

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)

**June 30, 2016**

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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 **June 30, 2016**
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 June 30, 2016**

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
<b>Common shares</b>	<b>14,712,682,588</b>
<b>Preferred shares</b>	<b>13,066,494,759</b>

Amount of Debt Outstanding  
**P71,277,920,000.00**

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 June 30, 2016 and December 31, 2015	1
• Unaudited Consolidated Statements of Income for the Six Months Ended June 30, 2016 and June 30, 2015	2
• Unaudited Consolidated Statement of Changes in Equity for the Six Months Ended June 30, 2016 and June 30, 2015	4
• Unaudited Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2016 and June 30, 2015	5
• Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	22

## **PART II - OTHER INFORMATION**

Item 3. 2Q 2016 Developments	29
Item 4. Other Notes to 2Q 2016 Operations and Financials	31
Item 5. Performance Indicators	33
Signature	34

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### **AYALA LAND, INC. AND SUBSIDIARIES**

#### **UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Millions)

	June 2016 Unaudited	December 2015 Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P19,495	P19,087
Short-term investments	10	165
Financial assets at fair value through profit or loss - UITF	456	288
Financial assets at fair value through profit or loss	423	443
Accounts and notes receivable	79,354	64,961
Inventories	68,074	59,247
Other current assets	20,177	22,012
<b>Total Current Assets</b>	<b>187,989</b>	<b>166,204</b>
<b>Non Current Assets</b>		
Noncurrent accounts and notes receivable	40,025	41,257
Available-for-sale financial assets	520	500
Land and improvements	96,382	93,303
Investments in associates and joint ventures	24,301	17,522
Investment properties - net	92,757	80,465
Property and equipment - net	24,742	24,246
Deferred tax assets - net	7,378	7,912
Other noncurrent assets	15,206	10,934
<b>Total Non Current Assets</b>	<b>301,311</b>	<b>276,138</b>
<b>Total Assets</b>	<b>P489,300</b>	<b>P442,342</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables	P137,729	P121,757
Short-term debt	26,826	10,486
Income tax payable	376	1,284
Current portion of long-term debt	3,711	8,808
Deposits and other current liabilities	10,155	3,798
<b>Total Current Liabilities</b>	<b>178,797</b>	<b>146,133</b>
<b>Non Current Liabilities</b>		
Long-term debt - net of current portion	124,207	111,702
Pension liabilities	1,402	1,502
Deferred tax liabilities - net	2,613	1,782
Deposits and other Non-Current Liabilities	24,607	31,397
<b>Total Noncurrent Liabilities</b>	<b>152,829</b>	<b>146,384</b>
<b>Total Liabilities</b>	<b>331,626</b>	<b>292,516</b>
<b>Equity</b>		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	61,287	61,072
Retained earnings	84,132	77,952
Stock options outstanding	196	191
Actuarial loss on pension liabilities	(461)	(432)
Net unrealized gain on available-for-sale financial assets	(80)	(81)
Equity reserves	(5,432)	(4,971)
Treasury shares	-	-
	<b>139,642</b>	<b>133,731</b>
Non-controlling interests	18,032	16,095
<b>Total Equity</b>	<b>157,674</b>	<b>149,825</b>
<b>Total Liabilities and Equity</b>	<b>P489,300</b>	<b>P442,342</b>

**AYALA LAND, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Millions, Except Earnings Per Share Figures)

	2016 Unaudited		2015 Unaudited	
	April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
<b>REVENUE</b>				
Real estate	<b>₱25,877</b>	<b>₱51,451</b>	₱23,746	₱47,426
Interest income	<b>1,440</b>	<b>2,760</b>	1,665	2,958
Equity in net earnings of associates and joint ventures	<b>313</b>	<b>267</b>	(42)	(81)
Other income	<b>158</b>	<b>282</b>	181	308
	<b>27,788</b>	<b>54,760</b>	25,550	50,611
<b>COSTS AND EXPENSES</b>				
Real estate	<b>16,081</b>	<b>32,439</b>	15,551	30,979
General and administrative expenses	<b>1,630</b>	<b>3,307</b>	1,568	3,174
Interest and other financing charges	<b>1,961</b>	<b>3,405</b>	1,687	3,200
Other charges	<b>158</b>	<b>401</b>	54	144
	<b>19,830</b>	<b>39,552</b>	18,860	37,497
<b>INCOME BEFORE INCOME TAX</b>	<b>7,958</b>	<b>15,208</b>	6,690	13,113
<b>PROVISION FOR INCOME TAX</b>				
Current	<b>1,704</b>	<b>3,386</b>	2,095	3,504
Deferred	<b>542</b>	<b>542</b>	(450)	(312)
	<b>2,108</b>	<b>3,928</b>	1,645	3,192
<b>NET INCOME</b>	<b>₱5,850</b>	<b>₱11,280</b>	<b>₱5,046</b>	<b>₱9,921</b>
Net income attributable to:				
Equity holders of Ayala Land, Inc.	<b>₱5,032</b>	<b>₱9,740</b>	₱4,266	₱8,388
Non-controlling interests	<b>818</b>	<b>1,540</b>	779	1,534
	<b>₱5,850</b>	<b>₱11,280</b>	<b>₱5,046</b>	<b>₱9,921</b>
<b>Earnings Per Share</b>				
Basic	<b>₱0.34</b>	<b>₱0.66</b>	₱0.29	₱0.57
Diluted	<b>0.34</b>	<b>0.66</b>	0.29	0.57

