

SEC Number: 152-747  
File Number: \_\_\_\_\_

**AYALA LAND, INC.**

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(Company's Full Name)

31F, Tower One, Ayala Triangle  
Ayala Avenue, Makati City 1226

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(Company Address)

(632) 750-6974

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(Telephone Number)

**March 31, 2019**

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(Quarter Ending)

**SEC Form 17-Q Quarterly Report**

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(Form Type)

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(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2019**
2. Commission Identification Number **152747**
3. BIR Tax Identification No. **000-153-790-000**
4. Exact name of issuer as specified in its charter: **AYALA LAND, INC.**
5. Province, Country or other jurisdiction of incorporation or organization:  
**Makati City, Philippines**
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Address of issuer's principal office and postal code:  
**31F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226**
8. Issuer's telephone number, including area code: **(632) 750-6974**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

**As of March 31, 2019**

| <u>Title of each class</u> | <u>Number of shares issued and outstanding</u> |
|----------------------------|--|
| <b>Common shares</b>       | <b>14,724,508,335</b>                          |
| <b>Preferred shares</b>    | <b>13,066,494,759</b>                          |

Amount of Debt Outstanding  
**P105,982,530,000.00**

11. Are any or all of the securities listed on a Stock Exchange?  
Yes  No

Stock Exchange: **Philippine Stock Exchange**  
Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes  No

(b) has been subject to such filing requirements for the past 90 days:

Yes  No

# TABLE OF CONTENTS

Page No.

## **PART I - FINANCIAL STATEMENTS**

|   |    |
|---|----|
| Item 1. Financial Statements  |    |
| • Unaudited Consolidated Statements of Financial Position as of March 31, 2019 and December 31, 2018            | 1  |
| • Unaudited Consolidated Statements of Income for the First Quarter ended March 31, 2019 and 2018               | 2  |
| • Unaudited Consolidated Statements of Comprehensive Income for the First Quarter ended March 31, 2019 and 2018 | 3  |
| • Unaudited Consolidated Statement of Changes in Equity for the First Quarter ended March 31, 2019 and 2018     | 4  |
| • Unaudited Consolidated Statements of Cash Flows for the First Quarter Ended March 31, 2019 and 2018           | 5  |
| • Notes to Interim Consolidated Financial Statements  | 6  |
| Item 2. Management's Discussion and Analysis of the Financial Condition and Results of Operations               | 41 |

## **PART II - OTHER INFORMATION**

|  |    |
|--|----|
| Item 3. Developments as of March 31, 2019                | 47 |
| Item 4. Other Notes to 1Q 2019 Operations and Financials | 48 |
| Item 5. Performance Indicators                           | 52 |
| Signature  | 53 |

# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

### AYALA LAND, INC. AND SUBSIDIARIES

#### UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

|   | March 2019<br>Unaudited | December 2018<br>Audited |
|---|-------------------------|--------------------------|
| <b>ASSETS</b>   |                         |                          |
| <b>Current Assets</b>   |                         |                          |
| Cash and cash equivalents (note 4)                                | P19,879                 | P23,997                  |
| Short-term investments (note 5)                                   | 2,865                   | 3,085                    |
| Financial assets at fair value through profit or loss (note 6)    | 480                     | 476                      |
| Accounts and notes receivable (note 7)                            | 92,543                  | 126,719                  |
| Inventories (note 8)  | 94,899                  | 104,372                  |
| Other current assets (note 9)                                     | 58,608                  | 44,181                   |
| <b>Total Current Assets</b>                                       | <b>269,274</b>          | <b>302,830</b>           |
| <b>Noncurrent Assets</b>  |                         |                          |
| Noncurrent accounts and notes receivable                          | 29,284                  | 38,805                   |
| Financial assets at fair value through other comprehensive income | 1,291                   | 1,496                    |
| Investments in associates and joint ventures (note 10)            | 23,531                  | 23,390                   |
| Investment properties – net                                       | 240,920                 | 225,005                  |
| Property and equipment – net                                      | 35,293                  | 35,749                   |
| Deferred tax assets - net   | 13,055                  | 13,041                   |
| Other noncurrent assets (note 11)                                 | 41,768                  | 28,504                   |
| <b>Total Noncurrent Assets</b>                                    | <b>385,142</b>          | <b>365,990</b>           |
| <b>Total Assets</b>   | <b>P654,416</b>         | <b>P668,820</b>          |
| <b>LIABILITIES AND EQUITY</b>                                     |                         |                          |
| <b>Current Liabilities</b>  |                         |                          |
| Short-term debt (note 12)   | P14,684                 | P14,387                  |
| Accounts and other payables (note 13)                             | 155,405                 | 171,999                  |
| Income tax payable  | 3,636                   | 2,588                    |
| Current portion of long-term debt (note 12)                       | 21,958                  | 23,265                   |
| Deposits and other current liabilities (note 14)                  | 16,017                  | 28,545                   |
| <b>Total Current Liabilities</b>                                  | <b>211,700</b>          | <b>240,784</b>           |
| <b>Non-Current Liabilities</b>                                    |                         |                          |
| Long-term debt - net of current portion (note 12)                 | 153,323                 | 149,447                  |
| Pension liabilities   | 1,543                   | 1,550                    |
| Deferred tax liabilities - net                                    | 6,003                   | 5,895                    |
| Deposits and other non-current liabilities (note 15)              | 57,799                  | 50,923                   |
| <b>Total Non-Current Liabilities</b>                              | <b>218,668</b>          | <b>207,815</b>           |
| <b>Total Liabilities</b>  | <b>430,368</b>          | <b>448,599</b>           |
| <b>Equity</b>   |                         |                          |
| Equity attributable to equity holders of Ayala Land, Inc.         |                         |                          |
| Paid-up capital   | 61,978                  | 62,351                   |
| Retained earnings   | 135,584                 | 132,090                  |
| Stock options outstanding   | 66                      | 66                       |
| Remeasurement loss on defined benefit plans                       | (211)                   | (220)                    |
| Net unrealized gain on available-for-sale financial assets        | (329)                   | (454)                    |
| Cumulative translations adjustments                               | 818                     | 868                      |
| Equity reserves (note 16)   | (7,466)                 | (7,401)                  |
|   | 190,440                 | 187,300                  |
| Non-controlling interests   | 33,608                  | 32,921                   |
| <b>Total Equity</b>   | <b>224,048</b>          | <b>220,221</b>           |
| <b>Total Liabilities and Equity</b>                               | <b>P654,416</b>         | <b>P668,820</b>          |

**AYALA LAND, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Millions, Except Earnings Per Share Figures)

|   | 2019 Unaudited<br>January 1 to<br>March 31 | 2018 Unaudited<br>January 1 to<br>March 31 |
|---|--|--|
| <b>REVENUE</b>  |  |  |
| Real estate   | ₱37,438                                    | ₱35,270                                    |
| Interest and Investment Income                          | 1,890                                      | 1,173                                      |
| Equity in net earnings of associates and joint ventures | 263  | 167  |
| Other income  | 89   | 367  |
|   | <b>39,680</b>                              | <b>36,977</b>                              |
| <b>COSTS AND EXPENSES</b>                               |  |  |
| Real estate   | 23,489                                     | 22,079                                     |
| General and administrative expenses                     | 1,991                                      | 1,971                                      |
| Interest and other financing charges                    | 2,605                                      | 2,243                                      |
| Other charges   | 382  | 352  |
|   | <b>28,467</b>                              | <b>26,645</b>                              |
| <b>INCOME BEFORE INCOME TAX</b>                         | <b>11,213</b>                              | <b>10,332</b>                              |
| <b>PROVISION FOR INCOME TAX</b>                         |  |  |
| Current   | 2,948                                      | 3,257                                      |
| Deferred  | (32)                                       | (506)                                      |
|   | <b>2,916</b>                               | <b>2,751</b>                               |
| <b>NET INCOME</b>                                       | <b>₱8,297</b>                              | <b>₱7,581</b>                              |
| Net income attributable to:                             |  |  |
| Equity holders of Ayala Land, Inc.                      | ₱7,322                                     | ₱6,517                                     |
| Non-controlling interests                               | 975  | 1,064                                      |
|   | <b>₱8,297</b>                              | <b>₱7,581</b>                              |
| <b>Earnings Per Share</b>                               |  |  |
| Basic   | ₱0.50                                      | ₱0.44                                      |
| Diluted   | 0.50                                       | 0.44                                       |

## AYALA LAND, INC. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Millions)

|  | 2019 Unaudited<br>January 1 to<br>March 31 | 2018 Unaudited<br>January 1 to<br>March 31 |
|--|--|--|
| <b>NET INCOME</b>  | <b>₱8,297</b>                              | <b>₱7,581</b>                              |
| Other comprehensive income/loss                                      |  |  |
| Net unrealized gain (loss)<br>on available-for-sale financial assets | 134  | 15   |
| <b>Total comprehensive income for the period</b>                     | <b>₱8,431</b>                              | <b>₱7,596</b>                              |
| Total comprehensive income attributable to:                          |  |  |
| Equity holders of Ayala Land, Inc.                                   | ₱7,456                                     | ₱6,532                                     |
| Non-controlling interests  | 975  | 1,064                                      |
|  | <b>₱8,431</b>                              | <b>₱7,596</b>                              |

**AYALA LAND, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Thousands)

|  | Attributable to equity holders of Ayala Land, Inc. |                            |                          |                                |                                  |                           |  |   |                                    |                 |              |                           |                 |              |
|--|--|----------------------------|--------------------------|--------------------------------|----------------------------------|---------------------------|--|---|------------------------------------|-----------------|--------------|---------------------------|-----------------|--------------|
|  | Capital Stock                                      | Additional Paid-in Capital | Subscriptions Receivable | Appropriated Retained Earnings | Unappropriated Retained Earnings | Stock Options Outstanding | Remeasurement Gain (Loss) on Defined Benefit Plans | Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets | Cumulative Translation Adjustments | Equity Reserves | Total        | Non-Controlling Interests | Treasury Shares | Total Equity |
| <b>As of January 1, 2019</b>                       | 16,041,530   | 47,985,990                 | (1,676,556)              | 8,000,000                      | 124,090,020                      | 65,462                    | (219,782)  | (454,138)   | 868,271                            | (7,400,945)     | 187,299,852  | 32,921,345                | -               | 220,221,197  |
| Net income   | -  | -                          | -                        | -                              | 7,322,435                        | -                         | -  | -   | -                                  | -               | 7,322,435    | 974,774                   | -               | 8,297,209    |
| Other comprehensive income (loss)                  | -  | -                          | -                        | -                              | -                                | -                         | 8,670  | 125,481   | (50,406)                           | -               | 83,745       | -                         | -               | 83,745       |
| <b>Total comprehensive income</b>                  | 16,041,530   | 47,985,990                 | (1,676,556)              | 8,000,000                      | 131,412,455                      | 65,462                    | (211,112)  | (328,657)   | 817,865                            | (7,400,945)     | 194,706,032  | 33,896,119                | -               | 228,602,151  |
| Cost of stock options                              | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | 57,685       | -                         | -               | 57,685       |
| Collection of subscription receivable              | -  | -                          | 57,685                   | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | -                         | -               | -            |
| Stock options exercised                            | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | -                         | (448,102)       | (448,102)    |
| Reacquisition of shares                            | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | -                         | -               | -            |
| Acquisition of control on previously held interest | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | -                         | -               | -            |
| Acquisition of non-controlling interest            | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | (288,129)                 | -               | (288,129)    |
| Increase in non-controlling interest               | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | (65,137)        | (65,137)     | -                         | -               | (65,137)     |
| Net change in non-controlling interest             | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | (65,137)        | (65,137)     | -                         | -               | (65,137)     |
| IFRS 2 - Adjustment on share-based payment         | -  | 18,235                     | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | 18,235       | -                         | -               | 18,235       |
| Cash dividends declared                            | -  | -                          | -                        | -                              | (3,828,372)                      | -                         | -  | -   | -                                  | -               | (3,828,372)  | -                         | -               | (3,828,372)  |
| <b>As of March 31, 2019</b>                        | 16,041,530   | 48,004,225                 | (1,618,871)              | 8,000,000                      | 127,584,083                      | 65,462                    | (211,112)  | (328,657)   | 817,865                            | (7,466,082)     | 190,888,443  | 33,607,990                | (448,102)       | 224,048,331  |
| <b>Balance as of January 1, 2018</b>               | 16,031,596   | 47,454,241                 | (1,537,126)              | 8,000,000                      | 101,976,450                      | 99,064                    | (160,015)  | 40,530  | 1,001,986                          | (6,152,115)     | 166,754,611  | 25,508,747                | -               | 192,263,358  |
| Net income   | -  | -                          | -                        | -                              | 6,516,972                        | -                         | -  | -   | -                                  | -               | 6,516,972    | 1,064,368                 | -               | 7,581,340    |
| Other comprehensive income (loss)                  | -  | -                          | -                        | -                              | -                                | -                         | 12,761   | 2,205   | 353,094                            | -               | 368,060      | -                         | -               | 368,060      |
| <b>Total comprehensive income</b>                  | 16,031,596   | 47,454,241                 | (1,537,126)              | 8,000,000                      | 108,493,422                      | 99,064                    | (147,254)  | 42,735  | 1,355,080                          | (6,152,115)     | 173,639,643  | 26,573,115                | -               | 200,212,758  |
| Cost of stock options                              | -  | 18,554                     | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | 18,554       | -                         | -               | 18,554       |
| Collection of subscription receivable              | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | -                         | -               | -            |
| Stock options exercised                            | -  | -                          | -                        | -                              | -                                | 1,421                     | -  | -   | -                                  | -               | 1,421        | -                         | -               | 1,421        |
| Acquisition of control on previously held interest | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | -                         | -               | -            |
| Acquisition of non-controlling interest            | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | -                         | -               | -            |
| Increase in non-controlling interest               | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | -               | -            | 10,765,380                | -               | 10,765,380   |
| Net change in non-controlling interest             | -  | -                          | -                        | -                              | -                                | -                         | -  | -   | -                                  | (13,398,726)    | (13,398,726) | -                         | -               | (13,398,726) |
| Cash dividends declared                            | -  | -                          | -                        | -                              | (3,710,687)                      | -                         | -  | -   | -                                  | -               | (3,710,687)  | (400)                     | -               | (3,711,087)  |
| <b>As of March 31, 2018</b>                        | 16,031,596   | 47,472,795                 | (1,537,126)              | 8,000,000                      | 104,782,735                      | 100,485                   | (147,254)  | 42,735  | 1,355,080                          | (19,550,841)    | 156,550,205  | 37,338,095                | -               | 193,888,300  |

## AYALA LAND, INC. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

|   | March 2019<br>Unaudited | March 2018<br>Unaudited |
|---|-------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                         |                         |
| Income before income tax                                    | P11,213                 | P10,332                 |
| Adjustments for:  |                         |                         |
| Depreciation and amortization                               | 2,024                   | 1,531                   |
| Interest and other charges - net of amount capitalized      | 2,987                   | 2,595                   |
| Equity in net earnings of investees                         | (263)                   | (167)                   |
| Interest and other income                                   | (1,890)                 | (1,173)                 |
| Unrealized gain on financial assets                         | 125                     | 2                       |
| Provision for doubtful accounts                             | -                       | 1                       |
| Operating income before changes in working capital          | 14,196                  | 13,121                  |
| Decrease (increase) in:                                     |                         |                         |
| Accounts and notes receivable – trade                       | 20,672                  | 20,449                  |
| Real estate inventories                                     | 9,473                   | (43)                    |
| Other current assets  | (2,986)                 | (15,988)                |
| Increase (decrease) in:                                     |                         |                         |
| Accounts and other payables                                 | (17,046)                | 7,055                   |
| Pension liabilities   | 2                       | (22)                    |
| Other current liabilities                                   | (12,528)                | (3,258)                 |
| Cash generated from operations                              | 11,783                  | 21,314                  |
| Interest received   | 1,884                   | 1,163                   |
| Income tax paid   | (2,536)                 | (1,663)                 |
| Interest paid - net of amount capitalized                   | (1,869)                 | (2,408)                 |
| Net cash provided by (used in) operating activities         | P9,262                  | P18,406                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                         |                         |
| Disposals of (additions to):                                |                         |                         |
| Investments   | (16,538)                | (20,911)                |
| Property and equipment                                      | (676)                   | (1,665)                 |
| Short term investments                                      | 217                     | (1,051)                 |
| Decrease (increase) in:                                     |                         |                         |
| Noncurrent accounts and notes receivable - non trade        | 4,265                   | (2,927)                 |
| Other assets  | (5,960)                 | (9,515)                 |
| Net cash provided by (used in) investing activities         | P(18,692)               | P(36,069)               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                         |                         |
| Proceeds from short-term / long-term loans                  | P18,209                 | P8,386                  |
| Payments of short-term / long-term loans                    | (15,342)                | (2,167)                 |
| Increase (decrease) in :                                    |                         |                         |
| Deposits and other noncurrent liabilities                   | 6,983                   | 5,625                   |
| Minority interest in consolidated subsidiaries              | (288)                   | 10,765                  |
| Proceeds from capital stock subscriptions                   | 76                      | 20                      |
| Purchase of treasury shares                                 | (448)                   | -                       |
| Other Comprehensive Income                                  | (50)                    | 353                     |
| Dividends paid to equity holders of Ayala Land, Inc.        | (3,828)                 | (3,711)                 |
| Net cash provided by (used in) financing activities         | P5,312                  | P19,271                 |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>P(4,118)</b>         | <b>P1,608</b>           |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>     | <b>23,997</b>           | <b>20,998</b>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>           | <b>P19,879</b>          | <b>P22,606</b>          |



