



LT GROUP, INC.

**President's Report  
First Nine Months of 2022**

LT Group, Inc. (LTG) reported an attributable net income of Php20.41 billion for the first nine months of 2022, 105% higher than the Php9.95 billion reported for 9M21. The lower attributable income in 9M21 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) in 2Q21.

The tobacco business accounted for Php12.00 billion or 59% of total attributable income. Philippine National Bank (PNB) contributed Php6.46 billion or 32%. Tanduay Distillers, Inc. (TDI) added Php855 million or 4% of total, while Asia Brewery, Inc. (ABI) accounted for Php428 million or 2%. Eton Properties Philippines, Inc. (Eton) contributed Php334 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 Php154 million, less than 1% of total attributable income.

In September, LTG declared a Php0.30 per share special dividend, or Php3.25 billion, which was paid on September 15. Together with the regular and special dividends declared in March of Php0.15 and Php0.15 per share, respectively, and the special dividend of Php0.30 in May, this brought the year-to-date total dividends to Php0.90 per share or Php9.74 billion, equivalent to 48.1% 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 0.16:1 without the Bank as of end-September 2022.

As of the end of September 2022, the cash balance of the parent company was at Php1.40 billion.

**Tobacco**

The tobacco business reported a net income of Php12.04 billion for 9M22, Php1.28 billion or 10% lower than the Php13.32 billion reported in 9M21.

Equity in net earnings from LTG's 49.6% stake in PMFTC was Php12.05 billion, Php1.35 billion or 10% lower than 9M21's Php13.41 billion.

PMFTC's shipment volume for January to September 2022 was 24.5 billion sticks, 4.5% lower than 9M21's 25.6 billion sticks. There were year-on-year (y-o-y) declines in 2Q and 3Q due to trade inventory adjustments and downtrading post the industry-wide price increase, in end-March 2022 for PMFTC and in early February for our biggest competitor.

*Marlboro* accounted for 67% of volume in 9M22, slightly lower than the 69% share in the previous year. Based on Nielsen estimates, PMFTC's market share was at 61.3% in 9M22 compared to 62.2% in 9M21.

The industry's volume was estimated at 40.0 billion sticks in 9M22, 3.0% or 1.2 billion sticks lower than 9M21.

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 9M22 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 231 enforcements in 9M22 compared to 139 in 9M21.

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

PNB's net income under the pooling method was Php11.49 billion for the first three quarters of 2022, Php12.95 billion or 53% lower than 9M21's Php24.44 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 Php26.78 billion, 4% or Php1.02 billion higher than 9M21's Php25.76 billion. Loans and receivables were higher at Php621 billion as of end-September 2022 from Php600 billion in September 2021, as Net Interest Margin slightly improved to 3.26% from 3.13% over the comparative periods.

Net Service Fees and Commission Income were lower by Php315 million or 8% to Php3.55 billion from Php3.87 billion in the comparative periods. Other Income dropped 80% or Php29.72 billion to Php7.31 billion from Php37.03 billion, as 2Q21 included the gain from the transfer of real estate assets into PHC.

Operating Expenses were 43% or Php17.31 billion lower at Php22.82 billion from Php40.13 billion in 9M21 primarily due to net provisioning of Php714 million for 9M22, significantly lower than 9M21's Php20.45 billion. NPL cover stood at 82.3% as of end-September 2022, compared to 63.8% as of September 2021 and 54.1% as of end-2021.

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

TDI's net profit for the first nine months of 2022 was Php860 million, Php144 million or 14% lower than 9M21's Php1.00 billion.

Total revenues reached Php21.93 billion, Php3.01 billion or 16% higher y-o-y. Liquor volume was 10% higher at 18.33 million cases from 16.70 million cases. TDI implemented an average Php60 per case increase in 1Q22 to pass on the increase in excise taxes. Revenues from liquor were Php18.26 billion, Php2.67 billion or 17% higher than 9M21's Php15.59 billion. Revenues from bioethanol were at Php3.11 billion, 28% more y-o-y from Php2.43 billion due to higher prices and as volume grew 9%. Denatured and rectified alcohol contributed the balance of revenues at Php561 million, from Php909 million in the same periods.