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

(Amounts in Millions)

	2016 Unaudited		2015 Unaudited	
	April 1 to June 30	January 1 to June 30	April 1 to June 30	January 1 to June 30
<b>NET INCOME</b>	<b>₱5,850</b>	<b>₱11,280</b>	<b>₱5,046</b>	<b>₱9,921</b>
Other comprehensive income/loss				
Net unrealized gain (loss)				
on available-for-sale financial assets	(16)	(3)	(66)	(69)
Actuarial losses on pension liabilities	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>₱5,834</b>	<b>₱11,277</b>	<b>₱4,980</b>	<b>₱9,852</b>
Total comprehensive income attributable to:				
Equity holders of Ayala Land, Inc.	₱5,016	₱9,737	₱4,201	₱8,318
Non-controlling interests	818	1,540	779	1,534
	<b>₱5,834</b>	<b>₱11,277</b>	<b>₱4,980</b>	<b>₱9,852</b>

## AYALA LAND, INC. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Millions)

	June 2016 Unaudited	June 2015 Unaudited
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.</b>		
<b>COMMON SHARES - ₱1.00 par value</b>		
Issued:		
Balance at beginning of year	₱14,586	₱14,187
Issuance of shares	1	394
Stock options exercised	-	18
Balance at end of year	14,587	14,600
Subscribed:		
Balance at beginning of year	109	3
Issuance of shares	(1)	91
Stock options exercised	17	2
Balance at end of year	125	96
<b>PREFERRED SHARES - ₱0.10 par value</b>		
Issuance of shares	1,307	1,307
<b>ADDITIONAL PAID-IN CAPITAL</b>		
Balance at beginning of year	46,218	30,200
Stock options exercised	413	77
Equity issuance cost charged to APIC	-	(194)
Issuance of common stock	-	15,994
IFRS 2 - Adjustment on Share-based payments	75	-
Balance at end of year	46,706	46,077
<b>SUBSCRIPTIONS RECEIVABLE</b>		
Balance at beginning of year	(1,148)	(846)
Subscriptions	(421)	(402)
Collections	131	62
Balance at end of year	(1,438)	(1,186)
<b>TOTAL PAID-UP CAPITAL</b>		
	61,287	60,894
<b>STOCK OPTIONS</b>		
Balance at beginning of year	191	185
Stock options exercised	5	(3)
Balance at end of year	196	182
Treasury Stock	-	-
<b>RETAINED EARNINGS</b>		
Appropriated for future expansion	6,000	6,000
Unappropriated:		
Balance at beginning of year	71,952	60,478
Prior years adjustments (PAS 19)	-	-
Cash dividends	(3,560)	(3,107)
Net income	9,740	8,388
Balance at end of year	84,132	71,759
<b>PARENT OR OTHER RESERVES</b>		
	(5,432)	(4,741)
<b>UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		
	(80)	67
<b>REMEASUREMENT LOSS ON DEFINED BENEFIT PLANS</b>		
	(461)	(567)
<b>NON-CONTROLLING INTERESTS</b>		
Balance at beginning of year	16,095	15,056
Net income (loss)	1,540	1,533
Increase (decrease) in non-controlling interests	(786)	300
Dividends paid to minority interest	(389)	(126)
Balance at end of quarter	18,032	16,763
	₱157,674	₱144,357