# AYALA LAND, INC. AND SUBSIDIARIES

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

Ayala Land, Inc. (the Company) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 47.04%-owned by Mermac, Inc., 6.59%-owned by Mitsubishi Corporation (MC) and the rest by the public. The Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land, Inc. (ALI) and the following domestic and foreign owned subsidiaries:

|  | Mar 2019* | Dec 2018* |
|--|-----------|-----------|
| <b>Real Estate:</b>  |           |           |
| Alveo Land Corporation (Alveo)   | 100%      | 100%      |
| Serendra, Inc.   | 39        | 39        |
| Solinea, Inc. (Solinea)  | 65        | 65        |
| BGSouth Properties, Inc. (BGS)   | 50        | 50        |
| Portico Land Corp. (Portico)   | 60        | 60        |
| Serendra, Inc.   | 28        | 28        |
| Amorsedia Development Corporation  | 100       | 100       |
| OLC Development Corporation and Subsidiary                                 | 100       | 100       |
| HLC Development Corporation  | 100       | 100       |
| Allysonia International Ltd.   | 100       | 100       |
| Avida Land Corporation (Avida)   | 100       | 100       |
| Buklod Bahayan Realty and Development Corp.                                | 100       | 100       |
| Avida Sales Corp. and Subsidiaries   | 100       | 100       |
| Amicassa Process Solutions, Inc.   | 100       | 100       |
| Avencosouth Corp. (Avencosouth)  | 70        | 70        |
| BGNorth Properties, Inc. (BGN)   | 50        | 50        |
| Amaia Land Co. (Amaia)   | 100       | 100       |
| Amaia Southern Properties, Inc. (ASPI)                                     | 65        | 65        |
| AyalaLand Premier, Inc.  | 100       | 100       |
| Ayala Land International Sales, Inc. (ALISI)                               | 100       | 100       |
| Ayalaland International Marketing, Inc. (AIMI)                             | 100       | 100       |
| Ayala Land International (Singapore) Pte. Ltd.                             | 100       | 100       |
| Ayalaland International Marketing (Hong Kong) Limited (ALIM HK)            | 100       | 100       |
| Ayala Land International Marketing , SRL (ALIM SRL)                        | 100       | 100       |
| Ayala Land International Marketing London                                  | 100       | 100       |
| Ayala Land Sales, Inc.   | 100       | 100       |
| Southportal Properties, Inc.   | 65        | 65        |
| Buendia Landholdings, Inc.   | 100       | 100       |
| Crans Montana Holdings, Inc.   | 100       | 100       |
| Crimson Field Enterprises, Inc.  | 100       | 100       |
| Ecoholdings Company, Inc. (ECI)  | 100       | 100       |
| NorthBeacon Commercial Corporation NBCC)                                   | 100       | 100       |
| Red Creek Properties, Inc.   | 100       | 100       |
| Regent Time International, Limited (Regent Time) (British Virgin Islands)  | 100       | 100       |
| North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated) | 100       | 100       |

|  |     |     |
|--|-----|-----|
| Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation)<br>(Westview)                               | 100 | 100 |
| North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp.<br>(formerly Gisborne Property Holdings, Inc.) | 100 | 100 |
| Hillsford Property Corporation (HPC)   | 100 | 100 |
| Primavera Towncentre, Inc. (PTI)   | 100 | 100 |
| Summerhill E-Office Corporation (Summerhill)   | 100 | 100 |
| Sunnyfield E-Office Corporation (Sunnyfield)   | 100 | 100 |
| Subic Bay Town Centre, Inc.  | 100 | 100 |
| Regent Wise Investments Limited (Regent Wise) (Hongkong company)   | 100 | 100 |
| AyalaLand Real Estate Investments Inc.   | 100 | 100 |
| AyalaLand Advisory Broadway Inc.   | 100 | 100 |
| AyalaLand Development (Canada) Inc.  | 100 | 100 |
| AyalaLand OpenAsia Holdings PTE, Limited   | 100 | 100 |
| Blue Horizons Holdings PTE, Limited  | 100 | 100 |
| Modular Construction Technology (MCT) Bhd.   | 66  | 66  |
| AyalaLand Commercial REIT, Inc. (ALCRI)  | 100 | 100 |
| Arvo Commercial Corporation (Arvo)   | 100 | 100 |
| BellaVita Land Corporation (BellaVita)   | 100 | 100 |
| Nuevo Centro, Inc. (Nuevo Centro)  | 54  | 54  |
| Alviera Country Club, Inc.**   | 50  | 50  |
| Cavite Commercial Town Center, Inc.  | 100 | 100 |
| One Dela Rosa Property Development, Inc.   | 100 | 100 |
| AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo))   | 100 | 100 |
| First Gateway Real Estate Corp.  | 100 | 100 |
| Glensworth Development, Inc. (Glensworth)  | 100 | 100 |
| UP North Property Holdings, Inc.   | 100 | 100 |
| ALO Prime Realty Corporation   | 100 | 100 |
| Makati Cornerstone Leasing Corp.   | 100 | 100 |
| Arca South Commercial Ventures Corp.   | 100 | 100 |
| Capitol Central Commercial Ventures Corp.  | 100 | 100 |
| Bay City Commercial Ventures Corp.   | 100 | 100 |
| Aurora Properties Incorporated   | 80  | 80  |
| Soltea Commercial Corp.  | 16  | 16  |
| Vesta Property Holdings, Inc.  | 70  | 70  |
| Altaraza Prime Realty Corporation  | 100 | 100 |
| Prow Holdings Inc  | 55  | 55  |
| Station Square East Commercial Corporation (SSECC)   | 69  | 69  |
| Next Urban Alliance Development Corp.  | 100 | 100 |
| Accendo Commercial Corp. (Accendo)   | 67  | 67  |
| Avencosouth Corp.  | 20  | 20  |
| Aviana Development Corporation   | 7   | 7   |
| Aviana Development Corporation   | 50  | 50  |
| Cagayan de Oro Gateway Corp. (CDOGC)   | 70  | 70  |
| Ceci Realty, Inc. (Ceci)   | 60  | 60  |
| Soltea Commercial Corp.  | 12  | 12  |
| Soltea Commercial Corp.  | 60  | 60  |
| CMPI Holdings, Inc.  | 60  | 60  |
| CMPI Land, Inc.  | 36  | 36  |
| ALI-CII Development Corporation (ALI-CII)  | 50  | 50  |
| Roxas Land Corporation (RLC)   | 50  | 50  |
| Adauge Commercial Corporation (Adauge)   | 60  | 60  |
| Ayalaland Estates, Inc. (formerly Southgateway Development Corp.)  | 100 | 100 |
| Ayalaland MetroNorth, Inc. (AMNI)  | 100 | 100 |
| Verde Golf Development Corporation   | 100 | 100 |
| North Triangle Depot Commercial Corporation (NTDCC)  | 73  | 73  |
| BGWest Properties, Inc. (BGW)  | 50  | 50  |
| Lagdigan Land Corporation  | 60  | 60  |
| Central Block Developers, Inc.   | 45  | 45  |
| Cebu Holdings, Inc. (CHI)  | 70  | 70  |
| Cebu Leisure Company, Inc.   | 70  | 70  |

|  |     |     |
|--|-----|-----|
| CBP Theatre Management Inc.  | 70  | 70  |
| Taft Punta Engaño Property Inc. (TPEPI)                              | 39  | 39  |
| Cebu Insular Hotel Company, Inc. (CIHCI)                             | 26  | 26  |
| Solinea, Inc.  | 25  | 25  |
| Amaia Southern Properties, Inc. (ASPI)                               | 25  | 25  |
| Southportal Properties, Inc.   | 25  | 25  |
| Central Block Developers, Inc****.                                   | 39  | 39  |
| Alabang Commercial Corporation (ACC)                                 | 50  | 50  |
| South Innovative Theater Management (SITMI)                          | 50  | 50  |
| ALI Commercial Center Inc.   | 100 | 100 |
| AMC Japan Concepts, Inc.***  | 75  | 75  |
| Prime Orion Philippines Inc.   | 70  | 67  |
| FLT Prime Insurance Corp.  | 55  | 55  |
| Orion Solutions, Inc   | 70  | 70  |
| Orion I Holdings Philippines, Inc.                                   | 70  | 70  |
| OE Holdings, Inc.  | 70  | 70  |
| Orion Land Inc.  | 70  | 70  |
| Lepanto Ceramics, Inc.   | 70  | 70  |
| Laguna Technopark, Inc. (LTI)  | 66  | 66  |
| Ecozone Power Management, Inc.                                       | 66  | 66  |
| Ayalaland Malls Synergies, Inc.                                      | 100 | 100 |
| Ayala Land Malls, Inc. (formerly Solerte, Inc.)                      | 100 | 100 |
| AyalaLand Malls Vismin, Inc.   | 100 | 100 |
| AyalaLand Malls NorthEast, Inc.                                      | 100 | 100 |
| <b>Construction:</b>   |     |     |
| Makati Development Corporation (MDC)                                 | 100 | 100 |
| MDC Subic, Inc.  | 100 | 100 |
| MDC Build Plus, Inc.   | 100 | 100 |
| MDC Conqrete, Inc. (MCI)   | 100 | 100 |
| MDC Equipment Solutions, Inc. (MESI)                                 | 100 | 100 |
| MDBI Construction Corp. (formerly MDC Triangle)                      | 67  | 67  |
| <b>Hotels and Resorts:</b>   |     |     |
| Ayala Hotels, Inc. (AHI)   | 50  | 50  |
| AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries     | 100 | 100 |
| ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)  | 80  | 80  |
| ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) | 80  | 80  |
| Asian Conservation Company Limited and Subsidiary                    | 100 | 100 |
| Enjay Hotels, Inc. (Enjay)   | 100 | 100 |
| Greenhaven Property Venture, Inc. (GPVI)                             | 100 | 100 |
| Cebu Insular Hotel Company, Inc. (CIHCI)                             | 63  | 63  |
| Bonifacio Hotel Ventures, Inc.                                       | 100 | 100 |
| Southcrest Hotel Ventures, Inc.                                      | 67  | 67  |
| Northgate Hotel Ventures, Inc.                                       | 70  | 70  |
| North Triangle Hotel Ventures, Inc.                                  | 100 | 100 |
| Ecosouth Hotel Ventures, Inc.  | 100 | 100 |
| Sentera Hotel Ventures Inc.  | 100 | 100 |
| Econorth Resorts Ventures, Inc.                                      | 100 | 100 |
| ALI Triangle Hotel Ventures, Inc.                                    | 100 | 100 |
| Circuit Makati Hotel Ventures, Inc.                                  | 100 | 100 |
| Capitol Centre Hotel Ventures, Inc.                                  | 100 | 100 |
| Arca South Hotel Ventures, Inc.                                      | 100 | 100 |
| Sicogon Town Hotel, Inc.   | 100 | 100 |
| Bay Area Hotel Ventures, Inc.  | 100 | 100 |
| Makati North Hotel Ventures, Inc.                                    | 100 | 100 |
| One Makati Hotel Ventures, Inc.                                      | 100 | 100 |
| Sicogon Island Tourism Estate, Corp.                                 | 100 | 100 |
| Asiatown Hotel Ventures, Inc.***                                     | 100 | 100 |
| One Makati Residential Ventures, Inc.***                             | 100 | 100 |
| ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)  | 20  | 20  |

|  |     |     |
|--|-----|-----|
| ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)           | 20  | 20  |
| Ten Knots Phils., Inc. (TKPI)  | 60  | 60  |
| Bacuit Bay Development Corporation   | 60  | 60  |
| Lio Resort Ventures Inc.   | 60  | 60  |
| North Liberty Resort Ventures Inc.   | 60  | 60  |
| Paragua Eco-Resort Ventures Inc.   | 60  | 60  |
| Lio Tourism Estate Management Corp.  | 60  | 60  |
| Ten Knots Development, Corp. (TKDC)  | 60  | 60  |
| Chirica Resorts Corp.  | 60  | 60  |
| Kingfisher Capital Resources Corp.   | 60  | 60  |
| Pangalusian Island Resort Corporation  | 60  | 60  |
| <b>Property Management:</b>  |     |     |
| Ayala Property Management Corporation (APMC)                                   | 100 | 100 |
| Prime Support Services, Inc.   | 100 | 100 |
| Ayala Theatres Management, Inc. and Subsidiaries                               | 100 | 100 |
| DirectPower Services, Inc. (DirectPower)                                       | 100 | 100 |
| Philippine Integrated Energy Solutions, Inc. (PhilEnergy)                      | 100 | 100 |
| <b>Entertainment:</b>  |     |     |
| Five Star Cinema, Inc.   | 100 | 100 |
| Leisure and Allied Industries Philippines, Inc. (LAIP)                         | 50  | 50  |
| <b>Others:</b>   |     |     |
| ALInet.com, Inc. (ALInet)  | 100 | 100 |
| First Longfield Investments Limited (First Longfield) (Hongkong company)       | 100 | 100 |
| Green Horizons Holdings Limited  | 100 | 100 |
| PCM Formosa Company Limited  | 50  | 50  |
| Esta Galleria, Inc.  | 50  | 50  |
| Aprisa Business Process Solutions, Inc. (Aprisa)                               | 100 | 100 |
| AyalaLand Club Management, Inc.  | 100 | 100 |
| ALI Capital Corp. (formerly Varejo Corp.)                                      | 100 | 100 |
| Integrated Eco-resort Inc.   | 100 | 100 |
| Island Transvoyager, Inc.  | 100 | 100 |
| Arca South Integrated Terminal, Inc.   | 100 | 100 |
| Whiteknight Holdings, Inc. (WHI)   | 100 | 100 |
| Ayalaland Medical Facilities Leasing Inc. (Ayala Land Healthcare Leasing Inc.) | 100 | 100 |
| Anvaya Cove Beach and Nature Club, Inc.**                                      | 73  | 73  |
| Anvaya Cove Golf and Sports Club, Inc.**                                       | 76  | 76  |

\*Includes the Ayala Land group's percentage and effective ownership

\*\* Consolidated in compliance with Philippine Interpretations Committee (PIC) Q&A 2016-02 PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity

\*\*\* Newly incorporated entities in 2018

\*\*\*\* includes CPVD interest in CBDI

AC owns the other 50.0% of AHI. The Company exercises control over AHI. Likewise, the Company, through its 50.0% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP. Accordingly, the accounts of AHI, ACC, BGWest, BGNorth, BGSouth, RLC, ALI-CII and LAIP are consolidated to the accounts of the Company.