As of the end of September 2022, TDI's nationwide market share for distilled spirits was at 30.7%, compared to end-September 2021's 29.9% and end-2021's 26.6%. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 69.8% and 79.4%, respectively, compared to 69.2% and 76.2% as of end-September 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 9% higher at Php1.26 billion from Php1.15 billion largely due to higher advertising and marketing costs.

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

ABI's net income for the first three quarters of 2022 was Php428 million, Php17 million or 4% higher than the Php411 million reported for the same period last year.

Revenues were Php2.30 billion or 23% higher y-o-y to Php12.43 billion from Php10.14 billion as volumes increased across all product lines, except packaging.

Overall GPM was lower at 22% from 25% primarily due to higher raw materials and energy costs. Operating expenses were 9% higher to Php2.05 billion from Php1.88 billion, largely due to higher selling and marketing expenses.

Cobra energy drink remains the market leader with a share of 59% in 9M22. Cobra's volume was 13% higher y-o-y.

Our bottled water brands Absolute and Summit continue to have the second-largest share in this segment at 20%. Volume was 23% higher y-o-y.

Vitamilk's market share was at 75% in 9M22, while volume was 16% higher.

The packaging business' revenues were 1% lower y-o-y in 9M22. 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 income of Php335 million for 9M22, 9% or Php32 million lower than the Php367 million reported for 9M21.

Revenues of Php1.30 billion were purely from leasing operations, relatively flat compared to the Php1.29 billion revenues reported in 9M21. The 9M21 revenues included Php86 million from the sale of residential units.

Eton currently has a leasing portfolio of 283,000 square meters

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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P210,630,847	P265,139,174
Financial assets at fair value through profit or loss (FVTPL)	20,656,097	11,205,269
Financial assets at fair value through other comprehensive income	47,694,848	75,800,753
Financial assets at amortized cost	48,677,586	45,931,953
Loans and receivables	238,969,341	216,143,944
Inventories	15,732,737	14,286,523
Due from related parties	4,290,544	7,685,534
Other current assets	11,973,509	10,298,762
<b>Total Current Assets</b>	<b>598,625,509</b>	<b>646,491,912</b>
<b>Noncurrent Assets</b>		
Loans and receivables-net of current portion	400,985,600	407,515,357
Financial assets at FVTOCI	52,943,312	71,468,657
Financial assets at amortized cost	77,317,625	43,523,890
Investment in associates and joint ventures	21,139,638	22,208,309
Property, plant and equipment:		
At appraised values	59,626,157	60,468,871
At cost	12,868,927	13,642,782
Investment properties	36,854,130	34,447,353
Deferred income tax assets	6,407,459	6,291,847
Other noncurrent assets	5,298,971	5,777,386
<b>Total Noncurrent Assets</b>	<b>673,441,819</b>	<b>665,344,452</b>
<b>TOTAL ASSETS</b>	<b>P1,272,067,328</b>	<b>P1,311,836,364</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Deposit liabilities	P825,092,538	P842,061,358
Financial liabilities at FVTPL	3,719,221	891,531
Bills and acceptances payable	16,250,932	49,780,354
Accounts payable and accrued expenses	21,561,205	18,115,661
Short-term debts	4,490,000	3,940,000
Current portion of long-term debts	21,412,848	3,597,299
Income tax payable	1,071,672	381,539
Due to related parties	50,000	65,325
Other current liabilities	9,050,128	9,381,064
<b>Total Current Liabilities (Carried Forward)</b>	<b>902,698,544</b>	<b>928,214,131</b>