## AYALA LAND, INC. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	June 2016 Unaudited	June 2015 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	15,209	13,113
Adjustments for:		
Depreciation and amortization	2,936	2,351
Interest and other charges - net of amount capitalized	4,032	3,382
Equity in net earnings of investees	(267)	81
Interest and other income	(2,986)	(3,074)
Unrealized gain on financial assets	-	(69)
Provision for doubtful accounts	-	79
Operating income before changes in working capital	18,924	15,863
Decrease (increase) in :		
Accounts and notes receivable - trade	(17,348)	(13,581)
Real estate inventories	(8,827)	(3,764)
Other current assets	1,835	(646)
Increase (decrease) in :		
Accounts and other payables	20,237	15,697
Pension liabilities	(128)	(179)
Other current liabilities	6,357	(3,162)
Cash generated from operations	21,050	10,228
Interest received	3,032	3,181
Income tax paid	(5,944)	(4,640)
Interest paid - net of amount capitalized	(7,190)	(3,232)
Net cash provided by (used in) operating activities	10,948	5,537
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposals of (additions to):		
Land and improvements	(3,080)	(6,276)
Investments	(21,958)	(12,272)
Property and equipment	(746)	(1,098)
Short term investments	7	3,878
Decrease (increase) in:		
Non-current accounts and notes receivable - non trade	4,142	(3,536)
Other assets	(3,751)	(2,043)
Net cash provided by (used in) investing activities	(25,386)	(21,347)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term / long-term loans	29,944	10,507
Payments of short-term / long-term loans	(6,197)	(10,538)
Increase (decrease) in:		
Deposits and other noncurrent liabilities	(5,959)	1,167
Minority interest in consolidated subsidiaries	786	300
Proceeds from capital stock subscriptions	220	16,039
Dividends paid to non-controlling interests	(389)	(126)
Dividends paid to equity holders of Ayala Land, Inc.	(3,560)	(3,107)
Net cash provided by (used in) financing activities	14,845	14,242
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>407</b>	<b>(1,568)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>19,087</b>	<b>28,677</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>19,494</b>	<b>27,109</b>



**Ayala Land, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**1. 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, 2015 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, 2015.

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 except when otherwise indicated.

On August 9, 2016, the Audit Committee approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of Ayala Land, Inc. and subsidiaries.

**2. Summary of Significant Accounting Policies**

Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2015, except for the adoption of new Standards and Interpretations enumerated below.

***Annual Improvements to PFRSs (2012-2014 cycle)***

In the 2012 – 2014 annual improvements cycle, five amendments to four standards were issued, which included an amendment to PFRS 5, *Non-current Assets held for Sale and Discontinued Operations-Changes in Methods of Disposal*, PFRS 7, *Financial Instruments: Disclosures-Servicing Contracts and to Condensed Interim Financial Statements*, PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*, and PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*.

These improvements are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

***PAS 1, Presentation of Financial Statements: Disclosure Initiative (Amendment)***

The amendments to PAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing PAS 1 requirements. The amendments clarify

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

Early application is permitted since these amendments are clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

*PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

*PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

*PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

*PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)*

These amendments clarify the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.

*PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

*PFRS 14, Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Standards and Interpretations issued but not yet effective

The Group will adopt the following amended standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have a significant impact on the unaudited condensed consolidated financial statements.

Effective 2018

*PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

#### *PFRS 9, Financial Instruments (2014 or final version)*

In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

#### *Deferred Effectivity*

##### *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

##### *IFRS 15, Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

##### *IFRS 16, Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16 – Leases, which replaces International Accounting Standard (IAS) 17. Rather, lessees will apply the single-asset method. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The Accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, Revenue from Contracts with Customers. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

