LT GROUP, INC.

MANAGEMENT REPORT

ITEM 1. BUSINESS

1.1. CORPORATE HISTORY

LT Group, Inc. ("LTG" or the "Company"), originally incorporated on 25 May 1937 as "The Manila Wine Merchants, Inc.", a trading company, is now a holding company with principal office at the 11th Floor, Unit 3 Bench Tower, 30th St. Corner Rizal Drive Crescent Park West 5 Bonifacio Global City, Taguig City. It has been listed with the Philippine Stock Exchange ("PSE") since 1947 and was granted an extension of its corporate life for another 50 years in 1987. In 1995, it changed its corporate name to "Asian Pacific Equity Corporation" and its primary purpose to that of a holding company.

In 1999, the Company acquired Twin Ace Holdings Corporation (now known as "Tanduay Distillers, Inc." and hereafter referred to as "TDI", a producer of distilled spirits) through a share swap with Tangent Holdings Corporation ("Tangent" or the "Parent Company") - the swap resulted in Tangent increasing its ownership in LTG to 97.0%. The Company thereafter changed its corporate name to "Tanduay Holdings, Inc".

In 2012, in preparation for the Company's new role, it adopted the corporate name "LT Group, Inc." A series of restructuring activities followed in 2012 through 2013 whereby LTG expanded and diversified its investments to include the beverage, tobacco, property development, and banking businesses of Mr. Lucio C. Tan and his family and assignees (collectively referred to as the "Controlling Shareholders" or the "Tan Companies").

The Company has interests in the following businesses:

- **Distilled Spirits**—The Company conducts its distilled spirits business through its 100%-owned subsidiary TDI. TDI is the second-largest distilled spirits producer in the Philippines according to Nielsen Philippines, with an approximately 32.8% share of the Philippine spirits market in 2023.

- **Beverages**— The Company owns 99.9% of Asia Brewery, Inc. ("ABI"), one of the Philippines' leading producers of non-alcoholic beverages which includes energy drinks, bottled water, and soymilk.

- **Tobacco**— The Company owns 99.6% in Fortune Tobacco Corporation ("FTC"), which in turn owns 49.6% of PMFTC Inc. ("PMFTC"). PMFTC is the leading tobacco manufacturer and distributor in the Philippines with a 55.2% market share in the year 2023.

- **Banking**— The Company conducts its banking business through Philippine National Bank ("PNB"), a universal bank currently listed in the Philippine Stock Exchange ("PSE"). The Corporation's indirect ownership in PNB is approximately 56.47%. PNB is one of the largest local private commercial banks in terms of assets, net loans and receivables, capital and deposits.

- **Property Development**— The Company conducts its property development business through Paramount Landequities, Inc. and Saturn Holdings, Inc., with an effective indirect ownership of 99.6% in Eton Properties Philippines, Inc. ("Eton"). Eton has a diverse portfolio of property development projects in various areas throughout the Philippines, primarily in Metro Manila and surrounding areas, and access to the large land bank of the Lucio Tan Companies. Eton's project portfolio mainly comprises residential real estate projects (including large-scale township projects). Eton also develops and leases out commercial properties to retail and BPO tenants.

1.2. DESCRIPTION OF SUBSIDIARIES

A. Distilled Spirits

Tanduay Distillers, Inc. ("TDI")

TDI was incorporated in the Philippines in 1988 and is primarily engaged in the business of manufacturing, compounding, bottling, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail, such finished goods as rhum, brandy, whiskey, gin and other liquor products, and all equipment, materials, and supplies used in the manufacture of such finished goods.

The following are subsidiaries of TDI:

- **Asian Alcohol Corporation ("AAC") – 95%**

AAC is a domestic corporation registered with the SEC in 1973. The company is primarily involved in the manufacture of refined and/or denatured alcohol, the production of fodder yeast, and in the sale of such liquids or products. In the last quarter of 2022, operations of AAC were discontinued in order to stop incurring further losses due to high operating costs. The company is now being offered for sale to interested parties.

- **Absolut Distillers, Inc. ("ADI") – 96%**

ADI was incorporated in the Philippines in 1990 to engage in manufacturing, distilling, importing, exporting, buying, selling or otherwise deal in alcohol, molasses, bioethanol, biogas and biomass for renewable energy at wholesale and retail. ADI is also engaged in the generation of renewable energy from solar power for lighting and power purposes.

- **Tanduay Brands International, Inc. (TBI) – 100%**

  TBI was incorporated in 2003 to handle the marketing of TDI's products. In 2016, LTG sold its 100% ownership interest in TBI to TDI. In 2017, TBI opened its first store "Tanduay" in Century Park Hotel in Manila.

B. Beverage

Asia Brewery, Inc. ("ABI")

ABI was incorporated in the Philippines on March 28, 1979. The company is primarily engaged in the business of manufacturing, selling, importing, exporting and assembly of all kinds of products, supplies, dies, tools, appliances, plants and machineries.

The following companies are 100%-owned by ABI:

- **Agua Vida Systems, Inc. (AVSI)**
  AVSI was incorporated in the Philippines on August 15, 1994. Its primary business is the distribution and refilling of purified water and water dispensers for use primarily in homes and offices.

- **Waterich Resources Corp. (WRC)**
  WRC was incorporated in the Philippines on September 25, 1997. Its primary business is the toll manufacturing for ABI of *Absolute Pure Distilled Drinking Water* and *Summit Water*.

- **Packageworld, Inc. (PWI)**
  PWI was incorporated in the Philippines on January 15, 1998. Its primary business is the manufacturing of corrugated cartons and trade the same on a wholesale basis.

- **Interbev Philippines, Inc. (IPI)**
  IPI was incorporated in the Philippines on April 28, 2003. Its primary business is the production and distribution of *Cobra* and *energy drinks.*

- **AB Nutribev Corp. (ABNC)**
  ABNC was incorporated in the Philippines on April 22, 2014. Its primary business is the manufacturing and trading of dairy and soy milk-based beverages.

- **Asia Pacific Beverages Pte. Ltd. (APBPL)**
  APBPL was incorporated on August 21, 2014 under the laws of Singapore. It was established as an investment holding company for business opportunities in the region. APBBL acquired 90% of Asia Pacific Beverages Myanmar Co. Ltd. (APBM) in April 2017. APBM is a company incorporated in the Republic of the Union of Myanmar. APBM's primary purpose is to manufacture, market, sell and distribute non-alcoholic ready-to-drink beverage products in Myanmar.

C. Tobacco

Fortune Tobacco Corporation ("FTC")

FTC was incorporated in the Philippines in 1965 to engage in cigarette manufacturing, selling, importing and exporting. FTC was responsible for introducing some of the most successful local cigarette brands in the Philippines, including the *Fortune*, *Champion* and *Hope* menthol brands. Prior to the creation of PMFTC, FTC was the largest domestic tobacco business in the Philippines.

FTC currently has an effective 49.6% stake in PMFTC, the business combination between the Philippine operations of Philip Morris International and the operations of FTC. PMFTC now carries the FTC brands and Philip Morris' *Marlboro*.

D. Banking

Philippine National Bank ("PNB")

PNB was incorporated in the Philippines in 1916. It is the country's first universal bank and one of the largest private local commercial banks in terms of assets, net loans and receivables, capital and deposits as of 31 December 2023. PNB celebrated its Centennial Year in 2016.

It provides a full range of banking and other financial services to diversified customer bases including government entities, large corporate, middle market, SME and retail customers, with PNB having the distinction of being one of the only five authorized Government depository banks in the Philippines. The current PNB is a result of the merger between PNB and Allied Banking Corp., which was completed in 2013.