#### Changes in the group structure in 2019

##### Prime Orion Philippines, Inc. and Laguna Technopark, Inc.

On 4 February 2019, The Executive Committee of Ayala Land, Inc. (ALI) approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of P800 million. Subsequently, ALI will exchange the 20% equity interest in LTI for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

## Changes in the group structure in 2018

### Prime Orion Philippines, Inc.

On January 24, 2018, ALI acquired an additional 202,774,547 shares of Prime Orion Philippines, Inc. (POPI) amounting to ₱497.7 million. This transaction increased ALI's effective ownership in POPI to 61.29%.

On April 30, 2018, ALI and POPI executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of POPI for an aggregate subscription price of P3,030,750,000.00 in exchange for 30,186 common shares of Laguna Technopark, Inc. (LTI). The subscription and exchange shall be subject to and deemed effective only upon the issuance by the Securities and Exchange Commission of the confirmation of valuation of the shares. This transaction increased ALI's effective ownership in POPI to 69.83%

### MCT Bhd

On January 2, 2018, Ayala Land, Inc., (ALI) through its wholly-owned subsidiary, Regent Wise Investments Limited (RWIL), signed a share purchase agreement to acquire an additional 17.24% share in MCT Bhd (MCT), subject to completion of certain conditions.

On January 5, 2018, the transfer of shares was completed, increasing the Company's shareholding in MCT to 50.19% from 32.95%. RWIL also issued a notice of an unconditional mandatory take-over offer to the Board of Directors of MCT, to acquire all remaining shares of the company that are not already held by RWIL, following the completion of certain conditions to the share purchase agreement.

The mandatory take-over offer made in connection to the acquisition of additional shares in MCT closed as of 5:00 p.m. (Malaysian time) 19 February 2018. Owners of 295,277,682 shares accepted the offer, equivalent to 22.12% of MCT's total outstanding shares. As a result of the offer, ALI's shareholdings in MCT increased from 50.19% to 72.31%.

On March 23, 2018, the Irredeemable Convertible Unsecured Loan Stock of Dato Sri Tong and Tan Sri Barry Go, founders of MCT, were converted into 122,218,357 MCT shares. This resulted in a 6.07% dilution of ALI's stake in MCT as of date of share issuance. As such, the current ownership stake of ALI in MCT is 66.25%.

### Cebu Holdings, Inc.

On June 1, 2018, ALI acquired an additional 46,791,400 shares of Cebu Holdings, Inc. (CHI), amounting to ₱275.8 million. This increased ALI's ownership in CHI to 74.40%.

On June 8, 2018, ALI acquired an additional 12,839,800 shares of CHI amounting to P75.8 million, which increased ALI's effective ownership in CHI to 75.07%.

On November 6, 2018, the Securities and Exchange Commission (SEC), approved the merger between CHI and Cebu Property Ventures and Development Corporation (CPVDC) with CHI as the surviving entity. An additional 77,742,516 shares of CHI was acquired as a result of a swap of CPVDC shares which brought ALI's ownership in CHI to 70.4%.

### One Makati Residential Ventures, Inc.

One Makati Residential Ventures, Inc. is a wholly owned subsidiary of AyalaLand Hotels and Resorts Corp. (AHRC) and was registered with the Securities and Exchange Commission on September 12, 2018. The company was organized primarily for the development of One Ayala Residences.

### AMC Japan Concepts, Inc.

AMC Japan Concepts, Inc. was incorporated on November 15, 2018 and is 75% owned by ALI Commercial Center, Inc. and 25% owned by MC Commercial Property Holdings, Inc. The Company is organized primarily to manage the Glorietta Roofdeck – Japan Town.

### Asiatown Hotel Ventures, Inc.

Asiatown Hotel Ventures, Inc. is a domestic corporation registered with the Securities and Exchange Commission on December 17, 2018. The Company is wholly owned subsidiary of AyalaLand Hotels and Resorts Corp. (AHRC) and was organized primarily for the development of Seda Cebu IT Park.

## **2. Basis of Financial Statement Preparation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2018 annual audited consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements, as of, and for the year ended December 31, 2018.

The preparation of the financial statements in compliance with Philippine Financial Reporting Standards (PFRS) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying unaudited condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the unaudited condensed consolidated financial statements. Actual results could differ from such estimates.

The unaudited condensed consolidated financial statements include the accounts of Ayala Land, Inc. (herein referred to as "the Company") and its subsidiaries collectively referred to as "Group."

The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), the Group's functional currency, and rounded to the nearest thousands (₱000) except when otherwise indicated.

On May 07, 2019, the Audit Committee approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of Ayala Land, Inc. and subsidiaries.

## **3. Summary of Significant Accounting Policies**

### Basis of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of the Group as of December 31, 2018 and March 31, 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvements with the investee and has the ability to affect the return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights, to variable return from the involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from the other contractual arrangements, and
- The Groups' voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statements of financial position, separately from the Company's equity. Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity,
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss, and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those of the previous Group's annual financial statements for the year ended December 31, 2018, except for the adoption of the following new standards and amended PFRS which became effective in January 1, 2019.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest (SPPI) on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

The Group is currently assessing the impact of adopting this interpretation.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.



- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. The Group is currently assessing the impact of adopting this interpretation.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

- *Annual Improvements to PFRSs 2015 – 2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The Group is currently assessing the impact of adopting this amendment.

#### *Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

#### 4. Cash and Cash Equivalents

This account consists of the following:

| (in million pesos) | March 31, 2019<br>(Unaudited) | December 31, 2018<br>(Audited) |
|--------------------|-------------------------------|--------------------------------|
| Cash on Hand       | P61                           | P57                            |
| Cash in Banks      | 13,058                        | 14,461                         |
| Cash Equivalents   | 6,760                         | 9,478                          |
| <b>TOTAL</b>       | <b>P19,879</b>                | <b>P23,997</b>                 |

Cash in banks earn interest based on the respective bank deposit rates. Cash equivalents are short term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest based on the respective short-term investment rates.

There is no restriction on the Group's cash balances as of March 31, 2019 and December 31, 2018.

#### 5. Short-term Investments

Short-term investments consist of money market placements made for varying periods of more than three (3) months and up to one (1) year and earn interest at the respective short-term investment rates.

The annual interest rates of the short-term investments are as follows:

|                 | March 31, 2019<br>(Unaudited) | December 31, 2018<br>(Audited) |
|-----------------|-------------------------------|--------------------------------|
| Philippine Peso | 1.125% to 5.75%               | 1.8% to 2.9%                   |
| US Dollar       | 2.875% to 3.375%              | 2.2% to 3.3%                   |

#### 6. Financial Assets at FVPL

This account consists of the following:

| (in million pesos)                              | March 31, 2019<br>(Unaudited) | December 31, 2018<br>(Audited) |
|---|-------------------------------|--------------------------------|
| Investment in Arch Capital Fund                 | P392                          | P391                           |
| Investment in Unit Investment Trust Fund (UITF) | 87                            | 86                             |
| <b>TOTAL</b>                                    | <b>P480</b>                   | <b>P476</b>                    |

Investment in ARCH Capital Fund pertains to monetary interest in a fund in which the management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

The Group invests in money market Unit Investment Trust Funds (UITF) which aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments and with no minimum holding period requirement.

## 7. Accounts and Notes Receivables

The account consists of:

| (in million pesos)                         | March 31, 2019<br>(Unaudited) | December 31, 2018<br>(Audited) |
|--|-------------------------------|--------------------------------|
| Trade:                                     |                               |                                |
| Residential and office development         | ₱79,328                       | ₱36,430                        |
| Contract Assets                            | -                             | 83,910                         |
| Shopping centers                           | 2,977                         | 2,686                          |
| Construction contracts                     | 1,635                         | 1,873                          |
| Corporate business                         | 4,973                         | 4,886                          |
| Management fees                            | 200                           | 86                             |
| Others                                     | 3,385                         | 3,102                          |
| Advances to other companies                | 17,566                        | 19,824                         |
| Accrued receivables                        | 6,791                         | 6,803                          |
| Receivables from related parties (Note 15) | 4,994                         | 5,683                          |
| Receivables from employees                 | 890                           | 1,113                          |
|  | 122,739                       | 166,396                        |
| Less allowance for impairment losses       | 912                           | 872                            |
|  | 121,827                       | 165,524                        |
| Less noncurrent portion                    | 29,284                        | 38,805                         |
|  | <b>₱92,543</b>                | <b>₱126,719</b>                |

The classes of trade receivables of the Group are as follows:

- Residential and office development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; sale of office units; and leisure community developments
- Construction contracts - pertain to receivables from third party construction projects
- Shopping centers - pertain to lease receivables from retail spaces
- Corporate business - pertain to lease receivables from office and factory buildings; and receivables from the sale of office buildings and industrial lots
- Management fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Advances to other companies includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The Group does not intend that these advances will be repaid, but will instead be recorded as part of the project costs upon development or as part of consideration for purchases of land. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.

Advances to other companies also includes Receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

Accrued receivables and receivables from related parties are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group's employees which are collectible through salary deduction, are interest-bearing and payable on various maturity dates.

The Group entered into agreements with BPI Asset Management and Trust Corporation in 2018 and for the assignment of interest-bearing employee receivables amounting to ₱11.3 million. The transactions were without recourse and did not result to any gain or loss.

The Group sold real estate receivables on a without recourse basis to partner mortgage banks, which include BPI Family Savings Bank, a related party, totaling to ₱4,231 million in 1<sup>st</sup> quarter 2019 and ₱12,867 million in 2018. These were sold at discount with total proceeds of ₱3,937 million and ₱12,042 million, respectively. The Group recognized loss on sale, under "Other Charges" amounting to ₱294 million and ₱825 million in 1<sup>st</sup> quarter 2019 and 2018, respectively.

As of March 31, 2019, (unaudited) aging analysis of past due but not impaired trade receivables presented per class, follow:

| March 31, 2019<br>(in millions)    | Neither Past<br>Due nor<br>Impaired | Past Due but not impaired |               |               |                |                | Total          | Individually<br>Impaired | Total           |
|------------------------------------|-------------------------------------|---------------------------|---------------|---------------|----------------|----------------|----------------|--------------------------|-----------------|
|                                    |                                     | <30<br>days               | 30-60<br>days | 61-90<br>days | 91-120<br>days | >120<br>days   |                |                          |                 |
| <b>Trade</b>                       | ₱80,834                             | ₱2,306                    | ₱1,347        | ₱1,340        | ₱1,335         | ₱4,955         | ₱11,283        | ₱381                     | ₱92,498         |
| Residential                        | 71,039                              | 1,474                     | 753           | 929           | 1,216          | 3,917          | 8,289          | -                        | 79,328          |
| Shopping centers                   | 1,098                               | 498                       | 331           | 357           | 45             | 510            | 1,741          | 138                      | 2,977           |
| Construction contracts             | 1,140                               | 259                       | 128           | 21            | 1              | 60             | 469            | 26                       | 1,635           |
| Corporate business                 | 4,242                               | 58                        | 121           | 17            | 48             | 337            | 581            | 150                      | 4,973           |
| Management Fees                    | 146                                 |                           | 9             | 5             | 9              | 18             | 41             | 13                       | 200             |
| Others                             | 3,169                               | 17                        | 5             | 11            | 16             | 113            | 162            | 54                       | 3,385           |
| <b>Advances to Other Companies</b> | 11,787                              | 569                       | 79            | 6             | 60             | 5,007          | 5,721          | 58                       | 17,566          |
| <b>Accrued Receivables</b>         | 5,565                               | 140                       | 22            | 243           | 219            | 602            | 1,226          | -                        | 6,791           |
| <b>Related Parties</b>             | 3,626                               | 379                       | 224           | 133           | 66             | 566            | 1,368          | -                        | 4,994           |
| <b>Receivables from employees</b>  | 594                                 | 6                         | 155           | 2             | 4              | 129            | 296            | -                        | 890             |
| <b>Total</b>                       | <b>₱102,406</b>                     | <b>₱3,400</b>             | <b>₱1,827</b> | <b>₱1,724</b> | <b>₱1,684</b>  | <b>₱11,259</b> | <b>₱19,894</b> | <b>₱439</b>              | <b>₱122,739</b> |

## 8. Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

NRV is the estimated selling price in the ordinary course of business based on market prices at the reporting date less estimated costs of completion and the estimated costs of sale.

PIC Q&A No. 2018-11, correct classification of land held by real estate developers.

The Q&A requires land approved by the Board of Directors of a real estate developer to be held for sale in the ordinary course of business to be classified as inventory in accordance with PAS 2, Inventories. Otherwise, the land should be accounted for as investment property in accordance with PAS 40, Investment Property.

| (in million pesos)           | Inventories/<br>Current Assets | Investment Properties/<br>Noncurrent Assets |
|------------------------------|--------------------------------|---|
| <b>Land and Improvements</b> |                                |   |
| <b>March 31, 2019</b>        | 32,148                         | 59,409                                      |
| <b>December 30, 2018</b>     | 21,750                         | 56,929                                      |

## 9. Other Current Assets

This account consists of:

| (in thousand pesos)                     | As of<br>Mar 31, 2019 | As of<br>Dec 31, 2018 |
|---|-----------------------|-----------------------|
| Value-added input tax                   | P14,525,113           | P13,763,265           |
| Prepaid expenses                        | 24,203,687            | 12,574,213            |
| Advances to contractors                 | 11,441,101            | 11,400,879            |
| Creditable withholding taxes            | 3,930,376             | 3,586,572             |
| Materials, parts and supplies – at cost | 656,499               | 659,363               |
| Others                                  | 3,851,059             | 2,196,930             |
| <b>Total</b>                            | <b>P 58,607,835</b>   | <b>P44,181,222</b>    |

Value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.

Prepaid expenses consist of prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Advances to contractors represents prepayments for the construction of inventories.

Creditable withholding taxes are applied against income tax payable.

Materials, parts and supplies pertain to inventories to be used in the construction and maintenance of projects.

Others include deferred charges and letters of credit. Deferred charges pertain to project-related costs already paid but not yet consumed in the actual construction activities.

## 10. Investment in Associates and Joint Ventures

Details of the group's investments in associates and joint ventures and the related percentages of ownership are shown below:

| (in thousand pesos)   | Percentages of Ownership |                         | Carrying Amounts        |                         |
|---|--------------------------|-------------------------|-------------------------|-------------------------|
|   | As of<br>Mar 31<br>2019  | As of<br>Dec 31<br>2018 | As of<br>Mar 31<br>2019 | As of<br>Dec 31<br>2018 |
| <b>Joint Ventures:</b>  |                          |                         |                         |                         |
| Emerging City Holdings, Inc. (ECHI)                                 | 50%                      | 50%                     | 3,985,768               | 3,911,350               |
| Berkshires Holdings, Inc. (BHI)                                     | 50%                      | 50%                     | 1,965,280               | 1,933,313               |
| Cebu District Property Enterprise, Inc. (CDPEI)                     | 35%                      | 35%                     | 1,458,252               | 1,464,432               |
| Alveo-Federal Land Communities, Inc.                                | 50%                      | 50%                     | 805,709                 | 789,078                 |
| ALI-ETON Property Development Corporation                           | 50%                      | 50%                     | 2,112,167               | 2,108,668               |
| AyaGold Retailers, Inc. (AyaGold)                                   | 50%                      | 50%                     | 161,984                 | 160,484                 |
| BYMCW, Inc.   | 31%                      | 31%                     | 55,500                  | 55,500                  |
| SIAL Specialty Retailers, Inc. (SIAL Specialty)                     | 50%                      | 50%                     | 26,462                  | 26,462                  |
| AKL Properties, Inc.  | 50%                      | 50%                     | 1,942,435               | 1,942,621               |
|   |                          |                         | <b>12,513,558</b>       | <b>12,391,910</b>       |
| <b>Associates:</b>  |                          |                         |                         |                         |
| OCLP Holdings, Inc. (OHI)   | 21%                      | 21%                     | 8,214,005               | 8,090,085               |
| Bonifacio Land Corp. (BLC)  | 10%                      | 10%                     | 1,456,760               | 1,427,555               |
| Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)                 | 49%                      | 49%                     | 680,999                 | 793,945                 |
| Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City) | 40%                      | 40%                     | 468,838                 | 470,118                 |
| Mercado General Hospital, Inc. (MGHI)                               | 33%                      | 33%                     | 156,085                 | 178,044                 |
| Lagoon Development Corporation                                      | 30%                      | 30%                     | 40,737                  | 38,095                  |
|   |                          |                         | <b>11,017,422</b>       | <b>10,997,842</b>       |
| <b>Total</b>  |                          |                         | <b>23,530,980</b>       | <b>23,389,752</b>       |

### Sial CVS Retailers, Inc.

On Jan 11, 2018, SIAL CVS Retailers, Inc., FamilyMart Co., Ltd., and ITOCHU Corporation have concluded the transaction to sell 100% of the outstanding shares of Philippine FamilyMart CVS, Inc. (PFM) to P-H-O-E-N-I-X Petroleum Philippines, Inc. (PNX), further to a Memorandum of Agreement (MOA) entered into by the parties last October 30, 2017.

