



LT GROUP, INC.

President's Report First Half 2023

LT Group, Inc.'s (LTG) attributable net income for the first half of 2023 amounted to Php13.00 billion, 16% lower than the first six months of 2022's Php15.40 billion.

The different business units contributed as follows:

| | 1H23 Contribution (Php Millions) | % of 1H23 Attributable Net Income | 1H22 Contribution (Php Millions) | % of 1H22 Attributable Net Income |
|---------|--|---|--|---|
| Tobacco | 5,825 | 45% | 7,738 | 50% |
| PNB | 5,519 | 42% | 6,281 | 41% |
| TDI | 623 | 5% | 561 | 4% |
| ABI | 340 | 3% | 294 | 2% |
| Eton | 205 | 2% | 257 | 2% |
| VMC | 285 | 2% | 186 | 1% |
| Others | 204 | 1% | 84 | 0% |
| Total | 13,001 | 100% | 15,401 | 100% |

A special cash dividend was declared in May and paid on June 13 of Php0.30 per share or a total of Php3.25 billion. Together with the dividends declared in March, dividends year-to-date amounted to Php0.60 per share or a total of Php6.49 billion, representing a 25.8% pay-out rate.

As of the end of June 2023, LTG's Debt-to-Equity Ratio was at 3.44:1 with the Bank and at 0.13:1 without the Bank. The parent company had cash of Php1.39 billion.

Tobacco

The tobacco business' net income for the first half of 2023 was Php5.85 billion, 25% lower than 1H22's Php7.77 billion. Most of the tobacco business' income is from equity in net earnings from the 49.6% stake in PMFTC. This amounted to Php5.68 billion for the first half of 2023, a 27% or Php2.13 billion decrease compared to 1H22's Php7.80 billion.

The industry's volume was 20% lower year-on-year (y-o-y) in 1H23 at 21.3 billion sticks, largely due to the industry-wide price increase in 1Q23, increasing illicit incidence and trade inventory movements. For PMFTC, 1H23 volume was 12.3 billion sticks, 26% lower than the 16.7 billion sticks reported in 1H22.

On February 27, 2023, PMFTC implemented a price increase, to pass on the Php5 per pack increase in excise taxes, effective January 1, 2023, to Php60 per pack. Marlboro is now at Php9 per stick from Php8. Fortune and Jackpot are at Php7 from Php6. Marlboro Crafted remains unchanged at Php7, same with Chesterfield which is still at Php6 per stick.

The Government continued its efforts against the illicit trade with 359 enforcements in the first half of 2023, compared to only 123 in 1H22.

Philippine National Bank (PNB)

In 1H23, PNB's net profit under the pooling method was Php9.76 billion, 12% lower than 1H22's Php11.15 billion. The 1H23 profit included a Php2.93 billion gain from the sale of repossessed assets, compared to Php5.25 billion in 1H22.

Loans and receivables were relatively flat at Php593 billion as of June 2023 compared to Php597 billion as of June 2022. However, Net Interest Margin improved to 4.0% from 3.2%, causing Net Interest Income to improve by 25% to Php21.62 billion from Php17.34 billion.

Service Fee and Commission Income likewise improved by 31% to Php3.13 billion.

The bank booked provisions for credit losses at Php1.57 billion in 1H23 compared to a net reversal of Php3.16 billion in 1H22. As a result, operating expenses were 41% higher in 1H23 at Php16.46 billion from Php11.66 billion in 1H22. NPL cover was at 82.6% as of June 2023, compared to 80.2% as of June 2022 and 91.1% as of December 2022.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 1H23 amounted to Php626 million, 11% more than the Php564 million reported in 1H22.

Both the volume of liquor and bioethanol were lower y-o-y, at 14% and 35%, respectively, the latter due to the closure of Asian Alcohol Corporation in October 2022. As TDI implemented an Php84 per case price increase in November 2022, liquor revenues were only lower by 4% y-o-y to Php10.96 billion despite the 14% drop in volume.