The following companies are owned by PNB:

	Industry	Principal Place of Business/Country of Incorporation	Functional Currency	Percentage of Ownership Direct	Indirect
Subsidiaries					
Allied Integrated Holdings, Inc. (AIHI)	Holding Company	Philippines	PHP	**100.00**	–
PNB Capital and Investment Corporation (PNB Capital)	Investment	- do -	PHP	**100.00**	–
PNB Securities, Inc. (PNB Securities)	Securities Brokerage	- do -	PHP	**100.00**	–
PNB Corporation – Guam [(a)]	Remittance	USA	USD	**100.00**	–
PNB International Investments Corporation (PNB IIC)	Investment	- do -	USD	**100.00**	–
PNB Remittance Centers, Inc. (PNB RCI) [(b)]	Remittance	- do -	USD	–	**100.00**
PNB RCI Holding Co. Ltd. (PNB RHCL) [(c)]	Holding Company	- do -	USD	–	**100.00**
PNB Remittance Co. (Canada) [(d)]	Remittance	Canada	CAD	–	**100.00**
PNB Europe PLC (PNB Europe)	Banking	United Kingdom	GBP	**100.00**	–
Allied Commercial Bank (ACB)	Banking	China	CNY	**99.04**	–
PNB-Mizuho Leasing and Finance Corporation (PMLFC)	Leasing/ Financing	Philippines	PHP	**75.00**	–
PNB-Mizuho Equipment Rentals Corporation (PMERC) [(e)]	Rental	- do -	PHP	–	**75.00**
PNB Global Remittance & Financial Co. (HK) Ltd. (PNB GRF)	Remittance	Hong Kong	HKD	**100.00**	–
Allied Banking Corporation (Hong Kong) Limited (ABCHKL)	Banking	- do -	HKD	**51.00**	–
ACR Nominees Limited [(f)]	Service	- do -	HKD	–	**51.00**
Oceanic Holding (BVI) Ltd. (OHBVI) [(g)]	Holding Company	British Virgin Islands	USD	**27.78**	–
Associate					
Allianz-PNB Life Insurance, Inc. (APLII)	Insurance	Philippines	PHP	**44.00**	–

[(a)] *Ceased operations on June 30, 2012 and license status became dormant thereafter*
[(b)] *Owned through PNB IIC*
[(c)] *Owned through PNB RCI*
[(d)] *Owned through PNB RHCL*
[(e)] *Owned through PMLFC*
[(f)] *Owned through ABCHKL*
[(g)] *Controlled through the Parent Company's combined voting rights of 70.56% which arises from its direct ownership of 27.78%, and voting rights of 42.78% assigned by certain stockholders of OHBVI to the Parent Company through a voting trust agreement*

Bank Holding Companies

In 2013, LTG acquired indirect ownership in PNB by acquiring several companies with a total ownership interest in PNB of 59.83% (collectively referred to as "Bank Holding Companies"), to wit:

1. Allmark Holdings Corp.
2. Dunmore Development Corp.
3. Kenrock Holdings Corp.
4. Leadway Holdings, Inc.
5. Multiple Star Holdings Corp.
6. Pioneer Holdings & Equities, Inc.
7. Donfar Management Ltd.
8. Fast Return Enterprises Ltd.
9. Mavelstone International Ltd.
10. Uttermost Success Ltd.
11. Ivory Holdings, Inc.
12. Merit Holdings & Equities Corp.
13. True Success Profits Ltd.
14. Key Landmark Investments Ltd.
15. Fragile Touch Investments Ltd.
16. Caravan Holdings Corp.
17. Solar Holdings Corp.
18. All Seasons Realty Corp.
19. Dynaworld Holdings Inc.
20. Fil-Care Holdings Inc.
21. Kentwood Development Corp.
22. La Vida Development Corp.

23. Profound Holdings Inc.
24. Purple Crystal Holdings, Inc.
25. Safeway Holdings & Equities Inc.
26. Society Holdings Corp.
27. Total Holdings Corp.

As of 31 December 2023, LTG has majority ownership over the Bank Holding Companies with 56.47% ownership of PNB.

E. Property Development

Saturn Holdings, Inc. ("Saturn")

Saturn Holdings, Inc. was incorporated in the Philippines in 1997 as a holding company.

Paramount Landequities, Inc. ("Paramount")

Paramount, incorporated in the Philippines in 1988, is a real estate development company.

Eton Properties Philippines, Inc. ("Eton")

Eton was incorporated and registered in the Philippines in 1971 under the name "Balabac Oil Exploration & Drilling Co., Inc." to engage in oil exploration and mineral development projects in the Philippines. It became a holding company in 1996 and in 2007, changed its name to Eton Properties Philippines, Inc. simultaneous with converting itself into a real estate development company.

The following real estate companies are 100%-owned by Eton:

- **Belton Communities, Inc. ("BCI")**

  Belton Communities, incorporated in 2007, caters primarily to the middle-income market segment with well-located communities.

- **Eton City, Inc. ("ECI")**

  ECI, incorporated in 2008, is a realty and holding company.

- **Eton Hotels and Leisure, Inc. (EHLI) (formerly FirstHomes, Inc. "FHI")**

  EHLI was incorporated in 2010 as a real estate development company.

- **Eton Properties Management Corporation ("EPMC")**

  EPMC, incorporated in 2011, is a realty management company. It began commercial operations in 2016.

ITEM 2. DIRECTORS AND OFFICERS

Please refer to Item 5 of the Information Statement.

ITEM 3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1. RESULTS OF OPERATIONS

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the consolidated financial statements as at December 2023, 2022 and 2021 included in this report.

2023 vs 2022

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2023	2022
Revenues	₱115,299	₱100,872
Cost of Sales	55,538	51,103
Equity in Net Earnings of Associates and Joint Ventures	11,925	16,095
Operating Expenses	39,403	40,080
Operating Income	32,283	25,784
Other income-net	6,950	10,820
Income Before Income Tax	39,234	36,604
Total Net Income	34,016	30,665
Net Income Attributable to Equity Holders of the Parent Company	25,421	25,137

LT Group, Inc. (LTG) recorded a consolidated net income of ₱34.0 billion for FY23, 10.9% higher than the ₱30.7 billion net income reported for FY22.

The consolidated net income attributable to equity holders of LTG for FY23 was ₱25.4 billion, 1.1% higher compared to FY22. This was largely on account of the improved banking segment's performance which more than offset the decline in the tobacco segment's net income. The banking segment's net income of ₱19.0 billion increased by 61.7% compared to the same period last year, on the back of robust net interest income and lower credit provisions. This resulted to LTG's share in net income from PNB of ₱10.8 billion in the current period, higher than the ₱6.6 billion in 2022. TDI's net income was ₱1.6 billion, higher than the ₱1.5 billion in 2022 due to higher margins from liquor and lower operating expenses. The net income of the property development segment was ₱453 million in 2023, higher than the ₱373 million in 2022. The tobacco segment's net income for 2023 was ₱11.4 billion, ₱3.9 billion or 25.8% lower than the ₱15.3 billion reported for 2022 due to lower equitized earnings from PMFTC caused by the decline in sales volume. The beverage segment posted a net income of ₱578 million in 2023, slightly lower compared to the ₱583 million in 2022, mainly due to higher operating expenses. Equity in net earnings from VMC amounted to ₱347 million in 2023, lower than the ₱491 million in 2022.

Consolidated revenues were ₱115.3 billion for the year ended December 31, 2023, 14.3% higher than the ₱100.9 billion in 2022 due to improved revenues from the banking, beverage and property development segments.

Cost of sales and services increased by 8.7% from ₱51.1 billion in 2022 to ₱55.5 billion in 2023, primarily due to higher interest cost of deposit liabilities of the banking segment.

Operating expenses amounted to ₱39.4 billion in 2023, a slight decrease of 1.7% compared to the ₱40.1 billion in 2022. This was as a result of lower general and administrative expenses by 2.4%, decreasing from ₱37.8 billion in 2022 to ₱36.9 billion in 2023. The decline is mainly due to lower provisions for impairment, credit and other losses by the banking segment in the current period. Selling expenses increased to ₱2.5 billion, or 10.2% higher year-on-year (y-o-y) on account of higher marketing related costs.

Other income decreased from ₱10.8 billion in 2022 to ₱7.0 billion in 2023, mainly due to lower gains from sale of ROPA by the banking segment.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was at ₱11.4 billion for the year ended December 31, 2023, 25.8% lower than 2022's ₱15.3 billion largely due to the decrease in recognized equity in net earnings from PMFTC (FTC's 49.6% owned associate) on account of lower sales volume. The rising occurrence of illicit trade within the country is adversely affecting the overall volume of the industry. Price increases in 1Q23 also affected volume.

Banking

The banking segment's net income was ₱19.0 billion in 2023, significantly higher than the ₱11.8 billion in 2022.

Total interest income in the current period of ₱59.6 billion was higher by 31.7% compared to last year was mainly due to higher yields on loans, investment securities, deposits with banks and interbank receivables. Total interest expense increased by 89.5% or ₱7.1 billion due primarily to increase in interest cost of deposit liabilities. This resulted to net interest income of ₱44.6 billion, 19.5% higher y-o-y as the net interest margin improved to 4.2% from 3.6%.