### Financial information of the associates with material interest:

#### OCLP Holdings, Inc. (OHI)

OHI owns 99.5% interest in Ortigas & Company Limited Partnership (OCLP), an entity engaged in real estate development and leasing businesses. In 2016, ALI acquired a 21.1% stake in OHI consistent with its thrust of expanding its operations to other areas within and outside of Metro Manila through partnerships. The acquisition was made possible via the purchase of shares from existing OHI shareholders and this was recorded under "Investments in associates and joint ventures" account. Below is the summarized financial information for OHI:

| (in thousand pesos)                                      | As of               | As of               |
|--|---------------------|---------------------|
| <b>OCLP Holdings, Inc.</b>                               | <b>Mar 31, 2019</b> | <b>Dec 31, 2018</b> |
| Current assets   | 20,457,269          | 18,303,587          |
| Noncurrent assets  | 16,353,778          | 16,354,455          |
| Current liabilities                                      | 10,392,945          | 8,827,937           |
| Noncurrent liabilities                                   | 18,619,161          | 18,713,282          |
| Equity   | 7,798,941           | 7,116,823           |
| Proportion of Group's ownership                          | 21.0%               | 21.1%               |
| Group's share in identifiable net assets                 | 1,637,778           | 1,501,650           |
| Carrying amount of the investment                        | 8,214,005           | 8,090,085           |
| Fair value adjustments                                   | 6,576,227           | 6,588,435           |
| Negative Goodwill  | -                   | 148,046             |
| Dividends received                                       | -                   | 27,308              |
| Revenue  | 2,666,848           | 9,278,509           |
| Cost and expenses  | (1,967,050)         | (7,467,724)         |
| Net income (continuing operations)                       | 699,798             | 1,810,785           |
| Group's share in net income for the year                 | 146,958             | 382,076             |
| Total comprehensive income                               | 694,200             | 1,810,785           |
| Group's share in total comprehensive income for the year | 145,782             | 382,076             |

#### Bonifacio Land Corporation (BLC)

The Group has 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. Bonifacio Land Corp. is a private company incorporated on October 20, 1994 and there is no quoted market price available for its shares. Its registered office and principal place of business is Taguig, Philippines.

Below is the summarized financial information of BLC:

| (in thousand pesos)                      | As of               | As of               |
|--|---------------------|---------------------|
| <b>Bonifacio Land Corporation</b>        | <b>Mar 31, 2019</b> | <b>Dec 31, 2018</b> |
| Current assets                           | 5,206,066           | 5,036,409           |
| Noncurrent assets                        | 37,736,692          | 37,539,401          |
| Current liabilities                      | 3,590,179           | 3,798,971           |
| Noncurrent liabilities                   | 6,611,565           | 6,558,980           |
| Equity                                   | 32,741,014          | 32,217,859          |
| Less: noncontrolling interest            | 14,703,303          | 14,491,952          |
| Equity attributable to Parent Company    | 18,037,711          | 17,725,907          |
| Proportion of Group's ownership          | 10.1%               | 10.1%               |
| Group's share in identifiable net assets | 1,821,809           | 1,790,317           |
| Carrying amount of the investment        | 1,456,760           | 1,427,555           |

|                    |           |           |
|--------------------|-----------|-----------|
| Negative Goodwill  | (365,049) | (362,762) |
| Dividends received | -         | 70,731    |

|  |           |             |
|--|-----------|-------------|
| Revenue  | 1,323,689 | 4,925,102   |
| Cost and expenses  | (697,773) | (2,906,515) |
| Net income (continuing operations)                       | 625,916   | 2,018,587   |
| Net income attributable to minority interest             | (296,385) | (944,922)   |
| Net income attributable to parent                        | 329,531   | 1,073,665   |
| Group's share in net income for the year                 | 33,283    | 108,440     |
| Total comprehensive income attributable to parent        | 329,531   | 1,073,665   |
| Group's share in total comprehensive income for the year | 33,283    | 108,440     |

Aggregate financial information on associates with immaterial interest:

Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI and others

| (in thousand pesos)  | As of<br>Mar 31, 2019 | As of<br>Dec 31, 2018 |
|--|-----------------------|-----------------------|
| <b>Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI, others</b> |                       |                       |
| Carrying amount  | 1,346,658             | 1,480,203             |
| Share in net income (loss) from continuing operations      | (23,155)              | (88,321)              |
| Share in total comprehensive income (loss)                 | (23,155)              | (88,321)              |

Emerging City Holdings, Inc. (ECHI)

The Group has 50% interest in ECHI, which serves as The Group's corporate vehicle in the acquisition of a controlling stake in Bonifacio Land Corp./ Fort Bonifacio Development Corp. (FBDC) through Columbus Holdings, Inc. in 2003. FBDC continues to sell commercial lots and condominium units and leases out retail and office spaces in Bonifacio Global City. Below is the summarized financial information of ECHI:

| (in thousand pesos)                                      | As of<br>Mar 31, 2019 | As of<br>Dec 31, 2018 |
|--|-----------------------|-----------------------|
| <b>Emerging City Holdings, Inc.</b>                      |                       |                       |
| Current assets   | 10,600,937            | 10,420,615            |
| Noncurrent assets  | 32,546,286            | 32,372,361            |
| Current liabilities                                      | 3,152,882             | 3,285,205             |
| Noncurrent liabilities                                   | 7,447,910             | 7,479,522             |
| Equity   | 32,546,432            | 32,028,249            |
| Less: minority interest                                  | 22,796,638            | 22,464,296            |
| Equity   | 9,749,794             | 9,563,953             |
| Proportion of Group's ownership                          | 50.0%                 | 50.0%                 |
| Group's share in identifiable net assets                 | 4,874,897             | 4,781,976             |
| Carrying amount of the investment                        | 3,985,768             | 3,911,350             |
| Fair value adjustments                                   | 889,129               | 870,626               |
| Dividends received                                       | -                     | 200,000               |
| Revenue  | 1,324,863             | 5,315,083             |
| Cost and expenses  | (699,456)             | (3,112,379)           |
| Net income (continuing operations)                       | 625,406               | 2,202,704             |
| Net income attributable to minority interest             | (453,813)             | (1,405,934)           |
| Net income attributable to parent                        | 171,594               | 796,770               |
| Group's share in net income for the year                 | 85,797                | 398,385               |
| Total comprehensive income attributable to parent        | 173,273               | 798,535               |
| Group's share in total comprehensive income for the year | 86,637                | 399,267               |



## AKL Properties, Inc.

AKL Properties, Inc. is a 50:50 joint venture between Ayala Land, Inc. and Royal Asia Land, Inc., and is organized primarily for future mixed-use development in South Luzon area. Below is the summarized financial information for AKL:

| (in thousand pesos)                                      | As of               | As of               |
|--|---------------------|---------------------|
| <b>AKL Properties, Inc.</b>                              | <b>Mar 31, 2019</b> | <b>Dec 31, 2018</b> |
| Current assets   | 209,603             | 141,844             |
| Noncurrent assets  | 3,696,154           | 3,765,838           |
| Current liabilities                                      | 20,886              | 22,439              |
| Noncurrent liabilities                                   | -                   | -                   |
| Equity   | 3,884,871           | 3,885,243           |
| Proportion of Group's ownership                          | 50.0%               | 50.0%               |
| Group's share in identifiable net assets                 | 1,942,435           | 1,942,621           |
| Carrying amount of the investment                        | 1,942,435           | 1,942,621           |
| Fair value adjustments                                   | -                   | -                   |
| Negative Goodwill  | -                   | -                   |
| Dividends received                                       | -                   | -                   |
| Revenue  | -                   | 255                 |
| Cost and expenses  | (372)               | 4,807               |
| Net income (continuing operations)                       | (372)               | 5,063               |
| Group's share in net income for the year                 | (186)               | 2,531               |
| Total comprehensive income attributable to parent        | (372)               | 5,063               |
| Group's share in total comprehensive income for the year | (186)               | 2,531               |

## BHI, CDPEI, Alveo-Federal, ALI-Eton, SIAL Specialty, AyaGold and BYMCW, Inc

| (in thousand pesos)  | As of              | As of              |
|--|--------------------|--------------------|
| <b>BHI, CDPEI, Alveo-Federal, ALI-Eton, SIAL Specialty, AyaGold and BYMCW, Inc</b> | <b>Mar 31 2019</b> | <b>Dec 31 2018</b> |
| Carrying amount  | 6,585,354          | 6,537,938          |
| Share in net income (loss) from continuing operations                              | 47,728             | 174,892            |
| Share in total comprehensive income (loss)   | 47,728             | 174,892            |

### 11. Other noncurrent assets

This account consists of:

| (in thousand pesos)     | As of               | As of               |
|-------------------------|---------------------|---------------------|
|                         | <b>Mar 31, 2019</b> | <b>Dec 31, 2018</b> |
| Advances to contractors | <b>₱7,325,293</b>   | ₱9,355,940          |
| Prepaid expenses        | <b>21,872,508</b>   | 9,026,562           |
| Leasehold rights        | <b>8,640,426</b>    | 4,079,828           |
| Deferred input VAT      | <b>1,399,547</b>    | 3,025,078           |
| Deposits - others       | <b>2,189,748</b>    | 2,134,677           |
| Net pension assets      | <b>72,066</b>       | 62,065              |
| Development rights      | -                   | 49,157              |
| Others                  | <b>268,532</b>      | 770,690             |
| <b>Total</b>            | <b>₱41,768,118</b>  | ₱28,503,997         |

Advances to contractors represents prepayments for the construction of investment properties and property and equipment.

Prepaid expenses consist of project costs incurred for unlaunched projects of the Group, advance rental payments, noncurrent prepaid management fees, commissions and advertising and promotions.

Leasehold rights consist of the following:

- Through the acquisition of POPI, ALI acquired leasehold rights arising from their lease agreement with Philippine National Railways (PNR).
- TKPI's leasehold rights pertains to the right to use the property in Apulit Island located in Taytay, Palawan expiring on December 31, 2029.
- NTDCC's leasehold rights refer to development rights on an 8.3-hectare portion of the MRT Development Corporation, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center.

Movements during the period are as follows:

| (in thousand pesos)                     | Mar 31, 2019      | Dec 31, 2018      |
|---|-------------------|-------------------|
| Balance at beginning of year            | P4,079,828        | P4,463,862        |
| Right of use asset                      | 4,590,409         | -                 |
| Amortization                            | (29,812)          | (384,034)         |
| <b>Balance at the end of the period</b> | <b>P8,640,426</b> | <b>P4,079,828</b> |

Deferred input VAT pertains to unamortized VAT portion from purchases of capital goods

Deposits - others pertain to various utility deposits and security deposits for leases.

Development rights pertain to the saleable and non-saleable development rights acquired by the parent company. The non-saleable portion is allocated to the gross floor area of a structure in a particular lot that can be developed in the future. The development rights are capitalized as additional cost of the structure once the development commences.

Others pertain to prepayments for expenses that is amortized for more than one year.

## 12. Short-Term and Long-Term Debt

The short-term debt of P10,782.0 billion and P13,500.9 billion as of March 31, 2019 and December 31, 2018, respectively. In compliance with BSP rules on directors, officers, stockholders and related interests, certain short-term and long-term debt with a carrying value of P13,036.9 million and P14,298.8 million as of March 31, 2019 and December 31, 2018 are secured by a real estate mortgages dated September 2, 2014 and March 14, 2016 covering both land and building of the Greenbelt Mall.

Peso-denominated short-term loans had a weighted average cost of 5.47% and 5.01% per annum for the nine-month period ending March 31, 2019 and for the year ending December 31, 2018, respectively.

Long-term debt consists of:

| (in thousand pesos)                | March 31, 2019 | December 31, 2018 |
|------------------------------------|----------------|-------------------|
| Company:                           |                |                   |
| Bonds:                             |                |                   |
| Due 2019                           | P12,332,530    | P12,332,530       |
| Due 2020                           | 4,000,000      | 4,000,000         |
| Due 2022                           | 12,650,000     | 12,650,000        |
| Due 2023                           | 15,000,000     | 15,000,000        |
| Due 2024                           | 15,000,000     | 15,000,000        |
| Due 2025                           | 15,000,000     | 15,000,000        |
| Due 2026                           | 8,000,000      | 8,000,000         |
| Due 2027                           | 7,000,000      | 7,000,000         |
| Due 2028                           | 10,000,000     | 10,000,000        |
| Due 2033                           | 2,000,000      | 2,000,000         |
| Short-dated notes                  | 4,300,000      | 7,100,000         |
| Fixed Rate Corporate Notes (FXCNs) | 5,747,500      | 5,770,000         |

|                                     |                    |                    |
|-------------------------------------|--------------------|--------------------|
| PHP-denominated long-term loan      | 35,844,153         | 29,465,677         |
|                                     | 146,874,183        | 143,318,207        |
| Subsidiaries:                       |                    |                    |
| Bonds                               |                    |                    |
| Due 2021                            | ₱5,000,000         | ₱5,000,000         |
| Bank Loans – Philippine Peso        | 23,239,959         | 20,350,585         |
| FXCNs                               | 1,378,125          | 1,387,500          |
|                                     | 29,618,084         | 30,123,671         |
|                                     | 176,492,267        | 173,441,878        |
| Less: Unamortized Transaction Costs | 1,211,302          | 729,756            |
|                                     | 175,280,965        | 172,712,122        |
| Less: Current Portion               | 21,957,962         | 23,265,173         |
|                                     | <b>153,323,003</b> | <b>149,446,949</b> |

#### *Philippine Peso 5-year Bonds due 2023*

On October 5, 2018, the company issued and listed on the Philippine Dealing & Exchange Corp. a P8,000.0 million bond due October 2023 with a coupon of 7.0239% p.a. The Bond was assigned an issue credit rating of PRS AAA with a Stable Outlook, by the Philippine Rating Services Corp., the highest grade indicating minimal credit risk. The issuance represents the final tranche of the Company's P50,000.0 million, three-year debt securities program, approved by the Securities and Exchange Commission (SEC) in March 2016. Seven investment banks comprised the Joint Lead Underwriters and Joint Bookrunners of the issuance, the largest syndicate of underwriters assembled by the Company since 2014.

#### *Philippine Peso 10-year Bonds due 2028*

On April 27, 2018, the company issued and listed on the Philippine Dealing & Exchange Corp. a P10,000.0 million bond due April 2028 with a coupon rate of 5.9203% p.a. for the initial five-year period of the ten-year term of the bond. The coupon rate will reprice on April 27, 2023, the fifth anniversary of the Issue Date, at the higher of (a) 5.9203% or (b) the prevailing 5-year benchmark plus 75 bps which shall apply to all interest payments thereafter. The Bond was assigned an issue credit rating of PRS AAA, with a Stable Outlook, by Philratings, the highest investment grade indicating minimal credit risk. The issuance is the fifth tranche of the Fixed Rate Bond series of the Company's P50,000.0 million Debt Securities Program as approved by the Securities and Exchange Commission (SEC) in March 2016.

#### *Philippine Peso 15-month Notes due 2019*

In November 2017, the Company issued and listed on the Philippine Dealing & Exchange Corp. a P3,100.0 million Corporate Note. This Note issue is the second SEC-registration exempt transaction of the Company under Section 10.1(l) of the Securities Regulation Code (SRC) and in reliance upon Sections 10.1.3 and 10.1.4 of the Implementing Rules and Regulations of the SRC. Similar to the Company's prior Notes issuance in July, these Notes were offered exclusively to Qualified Institutional Buyers as defined under 10.1(l) of the SRC. The Notes bear a fixed interest rate of 3.25% p.a. and will mature in on February 2019.