As of June 2023, TDI's nationwide market share for distilled spirits was at 28.9%, compared to 28.5% as of June 2022. In the Visayas and Mindanao regions where most of TDI's sales are generated, market share was at 72.2% and 78.1%, respectively, compared to 70.3% and 73.8% as of June 2022.

Asia Brewery, Inc. (ABI)

ABI's net income for the first six months of 2023 was Php340 million, 16% higher than 1H22's Php294 million.

Revenues were 3% higher at Php8.41 billion from Php8.14 billion on the back of higher volumes for Cobra energy drink and bottled water. The Company managed to improve GPM to 23% from 21% as price increases enabled the Company to pass on higher manufacturing and energy costs.

Cobra energy drink maintained its leadership with a market share of 58.9% while bottled water brands Absolute and Summit have the third-largest share at 18.5%.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for the first half of 2023 was Php206 million, 20% lower than the same period in 2022. This was on the back of a 39% decrease in Other Income to Php172 million from Php283 million mainly due to lower management fee income. Leasing revenues were 8% higher at Php960 million from Php886 million.

Eton currently has a leasing portfolio of around 287,600 square meters, of which close to 192,000 is for office space.

LT GROUP, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED BALANCE SHEETS (Amounts in Thousands)

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---------------------------------|-----------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | P244,883,140 | P224,745,923 |
| Financial assets at fair value through profit or loss (FVTPL) | 11,347,845 | 7,379,126 |
| Financial assets at fair value through other comprehensive income (FVTOCI) | 77,585,567 | 86,852,606 |
| Financial assets at amortized cost | 34,786,983 | 31,511,748 |
| Loans and receivables | 236,634,465 | 205,494,119 |
| Inventories | 15,967,396 | 15,010,773 |
| Due from related parties | 3,558,144 | 3,556,476 |
| Other current assets | 13,493,270 | 13,497,126 |
| Total Current Assets | 638,256,810 | 588,047,897 |
| Noncurrent Assets | | |
| Loans and receivables-net of current portion | 376,998,639 | 409,434,007 |
| Financial assets at FVTOCI | 27,956,496 | 50,761,530 |
| Financial assets at amortized cost | 102,617,828 | 78,956,212 |
| Investment in associates and joint ventures | 20,356,026 | 21,589,874 |
| Property, plant and equipment: | | |
| At appraised values | 58,343,436 | 58,504,993 |
| At cost | 12,498,783 | 12,268,828 |
| Investment properties | 35,517,339 | 37,045,004 |
| Deferred income tax assets | 6,262,193 | 6,524,012 |
| Other noncurrent assets | 5,248,280 | 4,985,212 |
| Total Noncurrent Assets | 645,799,020 | 680,069,672 |
| TOTAL ASSETS | P1,284,055,830 | P1,268,117,569 |

LIABILITIES AND EQUITY

| | | |
|--|--------------------|--------------------|
| Current Liabilities | | |
| Deposit liabilities | P852,887,890 | P831,605,372 |
| Financial liabilities at FVTPL | 832,317 | 1,039,776 |
| Bills and acceptances payable | 13,709,235 | 8,798,056 |
| Accounts payable and accrued expenses | 23,881,768 | 21,854,536 |
| Short-term debts | 4,490,000 | 4,490,000 |
| Current portion of long-term debts | 43,043,794 | 20,399,948 |
| Income tax payable | 1,253,161 | 1,839,835 |
| Due to related parties | 50,000 | 50,000 |
| Other current liabilities | 9,101,371 | 10,375,775 |
| Total Current Liabilities (Carried Forward) | 949,249,536 | 900,453,298 |