Net service fees and commission income decreased by ₱245 million or 4.4% at ₱5.3 billion for the year ended December 31, 2023, mainly due to lower underwriting and bancassurance revenues, partly offset by increases in deposit and credit card related, interchange and trust fees.

Trading and investment securities and net foreign exchange gains were higher at ₱1.8 billion in 2023 compared to 2022's ₱327 million due to improvements in net gains on trading various securities.

Other income was lower at ₱5.7 billion in 2023 compared to ₱8.9 billion in 2022 primarily due to lower gains on the sale of ROPA.

Operating expenses decreased by 3.0% to ₱34.3 billion from ₱35.4 billion as the bank recorded lower provisions for impairment, credit and other losses amounting to ₱5.9 billion in the current period compared to ₱7.2 billion in 2022.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.6 billion for 2023, higher than the ₱1.5 billion reported in the same period last year.

Net revenues decreased by 5.3% y-o-y to ₱30.0 billion in 2023 mainly due to lower sales volume of liquor and bioethanol.

Cost of sales were at ₱26.0 billion for 2023, 7.1% lower than 2022 due to lower alcohol and other manufacturing costs due to lower volumes. Gross profit margin was at 13.1% in 2023, higher than the 11.4% in 2022 on account of improved margins in the liquor segment.

Operating expenses were higher at ₱1.7 billion in 2023 compared to ₱1.6 billion in 2022 largely on account of increased marketing and promotional expenses.

Beverage

The beverage segment's net income was lower at ₱578 million for the year ended December 31, 2023 from ₱583 million in 2022.

Revenues of the beverage segment were at ₱17.4 billion in 2023, 0.9% higher than 2022, as sales volume increased for bottled water, yogurt and Nestea as well as price increases in Vitamilk increased the year's revenue. This resulted in a gross profit margin improvement to 22.6% from 22.0% due primarily to sales mix.

Operating expenses increased to ₱2.8 billion due to higher selling expenses. Net other charges increased due to higher interest costs on short-term loans.

Property Development

The property development segment reported a net income of ₱453 million for 2023, higher than the ₱373 million for the same period last year.

Leasing revenues for the current period accounted for ₱2.1 billion or 95% of revenues, representing a 17.3% increase over the same period in 2022, due to higher occupancy rates for retail and residential.

Operating expenses were higher at ₱861 million, or a 14.8% increase y-o-y due primarily to higher repairs and maintenance expenses, taxes and licenses and association dues. Other income was higher y-o-y due to the increase in hotel income and common area maintenance fees and charges.

2022 vs 2021

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2022	2021
Revenues	₱100,872	₱91,173
Cost of Sales	51,103	42,957
Equity in Net Earnings of Associates and Joint Ventures	16,095	18,021
Operating Expenses	40,080	42,227
Operating Income	25,784	24,011
Other income-net	10,820	3,252
Income Before Income Tax	36,604	27,262
Total Net Income	30,665	20,861
Net Income Attributable to Equity Holders of the Parent Company	25,137	20,246

LT Group, Inc. (LTG) posted a consolidated net income of ₱30.7 billion for the period ended December 31, 2022, 47.0% higher than the ₱20.9 billion net income reported for the same period last year.

The consolidated net income attributable to equity holders of LTG was ₱25.1 billion for 2022, 24.2% higher compared to 2021's ₱20.2 billion. The improvement in the banking, distilled spirits and beverage segments more than offset the decline in the tobacco and property development segments' performance. The bank's net income of ₱11.8 billion for 2022 was significantly higher than 2021 when excluding from last year's income of ₱34.0 billion the ₱33.4 billion gain on the loss of control of PNB Holdings Corporation (PHC) that was eliminated at the consolidated level because PHC is still owned and controlled ultimately by LTG. LTG's share of the gain, at ₱18.9 billion was eliminated from LTG's attributable net income from PNB, bringing the bank's 2021 contribution to ₱308 million. The banking segment's net contribution of ₱6.6 billion net income in the current period was mainly due to the lower provisions for impairment, credit and other losses amounting to ₱7.2 billion in the current period as compared to last year's ₱10.7 billion when the bank was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming Covid-impacted accounts. TDI's net income of ₱1.5 billion, was higher than 2021's ₱1.2 billion due to the double digit growth in liquor volumes and higher bioethanol selling prices. The beverage segment's net income of ₱583 million in 2022 was higher compared to the reported income of ₱475 million last year as a result of volume growth across most product lines. The tobacco segment's net income was ₱15.3 billion for 2022, 12.4% lower than 2021's ₱17.5 billion on account of lower equitized earnings from PMFTC. Property development segment's net income was ₱373 million in 2022, lower than 2021's ₱550 million on account of lower margins in leasing business. Equity in net earnings from VMC amounted to ₱491 million in 2022 higher than the ₱258 million in 2021.

Consolidated revenues were higher by 10.6% at ₱100.9 billion for the period ended December 31, 2022 due to increased revenues reported by all segments on account of the reasons stated above.

Cost of sales and services increased by 19.0% from ₱43.0 billion for the year 2021 to ₱51.1 billion in 2022, primarily attributable to the higher sales volume, raw materials and energy costs by the distilled spirits and beverage segments and interest costs of the banking segment.

Operating expenses amounted to ₱40.1 billion in 2022 from ₱42.2 billion in 2021 or a 5.1% decrease. This was a result of lower general and administrative expenses by 6.3%, from ₱40.3 billion in 2021 to ₱37.8 billion in 2022 and is mainly due to the lower provisions for impairment, credit and other losses by the banking segment. Selling expenses increased to ₱2.3 billion in 2022 from ₱1.9 billion in 2021 as higher advertising, promotions and other related expenses were incurred.

SEGMENT OPERATIONS

Tobacco

The tobacco segment's net income was at ₱15.3 billion for the period ended December 31, 2022, 12.4% lower than 2021's ₱17.5 billion largely due to the decrease in recognized equity in net earnings from PMFTC (FTC's 49.6% owned associate). PMFTC's lower net income was attributed to lower shipment volumes due to trade inventory adjustments and downtrading post the industry-wide price increase.

Banking

The banking segment's net income was ₱11.8 billion in 2022, lower than the ₱34.0 billion recorded in 2021.

Total interest income in the current period of ₱45.2 billion was higher by 6.7% compared to the same period last year on account of the rising interest rate environment in 2022. Total interest expense increased by 4.7% or ₱359 million primarily due to increased interest cost of deposit liabilities as compared to the same period last year. Net interest income of ₱37.3 billion was 7.1% higher year-on-year (y-o-y) as the net interest margin improved to 3.42% from 3.10%.

Net service fees and commission income increased by ₱280 million or 5.3% at ₱5.6 billion for 2022, mainly due to increases in bancassurance, underwriting and securities dealership and deposit-related fees.

Trading and investment securities and net foreign exchange gains were lower at ₱327 million in 2022 compared to 2021's ₱1.5 billion mainly due to the losses on trading and investment securities as a result of the hike in benchmark interest rates during the period.

Other income was lower at ₱8.9 billion for the period ended December 31, 2022 compared to ₱35.4 billion last year mainly due to the recognition of a one-off ₱33.4 billion gain on the loss of control over PNB Holdings Corporation as a subsidiary of the Bank in 2021.

Operating expenses decreased by 3.6% to ₱35.4 billion from ₱36.7 billion due to the lower provisions for impairment, credit and other losses amounting to ₱7.2 billion in the current period as compared to last year's ₱10.7 billion when the bank was still continuing to build its loan loss reserves in anticipation of the rise in nonperforming Covid-impacted accounts.

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.5 billion for 2022, higher than the ₱1.2 billion reported in the same period last year.

Net revenues increased by 18.4% y-o-y to ₱31.6 billion in 2022 mainly due to the improvement in volume and selling prices of liquor and bioethanol.

Cost of sales increased by 19.4% to ₱28.0 billion in the current period as against ₱23.5 billion in the same period last year primarily due to higher sales volume, raw materials and energy costs, excise taxes and freight costs. Gross profit margin was at 11.4% in 2022, lower than the 12.2% in 2021 as the increase in average selling prices were insufficient to cover the higher manufacturing and freight costs.

Operating expenses were higher at ₱1.6 billion in 2022 compared to ₱1.5 billion in 2021 as advertising expenses increased due to higher media and promotion costs.