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Total Current Liabilities (Brought Forward)</b>	<b>P902,698,544</b>	<b>P928,214,131</b>
<b>Noncurrent Liabilities</b>		
Deposit liabilities - net of current portion	21,692,811	38,508,755
Bills and acceptances payable	3,351,627	3,173,443
Long-term debts - net of current portion	48,468,878	59,046,035
Net retirement benefits liabilities	2,161,865	1,817,657
Deferred income tax liabilities	8,525,224	8,499,173
Other noncurrent liabilities	9,157,802	9,040,491
<b>Total Noncurrent Liabilities</b>	<b>93,358,207</b>	<b>120,085,554</b>
<b>Total Liabilities</b>	<b>996,056,751</b>	<b>1,048,299,685</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	11,235,267	14,410,914
Other equity reserves	(5,959,881)	(5,959,881)
Retained earnings	146,331,856	134,905,274
Shares of the Company held by subsidiaries	(12,519)	(12,519)
	<b>198,322,343</b>	<b>190,071,408</b>
Non-controlling interests	77,688,234	73,465,271
<b>Total Equity</b>	<b>276,010,577</b>	<b>263,536,679</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P1,272,067,328</b>	<b>P1,311,836,364</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	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
<b>REVENUE</b>				
Banking	P36,309,400	P37,069,458	P12,764,052	P12,081,094
Beverage	11,646,620	9,535,595	4,049,553	3,075,934
Distilled spirits	21,894,518	18,844,075	8,302,732	7,212,415
Property development	1,491,382	1,491,996	464,949	430,947
	71,341,920	66,941,124	25,581,286	22,800,390
<b>COST OF SALES AND SERVICES</b>	<b>35,600,210</b>	<b>30,535,802</b>	<b>12,962,533</b>	<b>10,610,438</b>
<b>GROSS INCOME</b>	<b>35,741,710</b>	<b>36,405,322</b>	<b>12,618,753</b>	<b>12,189,952</b>
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	<b>12,285,225</b>	<b>13,764,854</b>	<b>4,316,614</b>	<b>4,369,536</b>
	<b>48,026,935</b>	<b>50,170,176</b>	<b>16,935,367</b>	<b>16,559,488</b>
<b>OPERATING EXPENSES</b>				
Selling expenses	1,675,904	1,464,221	601,594	496,895
General and administrative expenses	24,666,080	42,345,733	11,770,550	8,510,007
	26,341,984	43,809,954	12,372,144	9,006,902
<b>OPERATING INCOME</b>	<b>21,684,951</b>	<b>6,360,222</b>	<b>4,563,223</b>	<b>7,552,586</b>
<b>OTHER INCOME (CHARGES)</b>				
Finance costs	(307,823)	(264,473)	(91,485)	(87,812)
Finance income	137,997	41,324	54,334	16,401
Foreign exchange gains - net	1,349,388	586,887	483,541	247,036
Others - net	6,797,618	2,210,994	478,138	1,169,908
	7,977,180	2,574,732	924,528	1,345,533
<b>INCOME BEFORE INCOME TAX</b>	<b>29,662,131</b>	<b>8,934,954</b>	<b>5,487,751</b>	<b>8,898,119</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	4,122,701	3,263,076	1,378,823	1,267,461
Deferred	(124,938)	(515,771)	(1,120,952)	295,742
	3,997,763	2,747,305	257,871	1,563,203
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>25,664,368</b>	<b>6,187,649</b>	<b>5,229,880</b>	<b>7,334,916</b>
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>20,616</b>	<b>-</b>	<b>-</b>
<b>NET INCOME</b>	<b>P25,664,368</b>	<b>P6,208,265</b>	<b>P5,229,880</b>	<b>P7,334,916</b>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Company	P20,411,146	P9,945,352	P5,010,309	P6,215,480
Non-controlling interests	5,253,222	(3,737,087)	219,571	1,119,436
	P25,664,368	P6,208,265	P5,229,880	P7,334,916
<b>Basic/Diluted Earnings Per Share</b>	<b>P1.89</b>	<b>P0.92</b>	<b>P0.46</b>	<b>P0.57</b>