#### *Philippine Peso 21-month Note due 2019*

In July 2017, the Company issued and listed on the Philippine Dealing & Exchange Corp. a P4,300.0 million Corporate Note. This Note issue is an SEC-registration exempt transaction under Section 10.1(l) of the Securities Regulation Code (SRC) and Section 10.1.3 of the 2015 Implementing Rules and Regulations of the SRC. Thus, the Note was offered on a limited basis to juridical persons or entities who, at the point of offer or sale, were Qualified Buyers. The Notes bear a fixed interest rate of 2.75% p.a. The Corporate Notes will mature in April 2019.

#### *Philippine Peso 10-year Fixed Rate Bonds due 2027*

In May 2017, the Company issued a total of P7,000.0 million bonds due 2027 at a fixed rate equivalent to 5.2624% p.a. The Bonds have been rated PRS Aaa by PhilRatings, which is considered the highest

quality with minimal credit risk. The bond issue is the fourth tranche of the Fixed Rate Bond series registered under the Company's P50 Billion Debt Securities Program as approved by the SEC in March 2016.

*Philippine Peso 7-year Fixed Rate Bonds due 2023*

In October 2016, the Company issued a total of P7,000.0 million bonds due 2023 at a fixed rate equivalent to 3.8915% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong. The bond issue is the third tranche of the Fixed Rate Bond series registered under the Company's P50 Billion Debt Securities Program as approved by the SEC in March 2016.

*Philippine Peso Homestarter Bond due 2019*

In October 2016, the Company issued at an aggregate principal amount of P3,000.0 million of bonds representing the first tranche of the Homestarter Bond series registered under the Company's P50 Billion Debt Securities Program as approved by the SEC in March 2016. The bonds have a term of three (3) years from the issue date, and bear interest on its principal amount at a fixed rate of 3.00% p.a. Interest is payable semi-annually or on the date of effectivity of an Early Downpayment Application, as may be applicable, less the amount of any applicable withholding taxes. The bond was the first Homestarter Bond listed on the PDEX.

*Philippine Peso 9.5-year Fixed Rate Bonds due 2025*

In April 2016, the Company issued a total of P7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong. The bond issue is the second tranche of the Fixed Rate Bond series registered under the Company's P50 Billion Debt Securities Program as approved by the SEC in March 2016.

*Philippine Peso 10-year Fixed Rate Bonds due 2026*

In March 2016, a registration statement filed by the Company covering the P50 Billion Debt Securities Program was rendered effective by the SEC. Under which, the Company issued the first tranche of Fixed Rate Bond series amounting to P8,000.0 million due 2026 at a rate equivalent to 4.85% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

*Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022*

In April 2015, the Company issued a total of P7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

*Philippine Peso 8.0 Billion Fixed Rate Bonds due 2025*

In April 2014, the Company issued a total of P8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.625% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

*Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033*

In October 2013, the Company issued a total of P6,000.0 million bonds, broken down into a P4,000.0 million bond due 2020 at a fixed rate equivalent to 4.625% p.a. and a P2,000.0 million bond due 2033 at a fixed rate equivalent to 6.000% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

*Philippine Peso 10-year and 6-month Bonds due 2024*

In July 2013, the company issued a total of P15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

#### *Philippine Peso 10-year Note due 2022*

In December 2012, the Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.50%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date.

#### *Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022*

In April 2012, the Company issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond, due 2019, at a fixed rate equivalent to 5.625% p.a. and a ₱5,650.0 million bond, due 2022, at a fixed rate equivalent to 6.000% p.a. The Philippine Rating Services Corporation (“PhilRatings”) assigned a PRS AAA rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS AAA is the highest credit rating possible on PhilRatings’ rating scales for long-term issuances.

#### *Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026*

In January 2011, the Company issued ₱10,000.0 billion FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.62% to 7.50% p.a. depending on the term of the notes. The Company prepaid ₱ 1.95 billion of notes due in 2016 on January 19, 2013. In 2014, the Company paid ₱50.8 million for the matured portion of the loan.

#### *Peso-denominated Long-term Loans*

In March 2018, the Company executed and drew in one lump sum a ₱5,000.0 billion long-term facility. The loan has a fixed interest rate of 6.9062% for 10 years inclusive of Gross Receipt Tax (GRT).

In March 2017, the Company executed a ₱10,000.0 billion long-term facility and had an initial drawdown of ₱5,000.0 billion. The loan has a fixed interest rate of 4.949% for 10 years inclusive of GRT. The balance of ₱5,000.0 billion was drawn in April 2017.

In August to September 2015, the Company assumed an aggregate of ₱15,442.3 million various long-term facilities of some Subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.725% p.a. and terms ranging from 4.4 years to 10.5 years. In March 2016, the Company additionally assumed from ALI Makati Hotel Property, Inc. US\$30.0 million in long-term loans from the Bank of the Philippine Islands. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR) and is repriced quarterly.

#### Subsidiaries

The subsidiaries’ loans will mature on various dates up to 2028. Peso-denominated loans bear various floating interest rates at 60 bps to 80 bps spread over the benchmark 91-day PDST-R2 or and fixed interest rates ranging from 3.8869% to 5.5282% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to (i) 95.0% or par of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or (ii) the BSP Overnight Rate plus a spread of 20 bps to 75 bps p.a or (iii) the average of the BSP Overnight Deposit Rate and Term Deposit Facility Rate with a term closed to the 90-day interest period. The total outstanding balance of the subsidiaries’ loans as of March 31, 2019 and December 31, 2018 amounted to ₱24,618.5 million and ₱21,738.1 million

### *Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021*

In September 2014, Cebu Holdings, Inc. issued a total of P=5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.32% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of March 31, 2019 and December 31, 2018.

### **13. Accounts and Other Payables**

The accounts and other payables as of March 31, 2019 is broken down as follows:

| <b>Accounts and other payables</b><br>(in million pesos) | <b>As of March 31, 2019</b> | <b>As of December 31, 2018</b> |
|--|-----------------------------|--------------------------------|
| Accounts payable   | <b>P75,655</b>              | <b>P101,055</b>                |
| Taxes payable  | <b>19,274</b>               | 20,101                         |
| Accrued project costs                                    | <b>18,013</b>               | 18,072                         |
| Accrued salaries & employee benefits                     | <b>5,265</b>                | 6,026                          |
| Accrued professional & management fees                   | <b>5,087</b>                | 4,667                          |
| Liability for purchased land                             | <b>11,086</b>               | 2,545                          |
| Accrued utilities  | <b>2,731</b>                | 2,436                          |
| Interest payable   | -                           | 1,887                          |
| Accrued repairs and maintenance                          | <b>1,780</b>                | 2,668                          |
| Accrued rentals  | <b>1,609</b>                | 871                            |
| Accrued advertising and promotions                       | <b>1,431</b>                | 1,266                          |
| Payable to related parties                               | <b>726</b>                  | 702                            |
| Dividends payable  | <b>327</b>                  | 665                            |
| Retention payable  | <b>3,151</b>                | 4,373                          |
| DRP obligation   | <b>4,942</b>                | 236                            |
| Other accrued expenses                                   | <b>4,338</b>                | 4,429                          |
| <b>Total</b>   | <b>P155,405</b>             | <b>P171,999</b>                |

### **14. Deposits and other current liabilities**

This account consists of:

| (in thousand pesos)  | <b>Mar 31, 2019</b> | <b>Dec 31, 2018</b> |
|----------------------|---------------------|---------------------|
| Security deposits    | <b>P793,721</b>     | <b>P5,544,289</b>   |
| Customers' deposits  | <b>104,750</b>      | -                   |
| Contract liabilities | -                   | 21,874,681          |
| Others               | <b>15,118,043</b>   | 1,125,576           |
| <b>Total</b>         | <b>P16,016,515</b>  | <b>P28,544,546</b>  |

Security deposits are equivalent to three (3) to six (6) months' rent of tenants with cancellable lease contracts and whose lease term will end in the succeeding year. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts.

Customers' deposits consist of collections from real estate customers which have not reached the 10% threshold to qualify for revenue recognition. As of December 31, 2018, the customers' deposits account have been reported as contract liabilities in the consolidated statements of financial position under the modified retrospective approach.

Other current liabilities mostly pertain to estimated liability on property development and unearned income.

## 15. Deposits and other non-current liabilities

This consists of:

| (in thousand pesos)          | Mar 31, 2019       | Dec 31, 2018 |
|------------------------------|--------------------|--------------|
| Deposits                     | <b>₱32,588,173</b> | ₱18,844,346  |
| Contract payable             | <b>3,558,955</b>   | 7,264,642    |
| Liability for purchased land | -                  | 6,019,262    |
| Retentions payable           | <b>7,260,277</b>   | 5,722,577    |
| Deferred Output VAT          | <b>6,002,907</b>   | 1,923,754    |
| DRP obligation               | -                  | 1,001,146    |
| Subscriptions payable        | <b>498,175</b>     | 498,175      |
| Contract liabilities         | -                  | 8,630,235    |
| Others liabilities           | <b>7,889,799</b>   | 1,018,769    |
| <b>Total</b>                 | <b>₱57,798,287</b> | ₱50,922,906  |

Deposits include security deposits from tenants of retail and office spaces and deferred credits arising from sale of real estate properties. Security deposits are equivalent to three (3) to six (6) months' rent of long-term tenants with non-cancellable leases. This will be refunded to the lessees at the end of the lease term or be applied to the last months' rentals on the related contracts. Deferred credits pertain to advances from buyers of real estate properties to cover various processing fees including, but not limited to, fees related to transfer of title such as registration fees, documentary taxes and transfer taxes. Payments made by the Group for the processing of title are charged to this account.

Contractors payable represents estimated liability on property development.

Retentions payable pertains to the amount withheld by the Group on contractor's billings to be released after the guarantee period, usually one (1) year after the completion of the project or upon demand. The retention serves as a security from the contractor should there be defects in the project.

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired during the year. These are normally payable in quarterly or annual installment payments within three (3) or five (5) years.

DRP obligation pertains to the liability arising from the assignment agreement between NTDCC and MRTDC of the latter's development rights (see Note 36). In consideration of the lease, the Company will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Company's commercial center business.

The Group's subscription payable pertains to POPI's investment in Cyber Bay.

Other liabilities include nontrade payables, accrued payables and warranty payables.

## 16. Equity

### Declaration of Cash Dividends

On February 27, 2019, the Board of Directors during its meeting approved the declaration the declaration of cash dividends of P0.26 per outstanding common share. This first half regular cash dividends, together with the planned second semester cash dividends, will bring our annual dividend payout ratio to 26% of prior year's earnings. The cash dividend was paid on March 29, 2019 to stockholders of common shares as of record date March 13, 2019.

### Employee Stock Ownership Plan

On February 27, 2019, the Board of Directors approved the grant to qualified executives, stock options pursuant to the company's Employee Stock Ownership Plan (the "Plan"), covering up to 14,430,750

common shares at a subscription price of P44.49 per share equivalent to the average closing price of ALI common shares at the Philippine Stock Exchange for 30 consecutive trading days ending February 26, 2019.

On April 30, 2019, 152 stock option grantees subscribed to 10,073,389 common shares at P44.49 per share and became effective on the same day. As a result of the subscription of the 152 stock option grantees, the number of ALI outstanding common shares increased to 14,734,581,724.

#### Prime Orion Philippines, Inc.

On January 24, 2018, ALI acquired an additional 202,774,547 shares of Prime Orion Philippines, Inc. (POPI) amounting to ₱497.7 million. This transaction increased ALI's effective ownership in POPI to 61.29%.

On April 30, 2018, ALI and POPI executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of POPI for an aggregate subscription price of P3,030,750,000.00 in exchange for 30,186 common shares of Laguna Technopark, Inc. (LTI). The subscription and exchange shall be subject to and deemed effective only upon the issuance by the Securities and Exchange Commission of the confirmation of valuation of the shares. This transaction increased ALI's effective ownership in POPI to 69.83%

On 4 February 2019, The Executive Committee of Ayala Land, Inc. (ALI) approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of P800 million. Subsequently, ALI will exchange the 20% equity interest in LTI for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

This transaction will strengthen POPI's vision to be the leading real estate logistics and industrial estate developer and operator in the Philippines.

## **17. Business Combinations and Acquisition of Non-Controlling Interests**

### Acquisition of Non-Controlling Interest

#### **Prime Orion Philippines, Inc. (POPI) and Laguna Technopark, Inc. (LTI)**

On 4 February 2019, The Executive Committee of Ayala Land, Inc. (ALI) approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of P800 million. Subsequently, ALI will exchange the 20% equity interest in LTI for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

In April 2018, ALI and POPI executed a Deed of Exchange where ALI will subscribe to 1,225,370,620 common shares of POPI for an aggregate subscription price of P3,030,750,000.00 in exchange for 30,186 common shares of Laguna Technopark, Inc. (LTI). The subscription and exchange shall be subject to and deemed effective only upon the issuance by the Securities and Exchange Commission of the confirmation of valuation of the shares. This transaction increased ALI's effective ownership in POPI to 69.83%

In January 2018, ALI purchased additional 202,774,547 shares of POPI from Genez Investment Corporation for P497.7 million increasing the Company's ownership to 67%.



In February 2017, ALI purchased additional 631,000 common shares of POPI from BPI Securities Corporation for P1.26 million. ALI's interest remains at 51% of the total POPI's outstanding capital stock.

In June 2017, Orion Land, Inc. (OLI), a subsidiary of POPI, acquired 512,480,671 common shares equivalent to 11.69% ownership at P2.45 share amounting to P1,255.58 million. The acquisition of

### **Cebu Holdings, Inc. (CHI)**

In 2018, ALI acquired additional 59,631,200 common shares of CHI totaling to P352.8 million. Further, an additional 77,742,516 shares was acquired as a result of swap of CPVDC shares for a total consideration of P229.3 million which brings Parent Company's ownership to 70.4%.

On various dates in 2017, ALI acquired a total of 5.1% additional ownership interest in CHI for a total consideration of P574.99 million. This brought ALI's ownership from 66.9% to 72.0% of the outstanding capital stock of CHI and there was no change in control.

In 2016, ALI acquired a total of 10.5% additional ownership in CHI for a total consideration of P1,209.8 million. This brought ALI's ownership from 56.4% to 66.9% of the outstanding capital stock of CHI and there was no change in control.

### Business Combination

#### **MCT Bhd**

On January 2, 2018, Ayala Land, Inc., (ALI) through its wholly-owned subsidiary, Regent Wise Investments Limited (RWIL), signed a share purchase agreement to acquire an additional 17.24% share in MCT Bhd (MCT), subject to completion of certain conditions.

On January 5, 2018, the transfer of shares was completed, increasing the Company's shareholding in MCT to 50.19% from 32.95%. RWIL also issued a notice of an unconditional mandatory take-over offer to the Board of Directors of MCT, to acquire all remaining shares of the company that are not already held by RWIL, following the completion of certain conditions to the share purchase agreement.

The mandatory take-over offer made in connection to the acquisition of additional shares in MCT closed as of 5:00 p.m. (Malaysian time) 19 February 2018. Owners of 295,277,682 shares accepted the offer, equivalent to 22.12% of MCT's total outstanding shares. As a result of the offer, ALI's shareholdings in MCT increased from 50.19% to 72.31%. Total consideration paid is P5.98 billion

On March 23, 2018, the Irredeemable Convertible Unsecured Loan Stock of Dato Sri Tong and Tan Sri Barry Go, founders of MCT, were converted into 122,218,357 MCT shares. This resulted in a 6.07% dilution of ALI's stake in MCT as of date of share issuance. As such, the current ownership stake of ALI in MCT is 66.25%.

Subsequently, the Group remeasured its previously held interest in MCT based on its acquisition-date fair value which resulted to a remeasurement loss of P1.79 billion.

The Group finalized the purchase price allocation of its acquisition of MCT through business combination in December 2018. The final purchase price allocation resulted in gain from bargain purchase of P1.85 billion.