Beverage

The beverage segment reported net income of ₱583 million for the year ended December 31, 2022, 22.7% higher than ₱475 million in 2021.

Revenues were 23.7% higher at ₱17.2 billion compared to ₱13.9 billion in 2021, mainly driven by volume growth across most product lines. Gross profit margin was lower at 22% from 23% on account of higher raw materials and energy costs.

Operating expenses of ₱2.8 billion in 2022 was higher than the ₱2.4 billion in 2021 mainly due to higher marketing expenses and depreciation to support the higher volume.

Property Development

The property development segment reported a net income of ₱373 million for 2022, lower than the ₱550 million for the same period last year.

Leasing revenues for the current period accounted for ₱1.8 billion or 88.6% of revenues, representing an 8.5% increase over the same period in 2021, due to higher occupancy rates for retail and residential portfolio. Real estate sales amounted to ₱225 million in 2022, from Php138 million in 2021. Gross profit margin on the leasing business decreased from 55% to 47% on account of higher leasing and maintenance costs incurred in 2022.

Operating expenses were lower by 13.1% from ₱863 million in 2021 to ₱750 million in 2022 as general and administrative expenses decreased. Other income decreased to ₱410 million due to lower hotel income and higher finance costs.

2021 vs 2020

CONSOLIDATED RESULTS OF OPERATIONS

(In millions)	2021	2020
Revenues	₱91,173	₱94,428
Cost of Sales	42,957	42,859
Equity in Net Earnings of Associates and Joint Ventures	18,021	17,615
Operating Expenses	42,227	49,948
Operating Income	24,011	19,236
Other income-net	3,252	2,351
Income Before Income Tax	27,262	21,587
Total Net Income	20,861	22,326
Net Income Attributable to Equity Holders of the Parent Company	20,246	21,022

LT Group, Inc. (LTG) posted a consolidated net income of ₱20.9 billion for the year ended December 31, 2021, lower than the ₱22.3 billion net income reported for 2020.

The consolidated net income attributable to equity holders of LTG was ₱20.2 billion for 2021, 3.7% lower than 2020's ₱21.0 billion. The banking segment's net income increased from ₱2.8 billion for the twelve months ended December 31, 2020 to ₱34.0 billion in the same period of 2021. Part of the bank's income included a ₱33.4 billion gain for PNB Holdings Corporation (PHC) related transaction (which comprised of the gain on remeasurement of the retained interest in PHC of ₱16.5 billion; and gain on loss of control over PHC as a subsidiary of ₱16.9 billion in accordance with PFRS 10, *Consolidated Financial Statements*), that was eliminated at the consolidated level because PHC is still owned and controlled ultimately by LTG. LTG's share of the gain, at ₱18.9 billion was eliminated from LTG's attributable net income from PNB, bringing the bank's 2021 contribution to ₱308 million. The property development segment's net income was ₱550 million in 2021, lower than 2020's ₱802 million. The beverage segment's net income of ₱475 million in 2021 was lower compared to the reported income of ₱591 million in 2020. This was partly offset by the improvements in the operating results of the tobacco and distilled spirits segments. The tobacco segment's net income was ₱17.5 billion for 2021, 3.6% higher than 2020's ₱16.9 billion. Distilled spirits segment's net income was ₱1.2 billion, higher than the ₱1.1 billion recognized for the period ended December 31, 2020. Equity in net earnings from VMC amounted to ₱258 million.

Consolidated revenues amounted to ₱91.2 billion for the year ended December 31, 2021, ₱3.2 billion lower than the ₱94.4 billion earned in 2020 mainly on account of the decreased revenues in the banking and property development segments, partially offset by the higher distilled spirits and beverage segments revenues.

Cost of sales and services were flat at ₱42.9 billion year-on-year (y-o-y).

Operating expenses amounted to ₱42.2 billion in 2021 from ₱49.9 billion in 2020 or a 15.5% decrease. This was as a result of lower general and administrative expenses by 15.8%, from ₱47.9 billion in 2020 to ₱40.3 billion in 2021 and is mainly due to the reduction in provisions for impairment and credit losses by the banking segment. Selling expenses decreased to ₱1.9 billion in 2021 from ₱2.1 billion in 2020 as lower advertising and related expenses were incurred.

SEGMENT OPERATIONS

Banking

The banking segment's net income was ₱34.0 billion in 2021, higher than the ₱2.8 billion recorded in 2020.

Interest income in 2021 of ₱42.4 billion was 9.7% lower compared to 2020 on account of lower yields on loans and receivables, trading and investment securities, deposit with banks and interbank receivables. Total interest expense's significant reduction of 32.1% or ₱3.6 billion was primarily due to the decline in the levels of high-cost deposits as compared to 2020. Net interest income of ₱34.8 billion was 2.7% lower y-o-y as net interest margin declined to 3.1% from 3.3%.

Net service fees and commission income increased to ₱5.3 billion in 2021 compared to 2020's ₱3.7 billion due to higher loan-related and deposit-related fees, as well as significant bancassurance and underwriting fees recognized in 2021.

Trading and investment securities and net foreign exchange gains were lower at ₱1.5 billion in 2021 compared to 2020's ₱4.3 billion mainly due to the decline in net gains on trading and investments securities and loss on sale of non-financial assets.

Other income was higher at ₱36.9 billion for 2021 mainly due to the recognition of the ₱33.4 billion gain recognized for PHC related transaction (which comprised of the gain on remeasurement of the retained interest in PHC of ₱16.5 billion; and gain on loss of control over PHC as a subsidiary of ₱16.9 billion in accordance with PFRS 10, *Consolidated Financial Statements*).

Operating expenses decreased by 17.8% to ₱36.7 billion from ₱44.6 billion due to lower provisions for impairment, credit and other losses by ₱6.2 billion compared to 2020.

Tobacco

The tobacco segment's net income was at ₱17.5 billion for 2021, 3.6% higher than 2020's ₱16.9 billion largely due to recognized equity in net earnings from PMFTC (FTC's 49.6% owned associate).

Distilled Spirits

The distilled spirits segment posted a net income of ₱1.2 billion in 2021, higher than the ₱1.1 billion reported in 2020.

Net revenues increased by 6.7% y-o-y to ₱26.7 billion in 2021 mainly due to the improvement in the sales volume of bioethanol coupled with higher selling prices of liquor products.

Cost of sales increased by 9.8% to ₱23.5 billion in 2021 as against ₱21.4 billion in 2020 primarily due to higher sales volume and higher excise taxes. Gross profit margin was at 12.2% in 2021, lower than the 14.7% in 2020 due to higher liquor production costs and lower gross profit margin on bioethanol products as a result of lower average selling prices.

Operating expenses were lower at ₱1.5 billion in 2021 compared ₱1.8 billion in 2020 as lower advertising, other selling-related and administrative expenses were incurred in the current period.

Property Development

The property development segment reported a net income of ₱550 million in 2021, lower than the ₱802 million in 2020.

Rental revenues for 2021 accounted for ₱1.6 billion or 92.2% of revenues, representing an 8.2% decline as compared to 2020, due to lower occupancy for retail and residential. Real estate sales were 78.7% lower y-o-y to ₱137 million.

Operating expenses were higher by 16.3% from ₱742 million in 2020 to ₱863 million in 2021 as general and administrative expenses incurred increased.

Beverage

The beverage segment's net income was lower at ₱475 million for the year ended December 31, 2021 from ₱591 million in 2020.

Revenues of the beverage segment were higher at ₱13.9 billion in 2021 compared to 2020's ₱13.3 billion, largely on account of alcoholic beverage sales. Sales volume on Cobra Energy drink were higher while bottled water and Vitamilk soymilk registered lower sales volumes. Sales continue to be adversely affected by the various forms of lockdowns imposed since March 2020 up to 2021. Overall gross profit margin declined to 23.5% from 26.0% as a result of higher input costs, such as sugar and fuel, and shift in sales mix.

Operating expenses of ₱2.4 billion in 2021 was higher than the ₱2.3 billion in 2020 due to higher marketing and depreciation expenses.

3.2. FINANCIAL CONDITION

2023

The Company's consolidated Total Assets as of December 31, 2023 amounted to ₱1.33 trillion, 4.7% higher than the end-2022 balance of ₱1.27 trillion. Current Assets increased by 20.5% or ₱120.6 billion while Noncurrent Assets were lower by ₱61.3 billion or 9.0%.