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---------------------------------|-----------------------------------|
| Total Current Liabilities (Brought Forward) | P949,249,536 | P900,453,298 |
| Noncurrent Liabilities | | |
| Deposit liabilities - net of current portion | 20,120,252 | 20,796,801 |
| Bills and acceptances payable | 1,110,263 | 6,182,317 |
| Long-term debts - net of current portion | 7,046,258 | 46,312,355 |
| Net retirement benefits liabilities | 790,973 | 796,500 |
| Deferred income tax liabilities | 8,371,068 | 8,450,442 |
| Other noncurrent liabilities | 8,198,385 | 8,464,180 |
| Total Noncurrent Liabilities | 45,637,199 | 91,002,595 |
| Total Liabilities | 994,886,735 | 991,455,893 |
| 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 | 12,279,456 | 11,935,325 |
| Other equity reserves | (5,458,878) | (5,529,303) |
| Retained earnings | 152,590,835 | 145,723,736 |
| Shares of the Company held by subsidiaries | (12,519) | (12,519) |
| | 206,126,514 | 198,844,859 |
| Non-controlling interests | 83,042,581 | 77,816,817 |
| Total Equity | 289,169,095 | 276,661,676 |
| TOTAL LIABILITIES AND EQUITY | P1,284,055,830 | P1,268,117,569 |

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 | |
|--|--------------------------|-------------|-------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| REVENUE | | | | |
| Banking | ₱32,045,533 | ₱23,545,348 | ₱16,399,893 | ₱11,813,584 |
| Beverage | 8,105,470 | 7,597,067 | 4,428,687 | 4,037,571 |
| Distilled spirits | 12,700,669 | 13,591,786 | 6,481,126 | 7,288,765 |
| Property development | 1,146,341 | 1,026,433 | 651,930 | 512,227 |
| | 53,998,013 | 45,760,634 | 27,961,636 | 23,652,147 |
| COST OF SALES AND SERVICES | 24,883,230 | 22,637,677 | 12,762,015 | 12,033,604 |
| GROSS INCOME | 29,114,783 | 23,122,957 | 15,199,621 | 11,618,543 |
| EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES | 6,214,891 | 7,968,611 | 3,017,755 | 3,637,453 |
| | 35,329,674 | 31,091,568 | 18,217,376 | 15,255,996 |
| OPERATING EXPENSES | | | | |
| Selling expenses | 1,097,573 | 1,074,310 | 538,285 | 569,644 |
| General and administrative expenses | 17,614,150 | 12,895,530 | 7,520,943 | 5,636,659 |
| | 18,711,723 | 13,969,840 | 8,059,228 | 6,206,303 |
| OPERATING INCOME | 16,617,951 | 17,121,728 | 10,158,148 | 9,049,693 |
| OTHER INCOME (CHARGES) | | | | |
| Finance costs | (315,976) | (216,338) | (189,848) | (107,879) |
| Finance income | 13,079 | 83,663 | 8,725 | 37,187 |
| Foreign exchange gains - net | 902,561 | 865,847 | 563,637 | 594,269 |
| Others - net | 3,817,708 | 6,319,480 | 643,463 | 5,713,644 |
| | 4,417,372 | 7,052,652 | 1,025,977 | 6,237,221 |
| INCOME BEFORE INCOME TAX | 21,035,323 | 24,174,380 | 11,184,125 | 15,286,914 |
| PROVISION FOR INCOME TAX | | | | |
| Current | 3,403,242 | 2,743,878 | 1,862,837 | 1,516,852 |
| Deferred | 199,015 | 996,014 | 463,443 | 1,197,184 |
| | 3,602,257 | 3,739,892 | 2,326,280 | 2,714,036 |
| NET INCOME | ₱17,433,066 | 20,434,488 | ₱8,857,845 | ₱12,572,878 |
| NET INCOME ATTRIBUTABLE TO: | | | | |
| Equity holders of the Company | ₱13,000,765 | ₱15,400,837 | ₱6,620,376 | ₱8,874,809 |
| Non-controlling interests | 4,432,301 | 5,033,651 | 2,237,469 | 3,698,069 |
| | ₱17,433,066 | ₱20,434,488 | ₱8,857,845 | ₱12,572,878 |
| Basic/Diluted Earnings Per Share | ₱1.20 | ₱1.42 | ₱0.61 | ₱0.82 |