



**Press Release  
First Half 2019**

**LTG's Attributable Net Income of Php9.24 Billion for the First Half of 2019  
is 3% Higher than 1H18**

LT Group, Inc. (LTG) reported today that its unaudited attributable net income for the first half of 2019 amounted to Php9.24 billion, Php274 million or 3% higher than the Php8.96 billion reported for 1H18.

Philippine National Bank (PNB) contributed Php2.25 billion or 24% of total attributable income. The tobacco business accounted for Php5.85 billion or 63%. Tanduay Distillers, Inc. (TDI) accounted for Php373 million, while Eton Properties Philippines, Inc. (Eton) added Php370 million, or 4% each of total. Asia Brewery, Inc. (ABI) provided Php244 million or 3%. The 30.9% stake in Victorias Milling Company, Inc. (VMC) accounted for Php148 million or 2%.

LTG's balance sheet remains strong. As of the end of June 2019, the cash balance of the parent company stood at Php1.51 billion. Debt-to-Equity Ratio was at 3.97:1 with the Bank, and at 0.15:1 without the Bank.

**Philippine National Bank (PNB)**

PNB's net income under the pooling method was Php4.05 billion for January to June 2019, 27% lower than 1H18's with the absence of large gains from the sale of Real and Other Properties Acquired (ROPA) in 2019. Excluding the ROPA gains, core income was +52% higher at Php3.98 billion from Php2.61 billion.

Net Interest Income was 13% higher as loans and receivables grew by 12%. Net Service Fees and Commission Income grew 11% while Trading and Foreign Exchange Gains more than doubled.

**Tobacco**

The Government continued its efforts against the illicit trade which includes smuggled and locally produced products. In 1H19, there were 75 enforcements with 37 machines seized and an estimated US\$15.2 million worth of illicit cigarettes confiscated. This is significantly higher than the 35 enforcements in 1H18. We commend the Government for taking this problem seriously, as the number of raids has been increasing and has been effective in curbing the presence of illicit products in the market. However, continued actions and vigilance are needed in order to

contain the growth of the illicit trade. The tax-driven price increases of the tax paying industry players make it attractive to make profits from the illicit trade.

LTG is not against tax increases, but believes that the hikes should be moderate. Continual price increases to pass on higher excise taxes may result to further volume drops. The industry's volume was estimated at 109 billion sticks in 2012 and declined to an estimated 73 billion sticks in 2018, or a decrease of 33% over a six-year period. Excise taxes have substantially increased starting 2013, under RA 10351, then RA 10963 starting 2018, and RA 11346 starting 2020. From a low of Php2.72 per pack of 20 sticks in 2012 for the lower tier and Php12 per pack for the upper tier, the current excise tax of Php35 per pack is 3x to 13x more than the 2012 level.

On July 25, 2019, President Duterte signed Republic Act (RA) 11346 which increases further the excise tax on tobacco starting January 2020. It will increase from the current Php35 per pack to Php45 in 2020, increase by Php5 per pack annually from 2021 to 2023, then increase by 5% annually thereafter.

LTG's tobacco business reported a net income of Php5.87 billion for the first semester of 2019, Php998 million or 20% more than the Php4.88 billion reported for 1H18. Equity in net earnings from LTG's 49.6% stake in PMFTC reached Php5.65 billion, 20% or Php935 million higher than the Php4.72 billion of 1H18. The improvement in earnings is largely attributed to the volume mix in favor of premium Marlboro, as well as the price increase of Fortune in December 2018.

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

TDI's net income for 1H19 amounted to Php380 million, Php57 million or 13% lower than the Php437 million reported for 1H18.

Revenues from liquor were 2% higher y-o-y despite the 5% drop in volume as TDI was able to increase selling prices. Bioethanol sales were also higher. But higher operating expenses, mainly selling expenses, resulted in the lower net income.

As of end-June 2019, TDI's nationwide market share for distilled spirits was at 29.8%, higher than June 2018's 28.7%.

### **Eton Properties Philippines, Inc. (Eton)**

Eton ended 1H19 with a net income of Php371 million, Php159 million or 75% higher than the Php212 million recorded in 1H18. Revenues were 15% higher y-o-y with the increase in residential unit sales, the addition of retail space and lease renewals at higher rates.

Eton Square Ortigas along Ortigas Avenue in San Juan City opened its doors in the first half of 2019. It is currently fully leased out with 2,062 square meters of gross leasable area.

Meanwhile, eWestMall, the retail component of mixed-use Eton WestEnd Square in Makati City, was completed with several tenants slated to open before the end of the year. The office component, eWestPod is fully leased out. Blakes Tower, the 36-storey office and residential building was topped off in the first half of 2019. Once completed, Eton WestEnd Square will have over 23,800 square meters of combined retail and office space and over 13,900 square meters of residential area.

Other ongoing projects include Eton City Square 1 in Sta. Rosa, Laguna, a neighborhood retail and commercial center with 6,500 square meters of gross leasable area and NXTower I, an office building in Ortigas Center which will have 21,000 square meters of gross leasable area.

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

ABI's bottom line for the first half of 2019 was Php244 million, 12% or Php26 million higher than the Php218 million reported for 1H18. Revenues grew 10% due to higher revenues from energy drinks, bottled water and soymilk. However, operating expenses were 12% higher as the Company spent more on advertising and promotions.

Cobra energy drink and Vitamilk soymilk continue to be market leaders while bottled water brands Absolute and Summit have the second largest market share.