



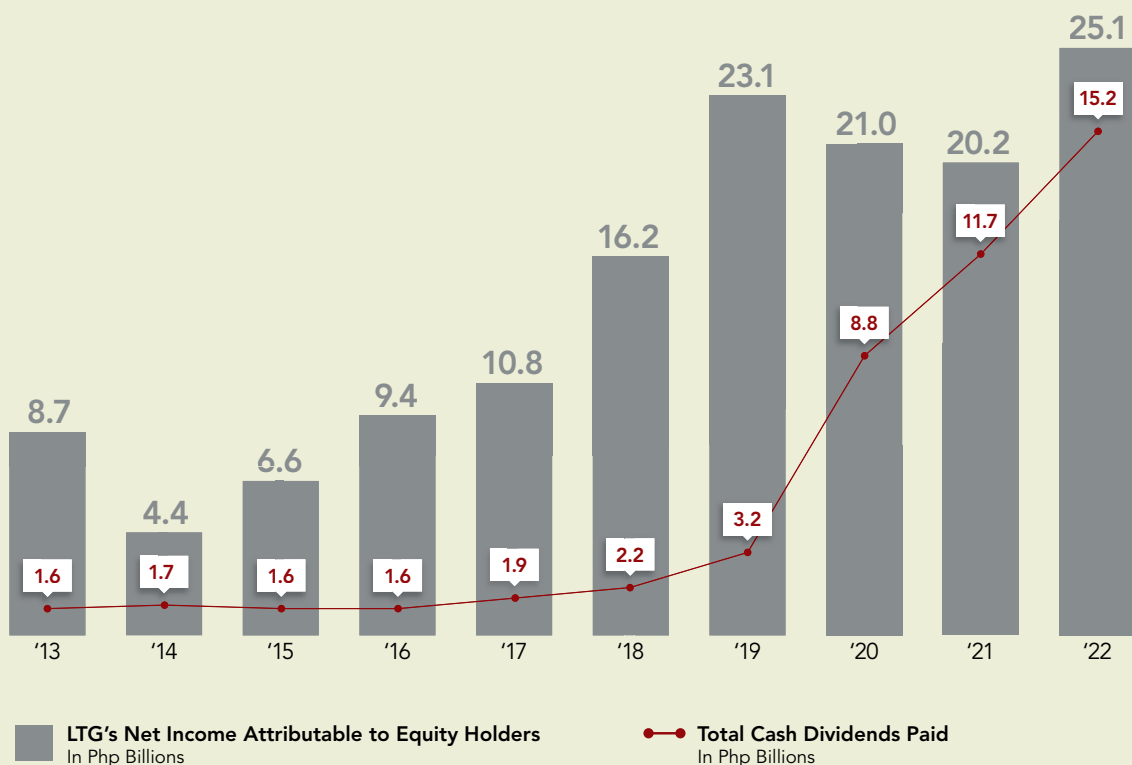
## MESSAGE FROM THE PRESIDENT

The year 2022 was when the country eased out of the restrictions of the COVID-19 pandemic. The opening up of the economy led to a 7.6% GDP growth. However, inflation remained a concern, averaging at 5.8% in 2022 from 3.9% in 2021, increasing from 3.0% in January up to the peak of 8.1% in December. This uptick has continued into 2023, with inflation at 8.7% and 8.6% in the first two months of 2023.

Like most businesses, your Company had to grapple with higher energy, raw material, and freight costs, higher interest rates, and higher foreign exchange rates, making it a challenge in trying to keep costs down and at the same time, implement price increases to pass on some of the cost increases to our customers. And your Company was able to succeed, posting growth in our income for 2022.