The net gain of P60 million from the acquisition is presented under 'Other income' account in the consolidated statements of income.

The following are the fair values of the identifiable assets and liabilities assumed.

| <b>ASSETS</b>                     | <b>in Php thousands</b> |
|-----------------------------------|-------------------------|
| Cash                              | P1,078,224              |
| Trade and other receivables       | 2,833,560               |
| Inventories                       | 13,620,873              |
| Investment properties             | 5,712,635               |
| Property, plant and equipment     | 4,599,423               |
| Other non-current assets          | 69,222                  |
| <b>Total Assets</b>               | <b>P27,913,937</b>      |
| <br>                              |                         |
| <b>LIABILITIES</b>                |                         |
| Accounts and other payables       | P5,506,336              |
| Borrowings                        | 2,752,114               |
| Tax liabilities                   | 128,551                 |
| Other payables                    | 2,287,772               |
| <b>Total Liabilities</b>          | <b>P10,674,773</b>      |
| Net Assets                        | 17,239,175              |
| Total net assets acquired to date | 12,465,640              |
| Carrying cost                     | (10,611,567)            |
| Net negative goodwill             | P1,854,073              |

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From January 8 to December 31, 2018, the Group's share in MCT's revenue and net income amounted to P7.6 billion and P1.3 billion.

## 18. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

### Terms and Conditions of Transactions with Related Parties

In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Transactions with related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following provide the total amount of transactions that have been entered into with related party for the relevant financial year:

a. Transactions with BPI, an associate of AC

As of March 31, 2019, and December 31, 2018, the Group maintains current and savings account, money market placements and short/long-term debt payable with BPI broken down as follows:

| (in million pesos)    | March 31, 2019<br>Unaudited | December 31, 2018<br>Audited |
|-----------------------|-----------------------------|------------------------------|
| Cash in bank          | P4,774                      | P4,106                       |
| Cash equivalents      | 2,865                       | 3,312                        |
| Marketable Securities | 507                         | 1,616                        |
| Short-term debt       | 3,939                       | 4,476                        |
| Long-term debt        | 8,987                       | 9,697                        |

b. Outstanding balances from/to related parties

| In million pesos                               | Receivables from Related Parties |               | Payables to Related Parties |               |
|--|----------------------------------|---------------|-----------------------------|---------------|
|  | March 2019                       | December 2018 | March 2019                  | December 2018 |
| <b>Ayala Corp. &amp; Other Related Parties</b> |                                  |               |                             |               |
| Ayala Corporation                              | P136                             | P140          | P137                        | P136          |
| Globe Telecom, Inc.                            | 137                              | 150           | 4                           | 3             |
| Bank of the Philippine Islands                 | 135                              | 132           | 44                          | 44            |
| Columbus                                       | -                                | -             | 267                         | 267           |
| Others   | 304                              | 212           | 42                          | 39            |
|  | <b>P712</b>                      | <b>P634</b>   | <b>P494</b>                 | <b>P489</b>   |
| <b>ALI – Associates</b>                        |                                  |               |                             |               |
| ALI ETON Property Development Corp.            | P2,362                           | P2,191        | P-                          | P-            |
| Fort Bonifacio Development Corp.               | 1,517                            | 2,419         | -                           | -             |
| Alveo-Federal Land Communities, Inc.           | 316                              | 360           | -                           | -             |
| Cebu District Property Enterprise, Inc.        | 83                               | 75            | -                           | -             |
| Lagoon Development Corporation                 | 3                                | 3             | 20                          | -             |
| Bonifacio Land Corp.                           | 1                                | 1             | 212                         | 213           |
| Berkshires Holdings Inc.                       | -                                | -             | -                           | -             |
| Emerging City Holdings, Inc.                   | -                                | -             | -                           | -             |
| Ortigas & Co. Ltd. Partnership                 | -                                | -             | -                           | -             |
|  | <b>P4,282</b>                    | <b>P5,049</b> | <b>P232</b>                 | <b>P213</b>   |
| <b>Total</b>                                   | <b>P4,994</b>                    | <b>P5,683</b> | <b>P726</b>                 | <b>P702</b>   |

c. Revenues and expenses from/to related parties

| In million pesos                               | Revenues from Related Parties |             | Expenses to Related Parties |             |
|--|-------------------------------|-------------|-----------------------------|-------------|
|  | March 2019                    | March 2018  | March 2019                  | March 2018  |
| <b>Ayala Corp. &amp; Other Related Parties</b> |                               |             |                             |             |
| Ayala Corporation                              | P1                            | P4          | P2                          | P4          |
| Bank of the Philippine Islands                 | 93                            | 57          | 20                          | 34          |
| Globe Telecom, Inc.                            | 51                            | 41          | 12                          | 11          |
| Manila Water Philippines Ventures, Inc.        | 43                            | 6           | 20                          | 11          |
| Innove Communications                          | 2                             | 1           | 17                          | 12          |
| Manila Water Company, Inc.                     | 1                             | 1           | 103                         | 54          |
| Laguna AAA Waterworks Corp.                    | -                             | -           | 2                           | 1           |
| Panay Medical Ventures                         | -                             | 17          | -                           | -           |
| Michigan Holdings, Inc.                        | -                             | -           | -                           | -           |
| Ayala Group Counselors Corporation             | -                             | -           | 66                          | 23          |
| BPI Family Savings Bank                        | -                             | -           | 125                         | -           |
| HCX Technology Partners, Inc.                  | -                             | -           | 13                          | 2           |
| G-Exchange, Inc.                               | -                             | -           | 9                           | 1           |
| ISUZU Automotive Dealership, Inc.              | -                             | -           | 2                           | 3           |
| Manila Water Total Solutions Corp              | -                             | -           | 2                           | 2           |
|  | <b>P191</b>                   | <b>P127</b> | <b>P393</b>                 | <b>P158</b> |
| <b>ALI - Associates</b>                        |                               |             |                             |             |
| Fort Bonifacio Development Corp.               | P555                          | P68         | P57                         | P2          |
| ALI ETON Property Development Corp.            | 124                           | -           | -                           | -           |
| Alveo-Federal Land Communities, Inc.           | 41                            | 12          | -                           | -           |
| Lagoon Development Corporation                 | 9                             | 10          | -                           | -           |
| Cebu District Property Enterprise, Inc.        | 7                             | -           | -                           | -           |
|  | <b>P736</b>                   | <b>P90</b>  | <b>P57</b>                  | <b>P2</b>   |
| <b>Total</b>                                   | <b>P927</b>                   | <b>P217</b> | <b>P450</b>                 | <b>P160</b> |

## 19. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies as of March 31, 2019.

### Liquidity risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

### Credit risk

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures.

The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

### Interest rate risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio.

### Foreign currency risk

Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies is more than the amount of foreign currency-denominated debt.

### Equity price risk

Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

### Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Groups financial assets and liabilities recognized as of March 31, 2019 and December 31, 2018.

The methods and assumptions used by the Group is estimating the fair value of the financial instruments are as follows:

Cash & Cash equivalents, short term investments and current receivables, accounts and other payables, current payables and short-term debt- Carrying amounts approximate fair values due to relatively short-term maturities of these financial instruments.

Financial assets at FVPL- UITF - These are investments in fund. Fair value is based on the net asset value as of reporting dates.

Noncurrent accounts and notes receivables- The fair values of residential accounts and notes receivable from employees, are based on the discounted value of future cash flow using the applicable rates for similar types of instruments. The discount rates used ranged from 3.53% to 9.04% as of March 31, 2019 and December 31, 2018.

AFS quoted equity securities- Fair values are based on the quoted prices published in markets.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair values cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - the fair value of noncurrent unquoted instruments (long term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 4.28% to 6.24% and 4.29% to 6.09% as of March 31, 2019 and December 31, 2018 respectively. The fair value of non-current unquoted debt instruments with floating rates as estimated using the discounted cash flow- last pricing method.

## **20. Fair Value Hierarchy**

The group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1. Quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2. Other techniques for which all inputs which have significant effect of the recorded fair value are observable, either directly or indirectly.

Level 3. Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

The company categorizes trade receivable, investment in bonds classified as loans and receivables, receivables from employees, long term debt and deposits and other non-current liabilities under level 3. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the un-observable input and the effect of changes to this is that the higher spread, the lower the fair value.

There have been no reclassifications from level 1 to Level 2 categories in March 31, 2019 and December 31, 2018.

| (in millions)                             | March 31, 2019  |                 | December 31, 2018 |                 |
|---|-----------------|-----------------|-------------------|-----------------|
|   | Carrying Value  | Fair Value      | Carrying Value    | Fair Value      |
| Financial Asset at FVPL                   | ₱480            | ₱480            | ₱476              | ₱476            |
| Financial Asset at FVOCI                  |                 |                 |                   |                 |
| Unquoted equity securities                | 202             | 202             | 522               | 522             |
| Quoted equity securities                  | 1,089           | 1,089           | 974               | 974             |
| <b>Total</b>                              | <b>₱1,771</b>   | <b>₱1,771</b>   | <b>₱1,496</b>     | <b>₱1,496</b>   |
| <b>Loans and Receivables</b>              |                 |                 |                   |                 |
| Trade residential and office development  | ₱91,338         | ₱91,338         | ₱-                | ₱-              |
| Receivables from employees                | 890             | 890             | -                 | -               |
| <b>Total</b>                              | <b>₱92,228</b>  | <b>₱92,228</b>  | <b>₱-</b>         | <b>₱-</b>       |
| <b>Financial assets at amortized cost</b> |                 |                 |                   |                 |
| Trade residential and office development  | ₱-              | ₱-              | ₱-                | ₱-              |
| Receivables from employees                | -               | -               | 1,113             | ₱1,120          |
| <b>Total</b>                              | <b>₱-</b>       | <b>₱-</b>       | <b>₱1,113</b>     | <b>₱1,120</b>   |
| <b>Other Financial Liabilities</b>        |                 |                 |                   |                 |
| Long-term debt                            | ₱175,281        | ₱175,242        | ₱172,712          | ₱155,719        |
| Deposits and other noncurrent liabilities | 32,588          | 32,520          | 39,607            | 38,194          |
| <b>Total</b>                              | <b>₱207,869</b> | <b>₱207,762</b> | <b>₱212,319</b>   | <b>₱193,913</b> |

The following table provides the fair value hierarchy of the Group's financial assets which are measured at fair value as of March 31, 2019 and December 31, 2018:

| (in millions)  |              | Date of valuation | Total         | Quoted prices in Active markets (Level 1) | Significant observable inputs (Level 2) | Significant observable inputs (Level 3) |
|--|--------------|-------------------|---------------|---|---|---|
| March 31, 2019   |              |                   |               |   |   |   |
| <b>Financial assets as fair value through profit and loss</b>            |              |                   |               |   |   |   |
| Investment in Unit Investment Trust Fund                                 | Mar 31, 2019 |                   | ₱87           | ₱-  | ₱87                                     | ₱-                                      |
| Investment in Arch Capital Fund  | Mar 31, 2019 |                   | 392           | -   | -                                       | 392                                     |
|  |              |                   | ₱480          | ₱-  | ₱87                                     | ₱392                                    |
| <b>Financial assets as fair value through other comprehensive income</b> |              |                   |               |   |   |   |
| Quoted   | Mar 31, 2019 |                   | ₱756          | ₱756                                      | ₱-                                      | ₱-                                      |
| Unquoted   | Mar 31, 2019 |                   | 202           | -   | -                                       | 202                                     |
|  |              |                   | 958           | 756                                       | -                                       | 202                                     |
| <b>Total</b>   |              |                   | <b>₱1,438</b> | <b>₱756</b>                               | <b>₱87</b>                              | <b>₱594</b>                             |

(in millions)

| <b>December 31, 2018</b>   | <b>Date of valuation</b> | <b>Total</b>  | <b>Quoted prices in Active markets (Level 1)</b> | <b>Significant observable inputs (Level 2)</b> | <b>Significant observable inputs (Level 3)</b> |
|--|--------------------------|---------------|--|--|--|
| <b>Financial assets as fair value through profit and loss</b>            |                          |               |  |  |  |
| Investment in Unit Investment Trust Fund                                 | Dec 31, 2018             | ₱86           | ₱-   | ₱86  | ₱-   |
| Investment in Arch Capital Fund  | Dec 31, 2018             | 391           | -  | -  | 391  |
|  |                          | <b>₱476</b>   | <b>₱-</b>  | <b>₱86</b>                                     | <b>₱391</b>                                    |
| <b>Financial assets as fair value through other comprehensive income</b> |                          |               |  |  |  |
| Quoted   | Dec 31, 2018             | ₱974          | ₱974   | ₱-   | ₱-   |
| Unquoted   | Dec 31, 2018             | 522           | -  | -  | 522  |
|  |                          | 1,496         | 974  | -  | 522  |
| <b>Total</b>   |                          | <b>₱1,972</b> | <b>₱974</b>                                      | <b>₱86</b>                                     | <b>₱913</b>                                    |

A reconciliation of the beginning and closing balances of Level 3 financial assets are summarized below.

| (in millions)                     | <b>March 2019</b> | <b>December 2018</b> |
|-----------------------------------|-------------------|----------------------|
| At the beginning of period        | ₱973              | ₱458                 |
| Additions                         | -                 | 3                    |
| Disposals/redemptions             | (379)             | (70)                 |
| Recognized in statement of income | -                 | -                    |
| At end of the period              | <b>₱594</b>       | <b>₱458</b>          |

## 21. Statement of Cash Flows

Disclose here the roll forward of liabilities under financing activities (PAS 7 disclosures on cash flows)

| (in millions)                                      | 2018            | Cash Flows       | Non-Cash Changes |                           |                    | 2019            |
|--|-----------------|------------------|------------------|---------------------------|--------------------|-----------------|
|  |                 |                  | Acquisition      | Foreign Exchange Movement | Fair value Changes |                 |
| Long-term debt-net of current portion              | ₱149,447        | ₱3,876           | -                | -                         | -                  | ₱153,323        |
| Current Portion of Long-term debt                  | 23,265          | (1,307)          | -                | -                         | -                  | 21,958          |
| Short-term debt                                    | 14,387          | 298              | -                | -                         | -                  | 14,684          |
| Dividends Payable                                  | 665             | (337)            | -                | -                         | -                  | 327             |
| Deposits & Other noncurrent liabilities            | 62,612          | (14,007)         | -                | -                         | -                  | 48,605          |
| <b>Total liabilities from financing activities</b> | <b>₱250,376</b> | <b>₱(11,478)</b> | <b>-</b>         | <b>-</b>                  | <b>-</b>           | <b>₱238,897</b> |



## 22. Segment information

The industry segments where the Group and its associates and joint ventures operate are as follows:

