



Press Release

LTG's First Half Net Income at Php8.96 Billion

LT Group, Inc. (LTG) reported today (August 13, 2018) that its unaudited attributable net income for the first six months of 2018 reached Php8.96 billion compared to the Php4.53 billion reported for 1H17. The income for 2018 was boosted by the gain booked by PNB for the sale of Real and Other Properties Acquired (ROPA). Moreover, earnings from the tobacco business is normalizing as the Government's efforts to curb the illicit trade has enabled the Company to operate in a level playing field.

Philippine National Bank (PNB) contributed Php3.08 billion or 35% of total attributable income. The tobacco business contributed Php4.86 billion or 54%. Tanduay Distillers, Inc. (TDI) generated Php437 million or 5%. Asia Brewery, Inc. (ABI) provided Php218 million while Eton Properties Philippines, Inc. (Eton) added Php212 million, both contributing 2% each of total attributable income. The stake in Victorias Milling Company, Inc. (VMC) added Php115 million, or 1% of total.

LTG's balance sheet remains strong. As of the end of June 2018, the cash balance of the parent company stood at Php1.6 billion. Debt-to-Equity Ratio was at 3.71:1 with the Bank, and at 0.16:1 without the Bank.

Philippine National Bank (PNB)

PNB's net income was Php5.51 billion for the first semester of 2018, 100% more than 1H17's Php2.75 billion. The 2018 income included a net gain of Php2.9 billion from the sale of ROPA. Excluding the ROPA gain, the Bank's income was at Php2.61 billion, relatively flat compared to 1H17's Php2.60 billion.

Net Interest Income was 27% higher at Php13.09 billion as loans and receivables increased by 16%, and Net Interest Margin improved to 3.3% from 2.9%. Loans to Deposit Ratio (LDR) was at 77.4% as of June 2018. Net Service Fees and Commission Income increased by 4% to Php1.68 billion due to higher loan-related and bancassurance fees. Trading and Foreign Exchange Gains decreased 23% to Php786 million from Php1.02 billion.

Operating Expenses were 30% higher at Php13.86 billion from Php10.66 billion with the higher provisioning for probable credit losses of Php1.24 billion compared to Php205 million, as well as the increase of documentary tax stamps under the Tax Reform for Acceleration and Inclusion (TRAIN).

Tobacco

Income from the tobacco business was Php4.88 billion in the first half of 2018, while equity in net earnings from the 49.6% stake in PMFTC, Inc. amounted to Php4.72 billion.

The higher earnings were mainly attributed to better pricing as the Company is now operating in a level playing field and can pass on the increases in excise taxes and no longer price its products at economically unsustainable levels. The Company hopes that the Government continues on its actions versus the illicit trade, which include smuggled and locally produced products.

The industry's total volume was estimated to have decreased by 4% to 34.3 billion sticks in the first half of 2018, largely due to excise tax driven price increases. Continued price increases may result in a further drop in volume.

Tanduay Distillers, Inc. (TDI)

TDI's bottom line for 1H18 was at Php437 million, 29% or Php98 million more than 1H17's Php339 million. Total revenues were 7% higher at Php8.86 billion largely due to the 4% growth in liquor volumes and higher selling prices to pass on the excise tax increase.

TDI's nationwide market share for distilled spirits was at 28.7% as of June 2018. But with most of TDI's sales generated in the Visayas and Mindanao regions, the Company enjoys a bigger share in these areas. In the Visayas, the market share was at 67.0% and in Mindanao at 70.1%.

Asia Brewery, Inc. (ABI)

ABI's net earnings for 1H18 was at Php218 million, 46% lower than the income reported in 1H17 of Php401 million.

Revenues were 6% higher than 1H17 due to higher revenues from bottled water, soymilk and packaging. Cobra Energy Drink and Vitamilk soymilk continue to market leaders, while Absolute and Summit bottled water have the second largest market share.

Gross Profit Margin declined as a result of product mix, as well as higher costs attributed to the sugar tax and the depreciation of the Peso. The Company raised the price of Cobra by Php2 per 240ml returnable glass bottle to pass on the tax on sugary drinks, but volume declined.

Eton Properties Philippines, Inc. (Eton)

Eton's earnings for 1H18 was Php212 million, Php38 million or 22% more than 1H17's Php174 million.

Revenues were 9% higher at Php1.21 billion from Php1.11 billion as both leasing revenues and sales from residential units increased. Leasing revenues increased due to higher lease rates as

well as the partial contribution from additional retail space from the 5,200 square meter expansion for Centris Walk within the Centris complex in Quezon City which was completed in December 2017.

The fifth BPO building in Centris with 43,000 square meters of gross leasable area (GLA) that will be ready for occupancy within this year. Another project expected to be completed in 2018 is Eton Square Ortigas, a stand-alone pocket retail development in Greenhills, San Juan City.

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