in 1H22, and volume was 20% higher.

The packaging business' revenues were 12% higher in 1H22. ABI supplies the glass bottle and other packaging requirements of TDI and ABI and also sells to third parties.

Eton Properties Philippines, Inc. (Eton)

Eton reported a net profit of Php258 million in the first six months of 2022, 10% or Php30 million lower than the Php288 million reported for the same period in 2021.

Revenues of Php886 million were purely from leasing operations, Php42 million or 5% lower than 1H21's Php928 million which included Php68 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

LT GROUP, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS (Amounts in Thousands)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P189,699,855	P265,139,174
Financial assets at fair value through profit or loss (FVTPL)	23,257,476	11,205,269
Financial assets at fair value through other comprehensive income (FVTOCI)	118,776,142	75,800,753
Financial assets at amortized cost	56,845,424	45,931,953
Loans and receivables	222,934,630	216,143,944
Inventories	14,913,691	14,286,523
Due from related parties	6,290,544	7,685,534
Other current assets	11,222,140	10,298,762
Total Current Assets	643,939,902	646,491,912
Noncurrent Assets		
Loans and receivables-net of current portion	390,877,280	407,515,357
Financial assets at FVTOCI	57,668,538	71,468,657
Financial assets at amortized cost	50,022,364	43,523,890
Investment in associates and joint ventures	22,199,890	22,208,309
Property, plant and equipment:		
At appraised values	59,750,183	60,468,871
At cost	13,215,319	13,642,782
Investment properties	37,172,286	34,447,353
Deferred income tax assets	5,512,570	6,291,847
Other noncurrent assets	4,925,078	5,777,386
Total Noncurrent Assets	641,343,508	665,344,452
TOTAL ASSETS	P1,285,283,410	P1,311,836,364

LIABILITIES AND EQUITY

Current Liabilities		
Deposit liabilities	P845,018,520	P842,061,358
Financial liabilities at FVTPL	3,951,090	891,531
Bills and acceptances payable	5,657,643	49,780,354
Accounts payable and accrued expenses	21,594,103	18,115,661
Short-term debts	3,990,000	3,940,000
Current portion of long-term debts	4,320,734	3,597,299
Income tax payable	1,191,714	381,539
Due to related parties	65,325	65,325
Other current liabilities	9,560,118	9,381,064
Total Current Liabilities (Carried Forward)	895,349,247	928,214,131

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Total Current Liabilities (Brought Forward)	₱895,349,247	₱928,214,131
Noncurrent Liabilities		
Deposit liabilities - net of current portion	23,158,242	38,508,755
Bills and acceptances payable	11,941,634	3,173,443
Long-term debts - net of current portion	62,060,601	59,046,035
Net retirement benefits liabilities	1,953,626	1,817,657
Deferred income tax liabilities	8,583,208	8,499,173
Other noncurrent liabilities	7,577,625	9,040,491
Total Noncurrent Liabilities	115,274,936	120,085,554
Total Liabilities	1,010,624,183	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	12,083,991	14,410,914
Other equity reserves	(5,959,881)	(5,959,881)
Retained earnings	144,280,162	134,905,274
Shares of the Company held by subsidiaries	(12,519)	(12,519)
	197,119,373	190,071,408
Non-controlling interests	77,539,854	73,465,271
Total Equity	274,659,227	263,536,679
TOTAL LIABILITIES AND EQUITY	₱1,285,283,410	₱1,311,836,364

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

	Six Months Ended June 30		For the Quarter Ended June 30	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
Banking	₱23,545,348	₱24,988,364	₱11,813,584	₱12,153,647
Beverage	7,597,067	6,459,661	4,037,571	3,260,154
Distilled spirits	13,591,786	11,631,660	7,288,765	6,052,639
Property development	1,026,433	1,061,049	512,227	581,504
	45,760,634	44,140,734	23,652,147	22,047,944
COST OF SALES AND SERVICES	22,637,677	19,925,364	12,033,604	10,195,245
GROSS INCOME	23,122,957	24,215,370	11,618,543	11,852,699
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	7,968,611	9,395,318	3,637,453	4,148,679
	31,091,568	33,610,688	15,255,996	16,001,378
OPERATING EXPENSES				
Selling expenses	1,074,310	967,326	569,644	523,597
General and administrative expenses	12,895,530	33,835,726	5,636,659	24,118,376
	13,969,840	34,803,052	6,206,303	24,641,973
OPERATING INCOME (LOSS)	17,121,728	(1,192,364)	9,049,693	(8,640,595)
OTHER INCOME (CHARGES)				
Finance costs	(216,338)	(176,661)	(107,879)	(89,487)
Finance income	83,663	24,923	37,187	15,151
Foreign exchange gains - net	865,847	339,851	594,269	191,799
Others - net	6,319,480	1,041,086	5,713,644	553,478
	7,052,652	1,229,199	6,237,221	670,941
INCOME (LOSS) BEFORE INCOME TAX	24,174,380	36,835	15,286,914	(7,969,654)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	2,743,878	1,995,615	1,516,852	1,039,885
Deferred	996,014	(811,513)	1,197,184	(562,886)
	3,739,892	1,184,102	2,714,036	476,999
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	20,434,488	(1,147,267)	12,572,878	(8,446,653)
NET INCOME FROM DISCONTINUED OPERATIONS	—	20,616	—	—
NET INCOME (LOSS)	₱20,434,488	(₱1,126,651)	₱12,572,878	(₱8,446,653)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Equity holders of the Company	₱15,400,837	₱3,729,872	₱8,874,809	(₱2,756,647)
Non-controlling interests	5,033,651	(4,856,523)	3,698,069	(5,690,006)
	₱20,434,488	(₱1,126,651)	₱12,572,878	(₱8,446,653)
Basic/Diluted Earnings (Loss) Per Share	₱1.42	₱0.34	₱0.82	(₱0.25)