- Property Development - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture and the sale of office condominiums, and commercial and industrial lots
- International Business– operations of MCT Bhd, Ayala Land's consolidated subsidiary in Malaysia; also included under Property Development revenues in the Management's Discussion and Analysis Section
- Shopping Centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Offices - development and lease of office buildings and the development and lease of factory building
- Hotels and Resorts - development and management of hotels and resorts, lease of land to hotel tenants
- Construction - land development and construction of the Group and third-party projects
- Property management - facilities management of the Group and third-party projects including its power service companies Direct Power Services, Inc. (DPSI), Ecozone Power Management, Inc. (EPMI), Philippine Integrated Energy Solutions, Inc. (PhilEnergy), and air transport company AirSWIFT which serves the requirements of ALI's resorts business.
- Others - other income from investment activities and sale of noncore assets.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

|  | Property Development | International Business | Shopping Centers | Offices        | Hotels and Resorts | Construction  | Property Management and Others | Corporate     | Intersegment Adjustment | Consolidated   |
|--|----------------------|------------------------|------------------|----------------|--------------------|---------------|--------------------------------|---------------|-------------------------|----------------|
| <b>YTD March 2019</b>                                    |                      |                        |                  |                |                    |               |                                |               |                         |                |
| (in million pesos)                                       |                      |                        |                  |                |                    |               |                                |               |                         |                |
| <b>Revenues</b>  |                      |                        |                  |                |                    |               |                                |               |                         |                |
| Sales to external customers                              | 24,951               | 1,116                  | 5,097            | 2,151          | 1,914              | 792           | 1,416                          | -             | -                       | 37,437         |
| Intersegment sales                                       | -                    | -                      | -                | -              | -                  | 11,962        | -                              | -             | (11,962)                | -              |
| Equity in net earnings of Investees                      | 150                  | -                      | 3                | -              | -                  | -             | -                              | 111           | -                       | 264            |
| <b>Total Revenues</b>                                    | <b>25,101</b>        | <b>1,116</b>           | <b>5,100</b>     | <b>2,151</b>   | <b>1,914</b>       | <b>12,754</b> | <b>1,416</b>                   | <b>111</b>    | <b>(11,962)</b>         | <b>37,701</b>  |
| Operating Expenses                                       | 18,819               | 780                    | 2,189            | 663            | 1,431              | 12,066        | 1,339                          | 13            | (11,820)                | 25,480         |
| <b>Operating Profit</b>                                  | <b>6,282</b>         | <b>336</b>             | <b>2,911</b>     | <b>1,488</b>   | <b>483</b>         | <b>688</b>    | <b>77</b>                      | <b>98</b>     | <b>(142)</b>            | <b>12,221</b>  |
| Interest income  | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 1,890          |
| Interest expense   | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | (2,605)        |
| Other income (expense)                                   | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 89             |
| Other charges  | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | (382)          |
| Provision for income tax                                 | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | (2,916)        |
| <b>Net Income</b>  | <b>-</b>             | <b>-</b>               | <b>-</b>         | <b>-</b>       | <b>-</b>           | <b>-</b>      | <b>-</b>                       | <b>-</b>      | <b>-</b>                | <b>8,297</b>   |
| Net Income attributable to:                              |                      |                        |                  |                |                    |               |                                |               |                         |                |
| Equity holders of Ayala Land, Inc.                       | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 7,322          |
| Minority interests                                       | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 975            |
|  |                      |                        |                  |                |                    |               |                                |               |                         | <b>8,297</b>   |
| <b>Other information</b>                                 |                      |                        |                  |                |                    |               |                                |               |                         |                |
| Segment assets   | 480,405              | 22,418                 | 171,562          | 96,269         | 58,141             | 52,523        | 6,508                          | 88,812        | (358,807)               | 617,831        |
| Investment in associates and jointly controlled entities | 21,941               | -                      | 41               | -              | -                  | 55            | 188                            | 1,306         | -                       | 23,531         |
| Deferred tax assets                                      | 3,056                | -                      | 348              | 111            | 359                | 61            | 44                             | 2,681         | 6,394                   | 13,054         |
| <b>Total assets</b>                                      | <b>505,402</b>       | <b>22,418</b>          | <b>171,951</b>   | <b>96,380</b>  | <b>58,500</b>      | <b>52,639</b> | <b>6,740</b>                   | <b>92,799</b> | <b>(352,413)</b>        | <b>654,416</b> |
| Segment liabilities                                      | 238,901              | 10,663                 | 101,502          | 47,269         | 43,826             | 44,379        | 3,168                          | 58,892        | (124,236)               | 424,364        |
| Deferred tax liabilities                                 | 1,734                | -                      | 279              | 59             | -                  | 4             | 8                              | 16            | 3,903                   | 6,003          |
| <b>Total liabilities</b>                                 | <b>240,635</b>       | <b>10,663</b>          | <b>101,781</b>   | <b>47,328</b>  | <b>43,826</b>      | <b>44,383</b> | <b>3,176</b>                   | <b>58,908</b> | <b>(120,333)</b>        | <b>430,368</b> |
| Segment additions to Property & Equipment                | 130                  | -                      | 151              | 7              | 1,389              | 72            | 12                             | 23            | -                       | 1,784          |
| Investment properties                                    | 9,163                | 700                    | 6,691            | 398            | 438                | 78            | -                              | -             | -                       | 17,468         |
| Depreciation and amortization                            | 71                   | 20                     | 816              | 464            | 224                | 363           | 41                             | 25            | -                       | 2,024          |
| <b>YTD March 2018</b>                                    |                      |                        |                  |                |                    |               |                                |               |                         |                |
| (in million pesos)                                       |                      |                        |                  |                |                    |               |                                |               |                         |                |
| <b>Revenues</b>  |                      |                        |                  |                |                    |               |                                |               |                         |                |
| Sales to external customers                              | 23,394               | 1,793                  | 4,484            | 1,659          | 1,531              | 841           | 1,568                          | -             | -                       | 35,270         |
| Intersegment sales                                       | -                    | -                      | -                | 36             | -                  | 16,591        | -                              | -             | (16,627)                | -              |
| Equity in net earnings of Investees                      | 119                  | -                      | 3                | -              | -                  | -             | -                              | 45            | -                       | 167            |
| <b>Total Revenues</b>                                    | <b>23,513</b>        | <b>1,793</b>           | <b>4,487</b>     | <b>1,695</b>   | <b>1,531</b>       | <b>17,432</b> | <b>1,568</b>                   | <b>45</b>     | <b>(16,627)</b>         | <b>35,437</b>  |
| Operating Expenses                                       | 18,166               | 1,170                  | 2,728            | 950            | 1,250              | 16,494        | 1,377                          | (54)          | (18,031)                | 24,050         |
| <b>Operating Profit</b>                                  | <b>5,347</b>         | <b>623</b>             | <b>1,759</b>     | <b>745</b>     | <b>281</b>         | <b>938</b>    | <b>191</b>                     | <b>99</b>     | <b>1,404</b>            | <b>11,387</b>  |
| Interest income  | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 1,173          |
| Interest expense   | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | (2,243)        |
| Other income (expense)                                   | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 367            |
| Other charges  | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | (352)          |
| Provision for income tax                                 | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | (2,751)        |
| <b>Net Income</b>  | <b>-</b>             | <b>-</b>               | <b>-</b>         | <b>-</b>       | <b>-</b>           | <b>-</b>      | <b>-</b>                       | <b>-</b>      | <b>-</b>                | <b>7,581</b>   |
| Net Income attributable to:                              |                      |                        |                  |                |                    |               |                                |               |                         |                |
| Equity holders of Ayala Land, Inc.                       | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 6,517          |
| Minority interests                                       | -                    | -                      | -                | -              | -                  | -             | -                              | -             | -                       | 1,064          |
|  |                      |                        |                  |                |                    |               |                                |               |                         | <b>7,581</b>   |
| <b>Other information</b>                                 |                      |                        |                  |                |                    |               |                                |               |                         |                |
| Segment assets   | 463,093              | 18,766                 | 126,865          | 123,049        | 45,072             | 52,565        | 6,832                          | 21,938        | (297,422)               | 560,758        |
| Investment in associates and jointly controlled entities | 10,082               | -                      | 7,953            | -              | -                  | 51            | -                              | 1,548         | -                       | 19,634         |
| Deferred tax assets                                      | 2,517                | -                      | 377              | 169            | 263                | 27            | 23                             | 2,730         | 5,998                   | 12,104         |
| <b>Total assets</b>                                      | <b>475,692</b>       | <b>18,766</b>          | <b>135,195</b>   | <b>123,218</b> | <b>45,335</b>      | <b>52,643</b> | <b>6,855</b>                   | <b>26,216</b> | <b>(291,424)</b>        | <b>592,496</b> |
| Segment liabilities                                      | 208,770              | 7,548                  | 105,521          | 65,394         | 35,506             | 45,717        | 3,345                          | 29,590        | (106,342)               | 395,049        |
| Deferred tax liabilities                                 | 1,589                | -                      | 251              | 35             | 32                 | -             | 12                             | 14            | 1,625                   | 3,558          |
| <b>Total liabilities</b>                                 | <b>210,359</b>       | <b>7,548</b>           | <b>105,772</b>   | <b>65,429</b>  | <b>35,538</b>      | <b>45,717</b> | <b>3,357</b>                   | <b>29,604</b> | <b>(104,717)</b>        | <b>398,607</b> |
| Segment additions to Property & Equipment                | 45                   | -                      | 81               | 6              | 66                 | 144           | 15                             | 76            | -                       | 433            |
| Investment properties                                    | 712                  | 5,757                  | 4,767            | 1,928          | 1,055              | 215           | -                              | -             | -                       | 14,434         |
| Depreciation and amortization                            | 234                  | 42                     | 438              | 208            | 177                | 365           | 41                             | 26            | -                       | 1,531          |

## 23. Long-term Commitments and Contingencies

### Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. Accordingly, no provision for any liability has been made in the consolidated financial statements.

Disclosures required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, were not provided as it may prejudice the Group's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

## 24. Events after the Reporting Date

### AyalaLand REIT, Inc.

On 24 April 2019, Ayala Land, Inc.'s (ALI) subsidiary, AyalaLand REIT, Inc. ("AREIT"), announced that it intends to publicly list as a Real Estate Investment Trust ("REIT") under the current Implementing Rules and Regulations of the Securities and Exchange Commission on REITs and following the minimum public ownership requirement of 67%.

ALI believes that the REIT initiative is a viable investment vehicle to access new investors, recycle and reinvest capital, and promote the development of the Philippine capital markets as a whole.

While ALI intends to initially seed AREIT with prime, Grade-A commercial office assets in Makati, the offer structure, including terms and conditions thereof, are yet to be finalized. Disclosures shall be made in due course, consistent with applicable rules and regulations. AREIT plans to list within the year once all regulatory approvals are in place.

AREIT has appointed BPI Capital Corporation as the Issue Manager, Lead Underwriter and Bookrunner for the transaction.

### Increase in outstanding shares from a stock option subscription

On April 30, 2019, 152 grantees of stock options under our Employee Stock Ownership plan (ESOWN) subscribed to 10,073,389 common shares at P44.49 per share and became effective on the same day. As a result of the subscription of these grantees, ALI's outstanding common shares increased to 14,734,581,724.

### Listing of P8 billion, seven-year, fixed-rate bonds on the Philippine Dealing and Exchange Corporation (PDEX)

On May 6, 2019, Ayala Land Inc. (ALI), listed the initial tranche of its new P50 billion SEC-registered shelf program, the P8 billion 7-Year Fixed Rate Bonds on the Philippine Dealing & Exchange Corp. (PDEX) platform. The Bonds has a coupon of 6.3690% per annum and have been rated PRS Aaa, the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk.

## Item 2. Management's Discussion and Analysis on the Results of Operation and Financial Condition

### Review of 1Q 2019 operations vs 1Q 2018

Ayala Land, Inc. (ALI or "the Company") posted a net income growth of 12% to P7.32 billion and revenues by 7% to P39.68 billion in the 1<sup>st</sup> quarter of 2019, establishing a solid start for the year.

Real estate revenues increased 6% to P37.44 billion, attributed to the sustained performance of its property development business and the surge in commercial leasing revenues.

Earnings before interest and taxes (EBIT) margin for the period registered at 32.6%.

### Business Segments

The details of the individual performance of each business segment are discussed as follows:

**Property Development.** This includes the sale of residential lots and units, office spaces and commercial and industrial lots and operations of MCT Bhd, Ayala Land's consolidated subsidiary based in Malaysia. Total revenues from Property Development amounted to P26.1 billion, an increase of 4% from P25.2 billion in the first quarter of 2018.

**Residential.** Revenues from the sale of residential lots and units and MCT Bhd's operations reached P20.88 billion, a 4% decrease from P21.82 billion in the same period last year as we recognized lower revenues from MCT Bhd due to the full sell-out of its projects in Cybersouth.

**AyalaLand Premier (ALP)** posted revenues of P5.58 billion, 28% lower than P7.80 billion in the due to lower bookings from The Courtyards in Vermosa, Cavite and lower project completion of Park Central South Tower in Makati City.

**Alveo** recorded revenues of P4.98 billion, a decline of 18% from P6.06 billion in the previous year as a result of lower bookings from The Sandstone in Pasig City and The Veranda Phases 1 and 2 in Arca South, Taguig City.

**Avida** meanwhile posted revenues of P7.00 billion, a 53% surge from P4.58 billion attributed to new bookings from Avida Towers Intima Tower 1 in Manila and combined higher bookings and project completion of Avida Northdale Settings in Alvia, Pampanga.

**Amaia** also gained traction as it reached P2.00 billion in revenues, a 47% growth from P1.36 billion in the same period in 2018 as a result of bookings from Amaia Steps Nuvali Parkway in Laguna and Amaia Skies Cubao Tower 2 in Quezon City. In addition, **BellaVita** achieved revenues of P211 million, a 9% decline due to lower bookings from its project in Cagayan De Oro, Misamis Oriental.

The average GP (Gross Profit) margin of horizontal projects decreased to 42% from 49% due to sold out inventory of blockbuster ALP and Alveo projects, The Courtyards and Ardia in Vermosa, Cavite while the GP margin of vertical projects improved to 37% from 35% due to higher margins from ALP's Park Central North Tower, Alveo's Orea Place Tower 1 and Avida's Asten Tower 3 and Prime Taft Tower 3.

**MCT Bhd** recognized a 38% decline in revenues to P1.12 billion from P1.79 billion due to the full sellout of its projects in Cybersouth.

**Office for Sale.** Revenues from the sale of office spaces more than doubled to P2.85 billion from P1.37 billion driven by the completion progress of the Alveo Financial Tower in Makati CBD and new bookings

from One Vertis Plaza at Vertis North in Quezon City. GP margin of offices for sale significantly improved to 38% from 35% due to higher margins arising from cancelled and resold units from the Alveo Financial Tower and High Street South Corporate Centers 1 and 2.

**Commercial and Industrial Lots.** Revenues from the sale of commercial and industrial lots jumped 17% to P2.34 billion from P2.00 billion due to commercial lot sales at Vermosa in Cavite and Alviera in Pampanga. GP margin improved to 48% from 43% driven by commercial lots in Vermosa, Alviera and Lio and industrial lots in Laguna Technopark.

Sales reservations grew 8% to P34.1 billion from sustained local and overseas Filipino demand.

**Commercial Leasing.** This includes the operation of Shopping Centers, Office Buildings and Hotels and Resorts. Total revenues from commercial leasing amounted to P9.16 billion, a 19% improvement from P7.71 billion in the 1<sup>st</sup> quarter of 2018.

**Shopping Centers.** Revenues from shopping centers accelerated 14% to P5.10 billion from P4.48 billion due to the contribution of newly opened shopping centers such as Ayala Malls Feliz, Circuit Makati, Capitol Central, Vertis North and Cloverleaf, and the strong performance of Glorietta and Greenbelt malls in Makati City. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margin was maintained at 66%.

The average monthly lease rate registered at P1,063 per square meter (sqm) while same mall rental growth registered at 12%. The average occupancy rate for all malls is 89% while the occupancy rate of stable malls is 95%.

The Company opened the Ayala North Exchange retail area with eight thousand sqm of gross leasable area (GLA). This brings the total Shopping Centers GLA to 1.91 million sqm as of the 1<sup>st</sup> quarter of 2019.

**Offices.** Revenues from office leasing reached P2.15 billion, 27% higher than P1.70 billion in the same period in 2018 on the back of contributions of its newly opened offices such as Ayala North Exchange Towers 1 and 2, Circuit Corporate Center Towers 1 and 2, Vertis North Corporate Center Towers 1 and 2 and Ayala North Exchange Towers 1 and 2. Office leasing EBITDA margin was maintained at 90%.

The average monthly lease rate registered at P752 per square meter. The average occupancy rate for all offices is 92% while the occupancy rate of stable offices is 96%. The total Office Leasing GLA stands at 1.11 million sqm as of the 1<sup>st</sup> quarter of 2019.

**Hotels and Resorts.** Revenues from hotels and resorts reached P1.91 billion, a notable 25% growth from P1.53 billion due to the higher contribution of new Seda hotels in Vertis North, Ayala Center Cebu, and Lio. Average revenue-per-available-room (REVPAR) of all hotels improved by 4% to P3,683 per night while it declined by 4% for resorts to P9,182 per night. Meanwhile REVPAR of stable hotels increased by 5% to P4,366 per night and 4% to P10,481 for stable resorts. Hotels and resorts EBITDA margin improved to 34% from 30% last year higher margins from new Seda hotels in Ayala Center Cebu, Lio, and Vertis North, and better Revenue per Available Room (REVPAR) of existing hotels.