The consolidated Current Assets increased by 20.5% from ₱588.0 billion as of December 31, 2022 to ₱708.6 billion. The current portion of Loans and Receivables increased to ₱291.7 billion due to higher loan releases in the current period as well as reclassifications from noncurrent to current portion. Financial Assets at Fair Value through Other Comprehensive Income FVTOCI increased due to acquisitions and higher fair values of investments. Cash and Cash Equivalents increased from ₱224.7 billion as of end-2022 to ₱243.8 billion as of December 31, 2023 due primarily to higher deposits from the banking segment as well as higher net cash provided by operating activities. Financial Assets at Fair Value through Profit or Loss increased to ₱10.6 billion mainly due to acquisitions in the portfolio. The current portion of Financial Assets at amortized cost was lower by 30.7% compared to end-2022 due primarily to maturity of investments. Inventories of distilled spirits, beverage and property development segments were lower by ₱1.3 billion or 8.7% than last year's ₱15.0 billion on account of higher sales recorded in the current period. Other current assets were lower by 8.3% at ₱12.4 billion on account of lower prepaid excise taxes and importation charges by the distilled spirits segment. Due from related parties decreased by ₱1.2 billion due primarily to collection of advances to Tangent.

The 9.0% decrease in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Loans and Receivables, Financial Assets at FVTOCI and Investment in Associates and Joint Ventures. The noncurrent portion of Loans and Receivables was lower due to net paydowns and reclassifications to current. Financial Assets at FVTOCI were lower by ₱19.1 billion on account of the maturities of investments and reclassification to Financial Assets at Amortized Cost in the portfolio as of December 31, 2023. Investment in associates and joint ventures account decreased by 12% to ₱19.0 billion due to dividends received from PMFTC that were higher than the accrued equitized earnings for 2023. Financial Assets at Amortized Cost increased by ₱22.4 billion versus end-2022 due to reclassifications from Financial Assets at FVTOCI and increase in the fair values of the remaining investments. Deferred income tax assets (DTA) increased to ₱6.9 billion due primarily to the recognition of additional DTA on allowance for credit losses.

Consolidated Total Liabilities increased by 3.6% to ₱1.03 trillion as of December 31, 2023 from ₱991.5 billion as of December 31, 2022. This was on account of the increase in Total Current Liabilities by 10.3% from ₱900.5 billion on December 31, 2022 to ₱ 993.3 billion as of the end of the current period and the decline in Noncurrent Liabilities by 62.8% from₱91.0 billion to ₱33.9 billion.

The current portion of Deposit Liabilities increased by ₱61.3 billion due primarily to additional deposits taken by the banking segment. The current portion of Long-term Debts and Bills and Acceptances Payable were higher driven by the reclassifications from noncurrent to current. This was mainly on account of the Bonds Payable amounting ₱41.5 billion that were reclassified from noncurrent to current liabilities by the banking segment. Accounts payable and accrued expenses were higher due to accrual of various expenses made in the current period. Financial liabilities at FVPL were lower mainly on account of the decrease in the negative fair value balance of stand-alone forwards as of December 31, 2023. Income tax payable and Short-term debts declined by ₱1.4 billion and ₱210.0 million, respectively, due to payments made in the current period.

The decrease in the Noncurrent Liabilities was on account of the bank's lower noncurrent portion of Long-term debts due to reclassification of Bonds Payable to current. The noncurrent portion of Deposit Liabilities was lower mainly due to decreased levels of demand deposits on account of withdrawals for the current period. Noncurrent portion of Bills and Acceptances payable decreased due to net settlements of short-term interbank borrowing and repurchase agreements during the period. Other noncurrent liabilities decreased by ₱2.2 billion on account of payments in the current period. Accrued retirement benefits increased to ₱1.0 billion due primarily to additional accrual for the current period.

LTG's consolidated Total Equity improved by 8.5% to ₱300.2 billion as of December 31, 2023, on account of the net increase in the retained earnings brought about by the net income earned for the period ended December 31, 2023 of ₱25.4 billion less dividends declared amounting to ₱13.0 billion. Other comprehensive income increased due to the higher fair values of Financial Assets at FVTOCI. Non-controlling interests in net assets increased due primarily to the banking segment's minority share in net comprehensive income in the current period.

2022

The Company's consolidated Total Assets as of December 31, 2022 amounted to ₱1.27 trillion, 3.3% lower than the end-2021 balance of ₱1.31 trillion. Current Assets decreased by 9.0% or ₱58.4 billion and Noncurrent Assets were higher by ₱14.7 billion or 2.2%.

The consolidated Current Assets decreased by 9.0% from ₱646.5 billion as of December 31, 2021 to ₱588.0 billion. Cash and Cash Equivalents decreased from ₱ 265.1 billion as of end-2021 to ₱224.7 billion as of December 31, 2022, as the Group used most of its cash in operating and financing activities. The current portion of Financial Assets at Fair Value through Profit or Loss and Financial Assets at amortized cost decreased due to lower fair values and reclassifications in the portfolio. Loans and Receivables decreased to ₱205.5 billion due to collections in the current period. Current portion of Financial Assets at Fair Value through Other Comprehensive Income (FVTOCI) was higher due primarily to reclassifications from noncurrent in the current period. Due from Related Parties was lower at ₱3.6 billion due to collections from Tangent made in the current period. Inventories as of December 31, 2022 amounted to ₱15.0 billion, 5.1% higher than the end-2021 as ABI increased production and purchase of raw materials and supplies. Other current assets as of December 31, 2022 amounted to ₱13.5 billion, 31.1% higher than end-2021 due to increased deposits to suppliers of ABI and higher prepaid importation charges of TDI.

The 2.2% increase in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Financial Assets at amortized cost and Investment Properties. Financial Assets at Amortized Cost were higher by ₱35.4 billion on account of acquisitions net of maturities and disposals made as of December 31, 2022. Investment properties increased to ₱37.0 billion due primarily to new foreclosures in settlement of uncollected loans or past due accounts in the current period net of disposed ROPAs by the banking segment. The noncurrent portion of Loans and Receivables was higher due to reclassifications from current. The noncurrent portion of Financial Assets at FVTOCI was lower at ₱50.8 billion versus end-2021 of ₱71.5 billion due to the disposal of various securities, net of purchases and decline in the fair values of the investments. Investment in associates and joint ventures account decreased due to higher dividends received from PMFTC than the accrued equitized earnings for the period, slightly offset by the additional investment in AEPDC. Property, plant and equipment was lower due to the depreciation charges in the current period. Other noncurrent assets were lower at ₱5.0 billion as the miscellaneous assets level of the banking segment decreased.

Consolidated Total Liabilities decreased by 5.4% to ₱991.5 billion as of December 31, 2022 from ₱1.05 trillion as of December 31, 2021. This was on account of the decrease in Total Current Liabilities by 3.0% from ₱928.2 billion on December 31, 2021 to ₱ 900.5 billion as of the end of the current period and the decline in Noncurrent Liabilities by 24.2% from ₱120.1 billion to ₱91.0 billion.

Current portion of Bills and Acceptances Payable decreased by 82.3% due to net settlements of short-term interbank borrowing and repurchase agreements. The current portion of Deposit Liabilities decreased by ₱10.5 billion due primarily to withdrawals. The current portion of Long-term debts was higher at ₱20.4 billion due to the revaluation of foreign currency-denominated bonds and accrual of interests. Accounts payable and accrued expenses were higher due to accruals made in the current period. Financial liabilities at FVPL were higher mainly on account of the increase in the negative fair value balance of stand-alone forwards as of December 31, 2022. Income tax payable of ₱1.8 billion as of end-2022 increased due to higher income tax accruals based on the taxable income of the Group in the current period. Short-term debts were higher at ₱4.5 billion due primarily to higher loans obtained by the beverage segment during the current period. The current portion of Due to Related Parties was lower on account of the payments made in 2022.

The decrease in the Noncurrent Liabilities was on account of the bank's lower noncurrent portion of deposit liabilities mainly due to decreased levels of time deposits and maturity of LTNCD. Long-term debts net of current portion decreased driven by the reclassification of the current portion of foreign currency-denominated bonds. Noncurrent portion of Bills and Acceptances payable increased due to reclassifications. Accrued retirement benefits balance was lower due to the bank's higher contributions in the fund translating to lower liabilities position in the current period.