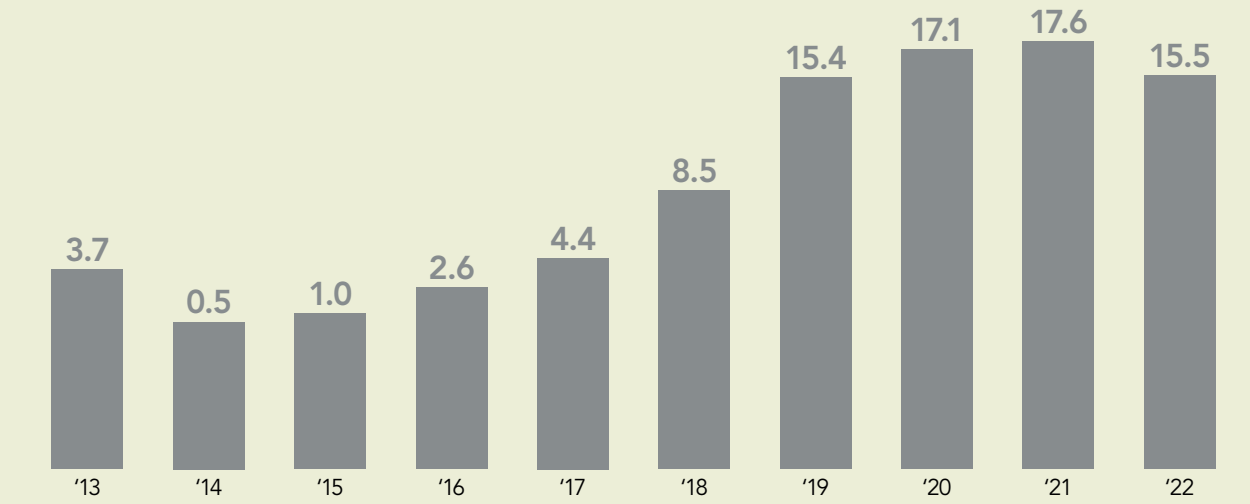
It has been a decade since our Initial Public Offering in 2013, the largest at that time, raising a net of Php37.7 billion. Your Company has been through ups and downs, the biggest challenges of which were the illicit trade in tobacco from 2014 up to 2016, followed by the COVID-19 pandemic starting in the first quarter of 2020. It was how your Company, **Built the Way, the Tried and Tested Way**, through hard work, cooperation, and a strong financial position built through the years that we were able to hurdle these challenges. We reported LTG's highest-ever Attributable Net Income of Php25.1 billion in 2022.

LTG's profitability, backed by the strong cash flow from the tobacco business enabled the Company to declare the highest-ever cash dividends in 2022, at Php1.40 per share or a total of Php15.2 billion, representing a 74.8% payout rate. Since the IPO in 2013, LTG has declared dividends of Php4.58 per share or a total of Php49.6 billion.



## PMFTC Inc. continues to account for the bulk of earnings at 61%, but income impacted by lower volume

**Equity in Net Earnings**  
In Php Billions



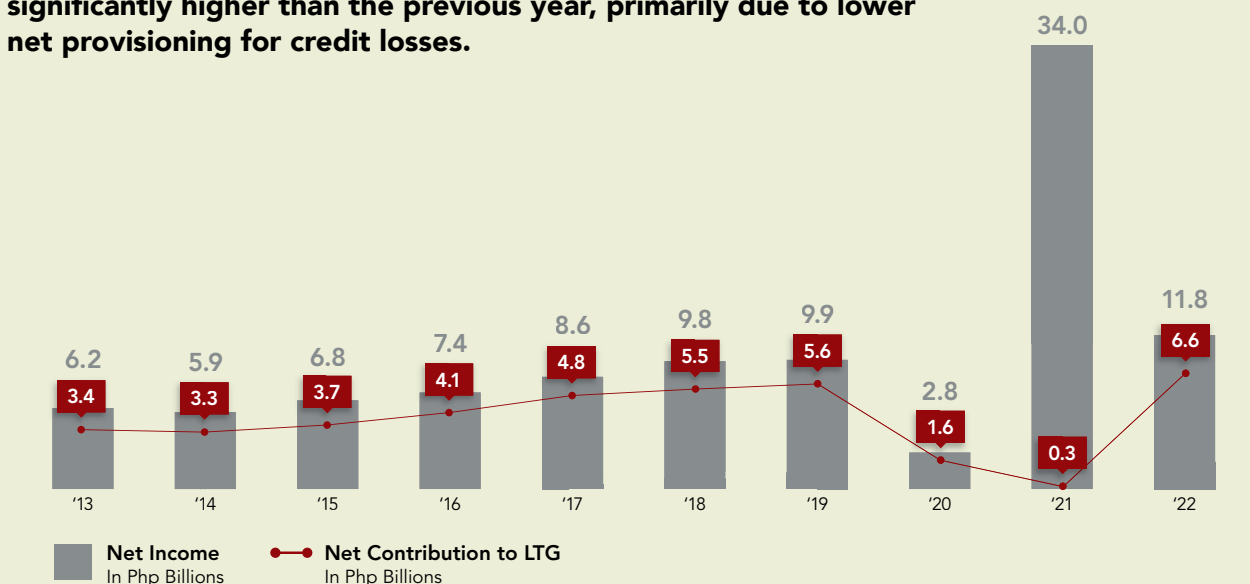
PMFTC's shipment volume for 2022 was 6.3% lower than 2021's, attributed to trade inventory adjustments and downtrading post the industry-wide price increase, in end-March 2022 for PMFTC and in early February for our biggest competitor. This was to pass on the Php5 per pack increase in excise taxes to Php55 per pack.