The average room rate of all hotels is P5,200 per night and P13,286 for resorts. Meanwhile the average room rate of stable hotels is P5,435 per night and P14,053 for stable resorts. The average occupancy rate of all hotels and resorts registered at 71% and 69%, respectively, and 80% for stable hotels and 75% for stable resorts.

A total of 45 rooms were added to the portfolio with 35 rooms from Seda Lio and 10 rooms from Huni Sicogon. This brings the total number of rooms in operation to 3,018 as of the 1<sup>st</sup> quarter of 2019.

The hotels and resorts business operates 660 hotel rooms from its international brand segment: Fairmont Hotel and Raffles Residences (312) and Holiday Inn & Suites (348), both in Ayala Center, Makati CBD. Seda Hotels operates 1,863 rooms: Atria, Iloilo (152), BGC, Taguig (179), Centrio, Cagayan de Oro (150), Abreeza, Davao (186), Nuvali, Santa Rosa, Laguna (150), Vertis North, Quezon City (438), Capitol Central, Bacolod (154) Lio, Palawan (153) and Ayala Center Cebu (301). Meanwhile, El Nido Resorts operates 193 rooms from its four island resorts: Pangulasian, Lagen, Miniloc and Apulit, and Lio Tourism Estate currently has 144 rooms under its Bed and Breakfast (B&B) and Dormitel offerings and Sicogon Tourism Estate in Iloilo currently operates 78 B&B rooms.

**Services.** This is composed mainly of the Company's construction business through Makati Development Corporation (MDC), property management, through Ayala Property Management Corporation (APMC), and other companies engaged in power services such as Direct Power Services, Inc. (DPSI), Ecozone Power Management, Inc. (EPMI), and Philippine Integrated Energy Solutions, Inc. (PhilEnergy) and airline for the hotels and resorts business, AirSWIFT. Total revenues from the Services business declined 25% to P14.17 billion from P19.00 billion generated in the previous year.

**Construction.** Revenues from Construction was 27% lower, amounting to P12.75 billion from P17.43 billion as it recognized higher completion from projects in the previous period.

**Property Management and Others.** APMC, power services companies and AirSWIFT registered revenues of P1.42 billion, a 10% decline from P1.57 billion recorded in the same period in 2018 due to lower external retail electricity supply contracts.

Blended EBITDA margins of the Services business slightly improved to 9% from 8%.

### **Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income**

Equity in net earnings of associates and JVs registered at P263 million, a boost of 58% from P167 million in the same period in 2018 mainly due to the earnings contribution of OCLP Holdings Inc. Meanwhile, interest and investment income grew 61% to P1.89 billion from P1.17 billion due to higher interest income from money market placements and accretion on installment sales. Meanwhile, other income reached P89 million

### **Expenses**

Total expenses reached P28.47 billion, 7% higher than P26.65 billion incurred last year mainly due to higher real estate expenses which grew 6% to P23.49 billion.

General and administrative expenses (GAE) barely increased to P1.99 billion from P1.97 billion as expenses and costs were well managed.

Interest expense, financing and other charges registered at P2.99 billion, posting a 15% growth from last year from P2.60 billion as a result of higher interest expense from the higher average daily loan balance. The average cost of debt registered at 5.1%, higher than 4.8% at the end of 2018 as a result of higher interest rates.

## Project and Capital Expenditures

Ayala Land spent P22.3 billion in capital expenditures to support the aggressive completion of new projects in its pipeline. 51% was spent on residential projects, 17% on commercial projects, 19% for land acquisition, 12% for the development of estates and 7% for other purposes.

## Financial Condition

The Company's balance sheet continues to be solidly positioned to support its growth plans.

Cash and cash equivalents, including short-term investments and UITF investments classified as FVPL, stood at P22.83 billion resulting in a current ratio of 1.27:1.

Total borrowings registered at P189.97 billion which translated to a debt-to-equity ratio of 0.85:1 and a net debt-to-equity ratio of 0.75:1.

Return on equity was at 15.51% as March 31, 2019.

|   | <i>End-March 2019</i> | <i>End-December 2018</i> |
|---|-----------------------|--------------------------|
| Current ratio <sup>1</sup>                | 1.27:1                | 1.26:1                   |
| Debt-to-equity ratio <sup>2</sup>         | 0.85:1                | 0.85:1                   |
| Net debt-to-equity ratio <sup>3</sup>     | 0.75:1                | 0.72:1                   |
| Profitability Ratios:                     |                       |                          |
| Return on assets <sup>4</sup>             | 5.02%                 | 5.35%                    |
| Return on equity <sup>5</sup>             | 15.51%                | 16.52%                   |
| Asset to Equity ratio <sup>6</sup>        | 2.92:1                | 3.04:1                   |
| Interest Rate Coverage Ratio <sup>7</sup> | 5.51                  | 5.67                     |

*1 Current assets / current liabilities*

*2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*

*3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)*

*4 Annualized total Net income / average total assets*

*5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI*

*6 Total Assets /Total stockholders' equity*

*7 EBITDA/Interest expense*

There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2019.

## ***Causes for any material changes (+/- 5% or more) in the financial statements***

### **Income Statement items – March 2019 versus March 2018**

**Real estate revenues** increased by 6% due to sustained traction of the property development business and the stronger growth of the commercial leasing segment.

**Interest income from real estate sales and interest & investment income** higher by 61% mainly due to higher interest income from real estate sales.

**Equity in net earnings of associates and joint ventures** grew by 58% mainly coming from increased performance of OHI's property sales, malls and offices, partially offset by lower sales from Alveo-Federal Land.

**Other Income** lower by 76% due to recognition of Gain on sale of MCT Bhd's subsidiary (One City Properties SDN BHD) in 1Q 2018.

**Real estate costs** increased by 6% primarily driven by higher sales and incremental project completion from residential, leasing and hotels & resorts business groups.

**Interest and other financing charges and other charges** grew by 15% due to the increase in interest expense on banks.

**Provision for income tax** increased by 6% due to higher taxable income mainly coming from real estate.

**Non-controlling interests** lower by 8% mainly due to lower contribution from BG Companies.

### **Balance Sheet items – March 2019 versus December 2018**

**Cash and cash equivalents** decreased by 17% primarily due to increase in ALI's capitalized expenditures (land acquisitions and development - residential, malls, hotels & resorts, and office disbursements).

**Short-term investments** went down by 7% mainly coming from matured money market placements of Makati Development Corp., and Ayala Hotels Inc., partially offset by additional placements from Regent Wise Investments Limited.

**Real estate Inventories** decreased by 9% primarily due to higher sales despite lesser RBG project launches this quarter.

**Other current assets** higher by 33% mainly due to the increase in input VAT and CWT from residential projects and various prepayments (Taxes & Licenses, Ads and Promo, Marketing and Management fees, etc.)

**Financial assets at fair value through other comprehensive income** lower by 14% driven POPI's decrease in Financial assets at fair value through FVOCI.

**Investment properties** up by 7% primarily due to the increase in project costs of malls and office buildings and improvements capitalized this year.

**Other noncurrent assets** grew by 47% due to higher bookings of leasehold rights, deposits and net pension assets.

**Account and other payables** lower by 10% primarily due to the decrease in expenses on development and project costs from residential and commercial business group.



**Income tax payable** up by 40% due to higher taxable income primarily from real estate.

**Current portion of long-term debt** lower by 6% due to loan payments made by Ayala Land Inc., partially offset by incremental debt (bonds and loans) of Cagayan De Oro Gateway Corp. and Accendo Commercial Corp.

**Deposit and other current liabilities** declined by 44% due to the decrease in deposits and reservation fees from various residential projects and offices group's one year advance rental income from tenants.

**Deposit and other noncurrent liabilities** increased by 14%, contribution from leasing group's increase in security deposits, reservations and advance rental deposits.

## PART II - OTHER INFORMATION

### Item 3. Developments as of March 31, 2019

- |  |   |                           |
|--|---|---------------------------|
| <b>A. New project or investments in another line of business or corporation</b>  | None  |                           |
| <b>B. Composition of Board of Directors (as of Mar 31, 2019)</b>   | Fernando Zobel de Ayala   | Chairman                  |
|  | Jaime Augusto Zobel de Ayala  | Vice Chairman             |
|  | Bernard Vincent O. Dy   | President & CEO           |
|  | Antonino T. Aquino  | Non-Executive Director    |
|  | Delfin L. Lazaro  | Non-Executive Director    |
|  | Arturo G. Corpuz  | Non-Executive Director    |
|  | Jaime C. Laya   | Lead Independent Director |
|  | Rizalina G. Mantaring   | Independent Director      |
|  | Cesar V. Purisima   | Independent Director      |
| <b>C. Performance of the corporation or result/progress of operations</b>  | Please see unaudited consolidated financial statements and management's discussion on results of operations.  |                           |
| <b>D. Declaration of dividends</b>   | <u>P0.26 cash dividend per outstanding common share</u><br>Declaration date: February 27, 2019<br>Record date: March 13, 2019<br>Payment date: March 29, 2019   |                           |
| <b>E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements</b> | Please refer to the discussion in the changes in group structure in 2019.   |                           |
| <b>F. Offering of rights, granting of Stock Options and corresponding plans therefore</b>  | ALI has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Option Plan (ESOWN) covering 2.5% of the company's authorized capital stock. In 2005, the company introduced a revised ESOWN granted to qualified officers. As of March 31, 2019, stock options outstanding* are as follows: |                           |
|  | ESOP  | None                      |
|  | ESOWN   | 118,156,898 shares        |
|  | <small>*outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued</small>   |                           |
| <b>G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate</b>   | None  |                           |

- |  |      |
|--|------|
| <b>H. Other information, material events or happenings that may have affected or may affect market price of security</b> | None |
| <b>I. Transferring of assets, except in normal course of business</b>  | None |

**Item 4. Other Notes to 1Q 2019 Operations and Financials**

- |  |   |
|--|---|
| <b>J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents</b> | Please see Item 2: Management's Discussion on Results of Operations and Analysis. |
|--|---|

- |  |      |
|--|------|
| <b>K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period</b> | None |
|--|------|

- |  |   |
|--|---|
| <b>L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities</b> | Please see Notes to Financial Statements (note 10). |
|--|---|

- |   |  |
|---|--|
| <b>M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period</b> | <p><u>AyalaLand REIT, Inc.</u></p> <p>On 24 April 2019, Ayala Land, Inc.'s (ALI) subsidiary, AyalaLand REIT, Inc. ("AREIT"), intends to publicly list as a Real Estate Investment Trust ("REIT") under the current Implementing Rules and Regulations of the Securities and Exchange Commission on REITs and following the minimum public ownership requirement of 67%.</p> <p>ALI believes that the REIT initiative is a viable investment vehicle to access new investors, recycle and reinvest capital, and promote the development of the Philippine capital markets as a whole.</p> <p>While ALI intends to initially seed AREIT with prime, Grade-A commercial office assets in Makati, the offer structure, including terms and conditions thereof, are yet to be finalized. Disclosures shall be made in due course, consistent with applicable rules and regulations. AREIT plans to list within the year once all regulatory approvals are in place.</p> <p>AREIT has appointed BPI Capital Corporation as the Issue Manager, Lead Underwriter and Bookrunner for the transaction.</p> |
|---|--|

Increase in outstanding shares from a stock option subscription

On April 30, 2019, 152 grantees of stock options under our Employee Stock Ownership plan (ESOWN) subscribed to 10,073,389 common shares at P44.49 per share and became effective on the same day. As a result of the subscription of these grantees, ALI's outstanding common shares increased to 14,734,581,724.

Listing of P8 billion, seven-year, fixed-rate bonds on the Philippine Dealing and Exchange Corporation (PDEX)

On May 6, 2019, Ayala Land Inc. (ALI), listed the initial tranche of its new PhP 50 billion SEC-registered shelf program, the PhP 8 billion 7-Year Fixed Rate Bonds on the Philippine Dealing & Exchange Corp. (PDEX) platform. The Bonds has a coupon of 6.3690% per annum and have been rated PRS Aaa, the highest rating assigned by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk.

**N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations**

None

**O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date**

None

**P. Other material events or transactions during the interim period**

Acquisition of an additional 20% stake in Laguna Technopark

On 4 February 2019, The Executive Committee of Ayala Land, Inc. (ALI) approved the purchase of a 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI), equivalent to 8,051 common shares, with a total value of P800 million. Subsequently, ALI will exchange the 20% equity interest in LTI for additional shares of stock in Prime Orion Philippines, Inc. (POPI), equivalent to 323,886,640 common shares, subject to conditions to be fulfilled by POPI.

This transaction will strengthen POPI's vision to be the leading real estate logistics and industrial estate developer and operator in the Philippines.

Board Approval of the 1<sup>st</sup> half regular cash dividends, 2019 ESOWN grant, filing of a P50 billion shelf registration and P45 billion debt raising program

On 27 February 2019, The Board of Directors at its regular meeting approved the following:

1. The declaration of cash dividends of P0.26 per outstanding common share. This first half regular cash dividends reflect a 3% increase from last year's first half dividend per share of P0.252. The cash dividend will be payable on March 29, 2019 to stockholders of common shares as of record date March 13, 2019.

2. The Company's 2019 stock option program pursuant to our Employee Stock Ownership Plan (the "Plan"). The program authorizes the grant to qualified executives, in accordance with the terms of the Plan, stock options covering up to a total of 14,430,750 common shares at a subscription price of P44.49 per share, which is the average price of our common shares at the Philippine Stock Exchange over the last 30-day trading as of February 26, 2019.

3. The filing with the Securities and Exchange Commission ("SEC") of a 3-year shelf registration of up to P 50 billion of debt securities (the "Shelf Registration").

4. The raising of up to P45 billion through: (a) retail bonds of up to P16 billion under the Shelf Registration and listed on the Philippine Dealing and Exchange Corporation (PDEX), (b) SEC-exempt Qualified Buyer Notes of up to P4 billion for enrollment on the PDEX, and (c) bilateral term loans of up to P 25 billion

**Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation** None

**R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period** None

- S. Material commitments for capital expenditures, general purpose and expected sources of funds**
- For the year 2019, Ayala Land's consolidated budget for project and capital expenditures amount to P130.4 billion of which P22.3 billion has been disbursed as of March 31, 2019.
- The Company will use the capital expenditure for the construction completion of launched residential projects and investment properties as well as land acquisition.
- T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations**
- Ayala Land's performance will remain parallel to the country's overall economic standing. Interest rate fluctuations may likewise affect the real estate industry, including the Company.
- U. Significant elements of income or loss that did not arise from continuing operations**
- None
- V. Causes for any material change/s from period to period, in one, or more line items of the financial statements**
- Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
- W. Seasonal aspects that had material effect on the financial condition or results of operations**
- ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter of every year from shopping centers due to holiday spending.
- The Company's development operations are dependent on Market conditions and the timing of project launches depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.
- X. Disclosures not made under SEC Form 17-C**
- None.

## Item 5. Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

|   | End-March 2019 | End-December 2018 |
|---|----------------|-------------------|
| Current ratio <sup>1</sup>                | 1.27:1         | 1.26:1            |
| Debt-to-equity ratio <sup>2</sup>         | 0.85:1         | 0.85:1            |
| Net debt-to-equity ratio <sup>3</sup>     | 0.75:1         | 0.72:1            |
| Profitability Ratios:                     |                |                   |
| Return on assets <sup>4</sup>             | 5.02%          | 5.35%             |
| Return on equity <sup>5</sup>             | 15.51%         | 16.52%            |
| Asset to Equity ratio <sup>6</sup>        | 2.92:1         | 3:04:1            |
| Interest Rate Coverage Ratio <sup>7</sup> | 5.51           | 5.67              |

*1 Current assets / current liabilities*

*2 Total debt/ consolidated stockholders' equity*

*3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)*

*4 Annualized Total Net income / average total assets*

*5 Annualized Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI*

*6 Total Assets /Total stockholders' equity*

*7 EBITDA/Interest expense*

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **AYALA LAND, INC.**

By:



**AUGUSTO D. BENGZON**  
Senior Vice-President  
CFO, Treasurer and Chief Compliance Officer

Date: May 15, 2019