LTG's consolidated Total Equity improved by 5.0% to ₱276.7 billion as of December 31, 2022, on account of the net increase in the retained earnings brought about by the net income earned for the period ended December 31, 2022 of ₱25.1 billion less dividends declared amounting to ₱15.2 billion. Other comprehensive income decreased due to the lower fair values of Financial Assets at FVTOCI. Non-controlling interests in net assets increased due primarily to the banking segment's minority share in net income in the current period.

2021

The Company's consolidated Total Assets as of December 31, 2021 and December 31, 2020 amounted to ₱1.3 trillion and ₱1.4 trillion, respectively. Current Assets decreased by 5.6% or ₱38.3 billion and Noncurrent Assets were lower by ₱3.0 billion or 0.4%.

The consolidated Current Assets decreased by 5.6% from ₱684.8 billion as of December 31, 2020 to ₱646.5 billion. Cash and Cash Equivalents decreased from ₱ 304.1 billion as of end-2020 to ₱265.1 billion as of December 31, 2021 on account of lower Due from BSP, Interbank Loans Receivables and Securities under Agreement to Resell of the banking segment. Financial Assets at Fair Value through Profit or Loss decreased from ₱23.9 billion to ₱11.2 billion due to disposals and lower fair values. Assets of disposal group classified as held for sale declined by ₱7.9 billion due to sale of the bank's remaining stake in PNB Gen. Current portion of Financial Assets at Fair Value through Other Comprehensive income (FVTOCI) and Financial Assets at amortized cost increased due to purchases and reclassifications. Due from related parties increased from ₱2.0 billion to ₱7.7 billion as of end-2021 due mainly on the advances made to the ultimate parent company - Tangent. Inventories as of December 31, 2021 amounted to ₱14.3 billion, 8.4% higher than end-2020 due to increased inventory levels of the distilled spirits and beverage segments.

The 0.4% decrease in consolidated Noncurrent Assets was mainly due to the movements in the Noncurrent portion of Financial Assets at Amortized Cost and Financial Assets at FVTOCI. Financial Assets at Amortized Cost were lower by ₱11.5 billion on account of disposal of various investment securities, net of purchases made as of December 31, 2021. The noncurrent portion of Financial Assets at FVTOCI were lower at ₱71.5 billion versus end-2020 of ₱76.6 billion due to disposal of various securities, net of purchases, decline in the fair values and reclassifications to current portion of the investments. Deferred income tax assets decreased mainly due to enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which lowers the regular corporate income tax rate from 30% to 25%. Investment in associates and joint ventures decreased on account of higher dividends received from PMFTC over the equitized earnings in the current period. Property, plant and equipment and Investment properties were higher by ₱2.6 billion and ₱1.6 billion, respectively, due to acquisitions made by the group for the current period.

Consolidated Total Liabilities decreased by 4.5% to ₱1.0 trillion as of December 31, 2021 from ₱1.1 trillion as of December 31, 2020. This was on account of the decrease in Total Current Liabilities by 2.7% from ₱953.5 billion in December 31, 2020 to ₱ 928.2 billion as of the end of the current period and decline in Noncurrent Liabilities by 16.6% from ₱144.0 billion to ₱120.0 billion.

Current portion of Bills and Acceptances Payable decreased by 31.8% brought by net settlements of short-term interbank borrowing and repurchase agreement. Current portion of long-term debts were lower by 75.2% as the bank paid currently maturing bonds. Liabilities of disposal group classified as held for sale decreased by ₱6.4 billion due to the sale of the bank's remaining stake in PNB Gen. Accounts payable and accrued expenses decreased due to payments made as of December 31, 2021. Short-term debts as of December 31, 2021 amounted to ₱3.9 billion, 16.9% lower than end-2020 on account of payments made by ABI. Other current liabilities and Income tax payable were lower due to payments made in current period. Financial liabilities at fair value through profit or loss increased to ₱892 million mainly due to mark-to-market adjustments for the period.

The decrease in the Noncurrent Liabilities was on account of the bank's lower levels of Noncurrent Deposit Liabilities from ₱58.4 billion as of end-2020 to ₱38.5 billion as of December 31, 2021 as well as lower Noncurrent portion of Bills and Acceptances Payable from ₱14.2 billion as of end-2020 to ₱3.2 billion as of end-2021 brought by net settlements of interbank borrowing and repurchase agreements. Accrued retirement benefits decreased due to remeasurements of liabilities and various settlements during the year. Long-term debts-net of current portion increased by ₱3.8 billion due to remeasurement and reclassification on bond debts by the banking segment. Other noncurrent liabilities increased due to various accruals made for the period.

LTG's consolidated Total Equity improved by 3.1% to ₱263.5 billion as of December 31, 2021, on account of the net increase in the retained earnings brought about by the income earned for the period ended December 31, 2021 of ₱20.2 billion less dividends declared amounting to ₱11.7 billion. Other comprehensive income decreased due to the lower fair values of Financial Assets at FVTOCI.

3.3. KEY PERFORMANCE INDICATORS

LTG uses the following major performance measures. The analyses are based on comparisons and measurements on financial data of the current period against the same period of the previous year. The discussion on the computed key performance indicators can be found in the "Results of Operations" in the MD&A above.

2023 vs 2022

1.) **Gross Profit Ratio**

Gross profit ratio in 2023 was 51.8% versus 49.3% in 2022.

2.) **Return on Equity**

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2023 amounted to ₱25.4 billion; higher by 1.1% from last year's ₱25.1 billion. Ratio of net income to equity is 12.0% in 2023 and 12.6% in 2022.

3.) **Current Ratio**

Current Ratio for 2023 is 0.71:1 while last year's was 0.65:1.

4.) **Debt-to-equity ratio**

Debt-to-equity ratio for 2023 is 3.42:1 as compared to last year's 3.58:1.

5.) **<u>Earnings per share</u>**
Earnings per share attributable to holders of the parent company for 2023 is ₱ 2.35 and ₱2.32 in 2022.

2022 vs 2021

1.) **<u>Gross Profit Ratio</u>**

Gross profit ratio in 2022 was 49.3% versus 52.9% in 2021.

2.) **<u>Return on Equity</u>**

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2022 amounted to ₱25.1 billion; higher by 24.2% from last year's ₱20.2 billion. Ratio of net income to equity is 12.6% in 2022 and 10.7% in 2021.

3.) **<u>Current Ratio</u>**

Current Ratio for 2022 is 0.65:1 while last year's was 0.70:1.

4.) **<u>Debt-to-equity ratio</u>**

Debt-to-equity ratio for 2022 is 3.58:1 as compared to last year's 3.98:1.

5.) **<u>Earnings per share</u>**

Earnings per share attributable to holders of the parent company for 2022 is ₱ 2.32 and ₱1.87 in 2021.

2021 vs 2020

1.) **<u>Gross Profit Ratio</u>**

Gross profit ratio in 2021 was 52.9% versus 54.6% in 2020.

2.) **<u>Return on Equity</u>**

Consolidated Net Income Attributable to Equity Holders of the Parent Company for 2021 amounted to ₱20.2 billion; lower by 3.7% from last year's ₱21.0 billion. Ratio of net income to equity is 10.7% in 2021 and 11.3% in 2020.

3.) **<u>Current Ratio</u>**

Current Ratio for 2021 is 0.70:1 while last year's was 0.72:1.

4.) **<u>Debt-to-equity ratio</u>**

Debt-to-equity ratio for 2021 is 3.98:1 as compared to last year's 4.30:1.

5.) **<u>Earnings per share</u>**

Earnings per share attributable to holders of the parent company for 2021 is ₱ 1.87 and ₱1.94 in 2020.

3.4. OTHER MATTERS

(i) There are no other trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's increasing or decreasing liquidity in any material way. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. It does not have any liquidity problems.

(ii) There are no events that will trigger direct or contingent financial obligation that is material to LTG, including any default or acceleration of an obligation.

(iii) There are no known material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LTG with unconsolidated entities or other persons created during the reporting period**.**

(iv) On-going and planned capital expenditure projects of the Group are as follows:

<u>Distilled Spirits</u>

Construction of a new office building in Manila is on-going and planned to be completed in the latter part of 2024. Various capital expenditures were implemented to enhance the production capacity, operating efficiency and safety of the bottling plants.

<u>Beverage</u>

ABI continuously makes investments that enhance production safety, improve manufacturing efficiency, and improve the impact of its production processes to the environment.