As more of our consumers were affected by lower purchasing power brought about by inflation, PMFTC launched more affordable products in 2022. In October, Marlboro Crafted was launched. It offers the premium quality of the world's #1 brand at a more affordable price. The recommended retail price is Php7 per stick compared to Marlboro's Php8 per stick. In late November, PMFTC launched more affordable versions of the heated tobacco system, Bonds, that retails

at Php990 per unit, significantly lower than IQOS' Php1,690 to Php2,990. Blends were also launched in menthol and non-menthol variants at Php100 per pack of 20 sticks compared to IQOS' Heets at Php140 per pack. The Philippines was one of the two countries where Bonds and Blends were initially launched.

PNB's contribution to LTG's bottom line significantly improved to Php6.6 billion in 2022 from only Php308 million in 2021. This was largely due to the decrease in net provisioning for credit losses to Php7.2 billion in 2022, from Php10.7 billion in 2021. Net Interest income was higher by 7% as Net Interest Margin improved by over 30 basis points. Net Service Fees and Commission Income were also 5% higher year-on-year (y-o-y).

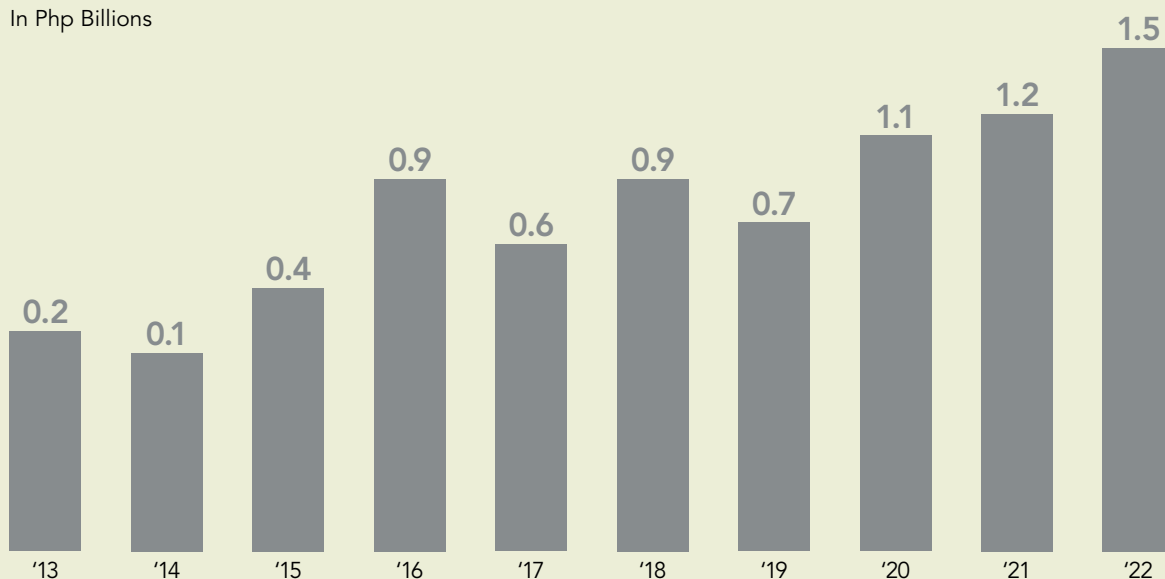
## Philippine National Bank's (PNB) contribution to LTG was significantly higher than the previous year, primarily due to lower net provisioning for credit losses.



Note: PNB's 2021 net income included a Php33.44B gain from transferring real estate assets into PNB Holdings Corporation, which was eliminated at the LTG level.

