Press Release
LTG's Income for First Nine Months of 2018 at Php8.96 Billion

LT Group, Inc.'s (LTG) reported today (November 12, 2018) that its unaudited attributable net income for the first nine months of 2018 amounted to Php12.57 billion, compared to the Php6.83 billion reported for 9M17.

Philippine National Bank (PNB) contributed Php4.27 billion or 34% of total attributable income. The tobacco business accounted for Php6.83 billion or 54% of total attributable income. Tanduay Distillers, Inc. (TDI) accounted for Php707 million or 6%. Eton Properties Philippines, Inc. (Eton) added Php314 million or 3% while Asia Brewery, Inc. (ABI) provided Php291 million or 2%. The 30.9% 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 September 2018, the cash balance of the parent company stood at Php2.1 billion. Debt-to-Equity Ratio was at 3.81:1 with the Bank, and at 0.15:1 without the Bank.

Philippine National Bank (PNB)

PNB's net income under was Php7.63 billion for the first nine months of 2018, 65% higher than 9M17's Php4.64 billion. The 2018 income included a net gain of Php3.0 billion from the sale of Real and Other Properties Acquired (ROPA), substantially higher than the gain of Php337 million in 9M17. Excluding the ROPA gain, the Bank's income was at Php4.65 billion, 8% higher than 9M17's Php4.30 billion.

Net Interest Income was 24% higher at Php20.05 billion as loans and receivables grew by 16% to Php551 billion, and Net Interest Margin improved to 3.3% from 3.1%. Loans to Deposit Ratio (LDR) was at 78.1% as of September 2018. Net Service Fees and Commission Income increased by 6% to Php2.51 billion due to higher credit, deposit and bancassurance fees. Trading and Foreign Exchange Gains declined by 13% to Php1.41 billion.

Operating Expenses were 23% higher at Php20.01 billion with the higher provisioning for probable credit losses of Php1.59 billion compared to Php571 million in 9M17, as well as higher documentary tax stamp expenses under the Tax Reform for Acceleration and Inclusion (TRAIN).

Tobacco

The volume of the industry has been declining since the substantial increase in excise taxes was implemented under Republic Act (RA) 10351. 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, this was increased to Php30 per pack by

2017, and under RA 10963 is currently at Php35 per pack. This has increased taxes to almost 3x to 13x in less than six years. This resulted in higher selling prices, which has adversely affected volume. The industry's volume was estimated at 109 billion sticks in 2012 and declined to an estimated 75 billion sticks in 2017, or a decrease of 31% over a five-year period. In the first nine months of 2018, the industry's volume is estimated to have further declined by 3% compared to 9M17, to 52.6 billion sticks. Continual price increases to pass on higher excise taxes may result in a further drop in industry volumes.

For PMFTC Inc. (PMFTC), its sales volume has also declined with the substantial increase in excise taxes, exacerbated by the illicit trade which thrived from 2013 until the government took drastic actions in 2017. From 92.7 billion sticks in 2012, the Company continued to experience an annual decline in sales volume, with sales at 50.6 billion sticks in 2017, a 45% decline over a five-year period.

PMFTC is currently operating in a level playing field as the Government's actions versus the illicit trade, which includes smuggled and locally produced, continue. The level playing field has enabled the Company to pass on taxes and no longer price our products at economically unsustainable levels.

PMFTC was able to gain some market share in 9M18 to 69.8%, compared to 66.9% in 9M17, and post a modest 1.1% growth in volume to 36.7 billion sticks from 36.3 billion sticks in the same period last year. PMFTC implemented higher selling prices in November 2017 for the mid and low-end brands and in January 2018 for premium Marlboro. LTG's equity in net earnings from its 49.6% stake in PMFTC amounted to Php6.7 billion for 9M18.

Fortune Tobacco Corporation, which is the holding company for LTG's stake in PMFTC, reported an income of Php6.86 billion.

Tanduay Distillers, Inc. (TDI)

TDI's net income for 9M18 was at Php722million, 65% or Php284 million more than 9M17's Php438 million. Total revenues were Php13.66 billion, 10% higher than 9M17's Php12.39 billion, on higher volumes of liquor and bioethanol sales.

TDI's nationwide market share for distilled spirits was at 28.3% as of September 2018, higher than September 2017's 26.1% and end-2017's 24.8%. The Company enjoys a bigger share in the Visayas and Mindanao regions where most of TDI's sales are generated. In the Visayas, TDI's market share was at 65.3% as of end-September2018, compared to 61.7% as of end-September 2017. In Mindanao, market share stood at 70.0% compared to 65.9% for the same periods.

Eton Properties Philippines, Inc. (Eton)

Eton's net income for the first three quarters of 2018 was Php314 million, Php68 million or 28% more than the Php246 million in 9M17.

Revenues were 9% higher y-o-y to Php1.81 billion from Php1.66 billion as both leasing revenues and sales of residential units increased.

Higher leasing revenues were from 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, Metro Manila, that was completed in December 2017.

The fifth BPO building in Centris topped off in 2017 and has 43,000 square meters of gross leasable area (GLA) that will be ready for occupancy within 2018. Eton square Ortigas, a stand-alone pocket retail development in Greenhills, San Juan City, Metro Manila, is also expected to be completed in 2018.

Asia Brewery, Inc. (ABI)

ABI's earnings for 9M18 was at Php291 million, 36% lower than the Php455 million reported for 9M17.

Revenues increased 6% due to higher revenues from packaging, energy drinks, bottled water and soymilk. Cobra Energy Drink and Vitamilk soymilk continue to be market leaders, while Absolute and Summit bottled water have the second largest market share.

Overall Gross Profit Margin (GPM) declined as a result of product mix, as well as higher costs attributed to the sugar tax and depreciation of the Peso. ABI raised the selling price of Cobra by Php2 per 240ml returnable glass bottle to pass on the tax. The higher selling price resulted to the increase in revenues from Cobra despite the lower volume.