In 2023, ABI made several investments to expand its production capacity in carbonated softdrinks to capitalize on the robust growth in the market. ABI also completed the construction of a new glass furnace to augment its capacity and improve efficiency in its glass packaging business.

Investments in returnable containers were also made to replace bottles and crates used in the production of Cobra, Vitamilk and alcoholic beverages in returnable glass format.

International Bottled Water Association Certificate of Membership
ABI's bottled water plant in Cabuyao has been a member of the International Bottled Water Association (IBWA) since it started its bottled water business in

1992. IBWA in reference to U.S. FDA regulations of the Code of Federal Regulations prescribes the Good Manufacturing Practices for Processing and Bottling of Bottled Drinking Water. This includes specific design and performance requirements for determining whether the facilities, methods, practices, and controls used in the processing, bottling, holding and shipping of bottled drinking water are in conformance with or are operated or administered in conformity with good manufacturing practices to assure that bottled drinking water is safe and has been processed, bottled, held and transported under sanitary conditions.

ISO 9001:2015 Quality Management System Certification

ISO is a standard setting body that provides requirements, specifications, guidelines or characteristics that ensure that products and services are safe, reliable and are of good quality. To be ISO 9001:2015 certified, an organization must demonstrate its ability to consistently provide products that meets customer and applicable statutory and regulatory requirements. ABI's manufacturing sites were re-certified with validity through 2022-2025.

HACCP Certification

Hazard Analysis and Critical Control Point (HACCP) is a systematic preventive approach to food safety, which addresses physical, chemical, and biological hazards rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points (CCPs) can be created to reduce or eliminate the risks. With its increasing adoption worldwide, HACCP helps the food and beverage industry to put in place, an effective integrated food safety management system, which drives growth in productivity, safety and traceability. ABI's bottled water plants, carbonated softdrinks (CSD) plants and its soy milk plant are all HACCP certified through 2026.

Food Safety System Certification

Food Safety System Certification (FSSC 22000) contains a complete certification Scheme for Food Safety Management Systems based on existing standards for certification (ISO 22000, ISO 22003 and technical specifications for sector PRPs). FSSC 22000 is a Global Food Safety Initiative (GFSI) recognized standard. GFSI recognition demonstrates that the FSSC 22000 Scheme meets the highest standards globally, leading to international food industry acceptance. Furthermore, the FSSC 22000 Scheme is widely accepted by accreditation bodies worldwide and supported by essential stakeholders like FoodDrinkEurope and the Consumer Brands Association. ABI's alcoholic beverage plant in Cabuyao is FSSC certified through 2025.

National Sanitation Foundation (NSF) International Certificate of Compliance

NSF International protects and improves global human health. Manufacturers, regulators and consumers look to NSF to facilitate the development of public health standards and provide certifications that help protect food, water, consumer products and the environment. From extensive product testing and material analyses to plant inspections, every aspect of a product's development is thoroughly evaluated before it can earn NSF Certification. ABI's bottled water plants are all NSF certified through 2024.

HALAL Product Certification
Halal is an Arabic word that means permissible. A Halal certified product means that the product is permissible or acceptable in accordance with Islamic law. In order for products to receive this certification, they must be from an acceptable source such as a cow or chicken and slaughtered according to Islamic laws. Offering Halal certified products allows Muslim consumers to be confident that the products they use are in alignment with their culture and beliefs. Among ABI products which are HALAL certified are Absolute and Summit produced in its bottled water plants in Cabuyao, Pampanga and El Salvador, Cobra in PET bottles produced in Cabuyao and Vitamilk and Pascual milk drinks produced in its Cabuyao dairy plant.

(v) There are no known other trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales, revenue or income from continuing operations.

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) Causes for any material change from period to period include vertical and horizontal analyses of any material item;

Results of our Horizontal (H) and Vertical (V) analyses showed the following material changes (+/- 5% and above) as of and for the years ended December 31, 2023 and 2022 (negative movement in parenthesis):

1. Cash and cash equivalents – H, 9%
2. Financial assets at FVTPL – H, 43%
3. Financial assets at FVTOCI - current – H, 29%
4. Financial assets at amortized cost – current – H, (31%)
5. Loans and receivables – current – V, 6%; H, 42%
6. Due from related parties – H, (34%)
7. Inventories – H, (9%)
8. Other current assets – H, (8%)
9. Loans and receivables - noncurrent – H, (15%)
10. Financial assets at FVTOCI - noncurrent – H, (38%)
11. Financial assets at amortized cost – noncurrent – H, 28%
12. Property, plant and equipment at cost – net – H, (5%)
13. Deferred income tax assets - H, 5%
14. Deposit Liabilities – current – H, 7%
15. Financial liabilities at fair value through profit or loss – current – H, (47%)
16. Bills and acceptances payable - current – H, 117%
17. Short-term debts – H, (5%)
18. Accounts payable and accrued expenses – H, 5%
19. Income tax payable – H, (77%)
20. Long-term debts-current – H, 111%
21. Deposit liabilities – noncurrent – H, (48%)

22. Bills and acceptances payable - noncurrent – H, (82%)
23. Long-term debt – net of current portion – H, (86%)
24. Accrued retirement benefits – H, 27%
25. Other noncurrent liabilities- H, (26%)
26. Retained earnings- H, 9%
27. Noncontrolling interests – H, 13%
28. Banking revenue – V, 7%; H, 31%
29. Distilled spirits revenue – V, (5%); H, (5%)
30. Property development revenue – H, 9%
31. Cost of sales and services – H, 9%
32. Equity in net earnings of associates and joint ventures – V, (6%); H, (26%)
33. Selling expenses – H, 10%
34. General and administrative expenses – V, (6%);
35. Finance costs – H, (43%)
36. Finance income – H, (61%)
37. Foreign exchange gains – net – H, (17%)
38. Others-net – H, (34%)
39. Provision for income tax – current – H, (12%)
40. Provision for income tax – deferred – H, 12%
41. Total Net Income – H, 11%
42. Net income attributable to noncontrolling interests – H, 56%

The causes for these material changes in the balance sheet and income statement accounts are all explained in the Management's Discussion and Analysis (MDA) – Results of Operations and Financial Condition above.

(viii) There are no seasonal aspects that have a material effect on the financial condition or results of operations of LTG.

ITEM 4. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

4.1. MARKET INFORMATION

The principal market for the Company's common equity is the Philippine Stock Exchange.

STOCK PRICES

	CLOSE	HIGH	LOW
2021			
1st Quarter	13.50	15.50	12.50
2nd Quarter	12.90	14.10	12.70
3rd Quarter	10.10	13.00	8.50
4th Quarter	9.90	11.30	9.03

2022			
1st Quarter	8.90	10.26	8.55
2nd Quarter	8.10	9.11	8.00
3rd Quarter	8.26	9.58	8.10
4th Quarter	9.20	9.40	7.70
2023			
1st Quarter	9.90	10.56	9.19
2nd Quarter	9.51	10.62	9.35
3rd Quarter	9.00	9.87	8.84
4th Quarter	8.98	9.30	8.50
15 March 2024 (latest practicable date)	10.30	10.30	9.80

The latest trading price as of 15 March 2024, the latest practicable date, is ₱10.30.

4.2. HOLDERS

As of 15 March 2024, the Company has 379 shareholders owning 10,821,388,889 common shares. The top 20 stockholders as of 15 March 2024 are as follows:

Stockholders' Name	No. of Common Shares Held	% to Total
Tangent Holdings Corp.	8,046,318,193	01
PCD Nominee Corporation (Filipino)	1,336,373,011	01
PCD Nominee Corporation (Non-Filipino)	674,227,065	74
Dragon Castle Holdings Limited	198,535,900	06
Hinner Resources Limited	157,195,600	06
Advance Goal Limited	152,812,600	06
Absolute Classic Limited	95,811,000	06
Conqueror Vision Limited	81,913,000	06
Conway Equities Inc.	35,876,800	01
Pan Asia Securities Corp.	24,481,600	01
Goldlabel Equities Corporation	5,039,800	01
All Seasons Realty Corp.	5,002,294	01
Dragonstar Management Corp.	1,773,900	01
Eyes Of Ibad Agriventures Opc	1,000,000	01
Kentron Holdings & Equities Corp.	569,800	01
Henry Ong Chusuey or Anna Lissa Chusuey	764,000	01
Te Gillian Cindy T.	300,000	01
Atlas Agricultural & Mercantile & Dev. Corp.	299,475	01
Poblador Jr. Honorio	295,230	01
Nye Donald J.D.	272,250	60

***** LTG has no preferred shares.

Voting Rights

Each share is entitled to one (1) vote.