## Tanduay Distillers, Inc.'s (TDI) higher sales volume for liquor resulted in higher earnings

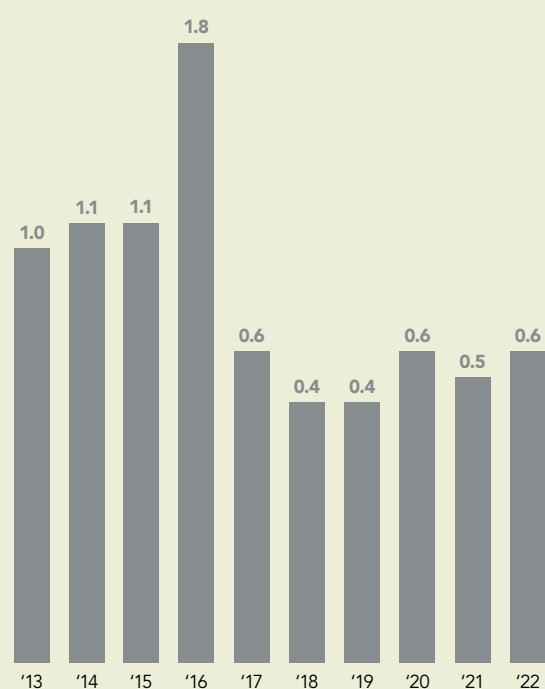
**Net Income**  
In Php Billions



Liquor volume increased by 16% to 27.49 million cases, which coupled with price increases in the fourth quarter of 2021 and in November 2022 to pass on the increase in excise taxes and other costs enabled TDI to post an 18% growth in earnings in 2022.

## Asia Brewery, Inc. (ABI) saw sales volumes for most products grow, except for the packaging business

**Net Income**  
In Php Billions

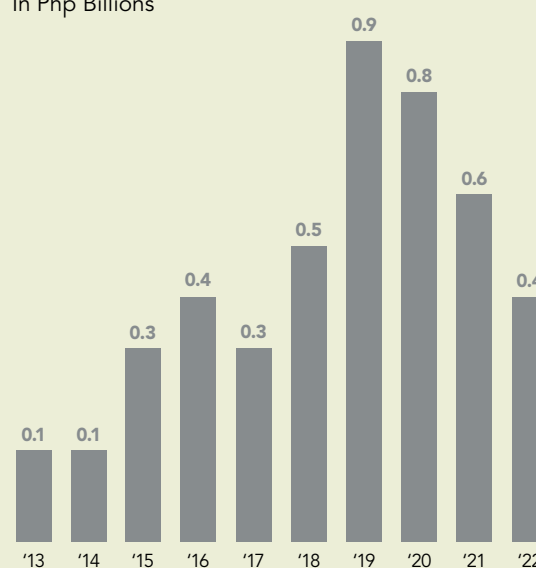


In 2022, the sales volumes of all of ABI's beverage and yogurt products increased as restrictions on COVID-19 were eased, more people reported back to the office, and face-to-face classes had started. Cobra Energy Drink's and Vitamilk soymilk's volumes have already surpassed the pre-pandemic levels, while that of bottled water brands Absolute and Summit are at 85% of pre-pandemic levels.

Despite the challenges of higher energy and raw material costs, ABI was able to increase its contribution to LTG to Php580 million in 2022 from Php475 million in 2021.

## Eton Properties Philippines, Inc. (Eton) lower income due to lower margins for the leasing business

**Net Income**  
In Php Billions



Eton reported a 32% drop in net income to Php373 million from Php550 million due to lower margins in the leasing business as costs increased to Php927 million from Php724 million the previous year.

### **Built the Way, the Tried and Tested Way**

Your Company's journey, from the reorganization in 2012 of Tanduay Holdings, Inc. to what it is today, has not been easy. As I look back over the past decade of LTG as a publicly-listed company, we have done our best to lead it to where it is, **Built the Way, the Tried and Tested Way.**

The task of the President of this Company is not about the glitz and glamour, but meant stewardship over what was entrusted to me, with careful and responsible management, with accountability. I have handled the responsibility with integrity and done what I could to the best of my ability. I have always put the interests of the stakeholders and shareholders, especially the minority shareholders, above everything else.

In closing, I would like to thank our stakeholders for the continued support and trust in your Company, our Board of Directors, our management team, and all our employees who have served with dedication and hard work through these years. We have been through tough and better times and together have seen our Company come out stronger and better.



**Michael G. Tan**  
President