With respect to the election of Directors, stockholders of record are entitled to as many number of votes as is equal to the number of shares he owns multiplied by eleven (11), the number of Directors to be elected. A stockholder may (i) cast all votes in favor of one (1) nominee, or (ii) cast votes for as many Directors to be elected, or (iii) distribute the votes among as many nominees he shall see fit.

4.3. DIVIDENDS

a.) Dividend declaration

Date Declared	Dividend Declared	Amount	Date Paid
23 February 2024	Special Cash	₱0.15 per share	22 March 2024
23 February 2024	Regular Cash	₱0.15 per share	22 March 2024
17 November 2023	Special Cash	₱0.30 per share	5 December 2023
15 August 2023	Special Cash	₱0.30 per share	13 September 2023
15 May 2023	Special Cash	₱0.30 per share	13 June 2023
17 February 2023	Special Cash	₱0.15 per share	17 March 2023
17 February 2023	Regular Cash	₱0.15 per share	17 March 2023
18 November 2022	Special Cash	₱0.50 per share	16 December 2022
17 August 2022	Special Cash	₱0.30 per share	15 September 2022
18 May 2022	Special Cash	₱0.30 per share	15 June 2022
16 March 2022	Regular Cash Special Cash	₱0.15 per share ₱0.15 per share	12 April 2022
19 November 2021	Special Cash	₱0.60 per share	15 December 2021
11 June 2021	Special Cash	₱0.24 per share	9 July 2021
17 March 2021	Regular Cash Special Cash	₱0.15 per share ₱0.09 per share	13 April 2021

b.) Dividend Policy

Shareholders shall have the right to receive dividends subject to the discretion of the Board. They have the right to receive dividends out of the Unrestricted Retained Earnings of the Company when the said earnings become in excess of 100% of its paid-in capital stock, except:

1. when justified by definite corporate expansion projects;
2. when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or,
3. when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

c.) Restrictions that limit the ability to pay dividends on common equity or that are likely to happen in the future.

There are no restrictions that limit the Company's ability to pay dividends apart from the requirement of law that the Company should have unrestricted retained earnings. The corporate by laws provide that dividends may be declared "*out of the surplus profits when such profit shall, in the opinion of the Directors, warrant the same*."

4.4. RECENT SALES OF UNREGISTERED SECURITIES (FOR THE PAST THREE YEARS)

There are no recorded sales of unregistered securities during the past three years.

ITEM 5. INDEPENDENT PUBLIC ACCOUNTANTS AND EXTERNAL AUDIT FEES

Please see Item 7 of the Information Statement.

ITEM 6. CORPORATE GOVERNANCE

To ensure awareness and compliance, all incumbent directors and key officers of the Company attend an annual seminar on corporate governance conducted by an SEC-accredited provider.

The Company continues to review and strengthen its policies to ensure that such policies are consistent with the leading practices on good corporate governance that are in the best interest of the Company and its stakeholders.

In 2023, the Company conducted a self-assessment of the performance of the Directors to ensure the effectivity of the Board members and likewise improve on areas which require its attention. The evaluation was conducted via the sending of an online evaluation form to every director through electronic mail wherein they were tasked to rate their own performance as well as that of the committee which they are a part of.

The form is composed of two (2) parts: (1) Questions on the Director's individual qualitative performance; and (2) Questions to the Board. Under Part 1, the director is asked to rate himself/herself based on different questions pertaining to his/her individual performance. On the other hand, under Part 2 of the form, the director is asked to rate the performance of the Board as a whole. Questions include, but are not limited to, the number of times the Board conducts its meetings, the attendance of the director/matters discussed during the meeting. The forms are thereafter submitted to the Office of the Corporate Secretary for consolidation and evaluation. Below are the average ratings for each criteria of the self-assessment:

Criteria	Percentage
Attendance in Meetings	100.00%
Duties and Responsibilities	99.00%
Compliance in Charters and Legal Compliance	98.93%

In 2023, the Board of Directors held a total of nineteen (19) meetings: twelve (12) regular meetings, six (6) special meetings, and one (1) organizational meeting. Each Board member complied with the minimum total Board meeting attendance requirement of 50%. The summary of attendance of each Director to Board and committee meetings are attached as Annex A.

The Company undertakes to provide without charge to each shareholder, upon written request by the shareholder, a copy of the Company's Annual Report on SEC Form 17-A. Please direct all such requests to the Corporate Secretary, Atty. Ma. Cecilia L. Pesayco, 2/F PNB Makati Center, 6754 Ayala Avenue, Makati City, Philippines.

ANNEX A

SUMMARY OF ATTENDANCE IN BOARD AND COMMITTEE MEETINGS

In 2023, the Board conducted nineteen (19) meetings which were religiously attended to by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Lucio C. Tan	May 3, 2023	19	19	100.00%
Vice Chairman	Lucio C. Tan III	May 3, 2023	19	19	100.00%
Member	Carmen K. Tan	May 3, 2023	19	19	100.00%
Member	Karlu T. Say	May 3, 2023	19	19	100.00%
Member	Michael G. Tan	May 3, 2023	19	19	100.00%
Member	Vivienne K. Tan	May 3, 2023	19	19	100.00%
Member	Juanita T. Tan Lee	May 3, 2023	19	19	100.00%
Independent	Johnip G. Cua	May 3, 2023	19	19	100.00%
Independent	Mary G. Ng	May 3, 2023	19	19	100.00%
Independent	Wilfrido E. Sanchez	May 3, 2023	19	19	100.00%
Independent	Florencia G. Tarriela	May 3, 2023	19	19	100.00%

In 2023, the Audit Committee conducted four (4) meetings which were religiously attended to by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Johnip G. Cua	May 3, 2023	4	4	100.00%
Member	Juanita T. Tan Lee	May 3, 2023	4	4	100.00%
Member	Mary G. Ng	May 3, 2023	4	4	83.33%
Member	Wilfrido E. Sanchez	May 3, 2023	4	4	100.00%
Member	Florencia G. Tarriela	May 3, 2023	4	4	100.00%
Member	Chester Y. Luy	May 3, 2023	4	4	100.00%

In 2023, the Corporate Governance Committee conducted two (2) meetings which was attended to by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Florencia G. Tarriela	May 3, 2023	2	2	100.00%
Member	Michael G. Tan	May 3, 2023	2	2	100.00%
Member	Juanita T. Tan Lee	May 3, 2023	2	1	50.00%

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Member	Johnip G. Cua	May 3, 2023	2	2	100.00%
Member	Lucio C. Tan III	May 3, 2023	2	2	100.00%
Member	Chester Y. Luy*	May 3, 2023	2	2	100.00%
Member	Mary G. Ng	May 3, 2023	2	2	100.00%

**Mr. Chester Y. Luy was only appointed as member of the said Committee last May 3, 2023.*

In 2023, the Risk Management Committee conducted six (6) meetings which were religiously attended to by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Mary G. Ng	May 3, 2023	13	13	100.00%
Member	Juanita T. Tan Lee	May 3, 2023	13	12	92.00%
Member	Johnip G. Cua	May 3, 2023	13	13	100.00%
Member	Wilfrido E. Sanchez	May 3, 2023	13	12	92.00%
Member	Florencia G. Tarriela	May 3, 2023	13	13	100.00%
Member	Chester Y. Luy*	May 3, 2023	13	7	100.00%

** Mr. Chester Y. Luy was only appointed as member of the said Committee last May 3, 2023.*

In 2023, the Nomination and Compensation Committee conducted one (1) meeting which was attended by its members, as shown in the table below:

OFFICE	NAME	DATE OF APPOINTMENT	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	%
Chairman (ED)	Lucio C. Tan	May 3, 2023	1	1	100.00%
Member	Lucio C. Tan III	May 3, 2023	1	1	100.00%
Member	Karlu T. Say	May 3, 2023	1	1	100.00%
Member	Michael G. Tan	May 3, 2023	1	1	100.00%
Member	Juanita T. Tan Lee	May 3, 2023	1	1	100.00%
Member	Mary G. Ng	May 3, 2023	1	1	100.00%
Member	Wilfrido E. Sanchez	May 3, 2023	1	1	100.00%