### 3. Principles of Consolidation

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

<b>Ayala Land, Inc. Subsidiaries (as of June 30, 2016)</b>	<b>Effective Ownership</b>
<b>Real Estate:</b>	
Alveo Land Corporation (Alveo)	100%
Serendra, Inc.	39
Solinea, Inc. (Solinea)	65
BGSouth Properties, Inc. (BGS)	50
Portico Land Corp. (Portico)	60
Serendra, Inc.	28
Amorsedia Development Corporation (ADC)	100
OLC Development Corporation and Subsidiary	100
HLC Developmet Corporation	100
Allysonia International Ltd.	100
Avida Land Corporation (Avida)	100
Buklod Bahayan Realty and Development Corp.	100
Avida Sales Corp. and Subsidiaries	100
Amicassa Process Solutions, Inc.	100
Avencosouth Corp. (Avencosouth)	70
BGNorth Properties, Inc. (BGN)	50
Amaia Land Co. (Amaia)	100
Amaia Southern Properties, Inc. (ASPI)	65
Ayala Land International Sales, Inc. (ALISI)	100
Ayalaland International Marketing, Inc. (AIMI)	100
Ayala Land International (Singapore) Pte. Ltd	100
Ayala Land International Marketing (Hong Kong) Ltd (ALIM HK)	100
Ayala Land International Marketing, SRL (ALIM SRL)	100
Ayala Land International Marketing, London	100
Ayala Land Sales, Inc.	100
Southportal Properties, Inc. (Southportal)	65
Buendia Landholdings, Inc.	100
Crans Montana Holdings, Inc.	100
Crimson Field Enterprises, Inc.	100
Ecoholdings Company, Inc. (ECI)	100
NorthBeacon Commercial Corporation (NBCC)	100
Red Creek Properties, Inc.	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	100
AsterionTechnopod, Incorporated (ATI)	100
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	100
North Ventures Commercial Corporation (Formerly Fairview Prime Commercial Corp.)	100
Hillsford Property Corporation (HPC)	100
Primavera Towncentre, Inc. (PTI)	100
Summerhill E-Office Corporation (Summerhill)	100
Sunnyfield E-Office Corporation (Sunnyfield)	100
Subic Bay Town Centre, Inc.	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	100
AyalaLand Real Estate Investments Inc.	100
AyalaLand Advisory Broadway Inc.	100
AyalaLand Development (Canada) Inc.	100
AyalaLand OpenAsia Holdings PTE, Ltd	100
Blue Horizons Holdings PTE, Ltd	100
AyalaLand Commercial REIT, Inc. (ALCRI)	100
Arvo Commercial Corporation (Arvo)	100
BellaVita Land Corporation (BellaVita)	100
Nuevo Centro, Inc. (Nuevo Centro)	100
Cavite Commercial Town Center, Inc.	100

AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo))	100
One Dela Rosa Property Development, Inc.	100
First Gateway Real Estate Corp.	100
Glensworth Development, Inc. (Glensworth)	100
UP North Property Holdings, Inc.	100
Central Block Developers, Inc.	52
ALO Prime Realty Corporation	100
Laguna Technopark, Inc. (LTI)	75
Ecozone Power Management, Inc.	75
Aurora Properties Incorporated	80
Soltea Commercial Corp.	16
Vesta Property Holdings, Inc.	70
Station Square East Commercial Corporation (SSECC)	69
Accendo Commercial Corp. (Accendo)	67
Avencosouth Corp.	20
Aviana Development Corporation	7
Aviana Development Corporation	50
Cagayan de Oro Gateway Corp. (CDOGC)	70
Ceci Realty, Inc. (Ceci)	60
Soltea Commercial Corp.	12
Soltea Commercial Corp.	60
CMPI Holdings, Inc.	60
CMPI Land, Inc.	36
ALI-CII Development Corporation (ALI-CII)	50
Roxas Land Corporation (RLC)	50
Adauge Commercial Corporation (Adauge)	60
Southgateway Development Corp. (SDC)	100
Ayalaland MetroNorth, Inc. (AMNI)	100
North Triangle Depot Commercial Corporation (NTDCC)	73
BGWest Properties, Inc. (BGW)	50
Lagdigan Land Corporation	60
Cebu Holdings, Inc. (CHI)	67
Cebu District Property Enterprise, Inc.	7
Cebu Property Ventures Development Corp and Subsidiaries	59
Cebu Leisure Company, Inc.	67
CBP Theatre Management Inc.	67
Taft Punta Engano Property, Inc.(TPEPI)	37
Cebu Insular Hotel Company, Inc.	25
Solinea, Inc.	23
Amaia Southern Properties, Inc. (ASPI)	23
Southportal Properties, Inc. (Southportal)	23
Central Block Developers, Inc. (CBDI)	38
Cebu Property Ventures Development Corp and Subsidiaries	8
Alabang Commercial Corporation (ACC)	50
South Innovative Theater Management (SITMI)	50
ALI Commercial Center, Inc.	100
OCLP Holdings, Inc,	18
Prow Holdings, Inc.	33
ALI-ETON Property Development Corporation	50
Ayalaland Malls Synergies, Inc.	100
Altaraza Prime Realty Corporation	100
<b>Construction:</b>	
Makati Development Corporation (MDC)	100
MDC Subic, Inc.	100
MDC Build Plus, Inc.	100
MDC Conqrete, Inc. (MCI)	100
MDC Equipment Solutions, Inc. (MESI)	100

<b>Hotels and Resorts:</b>	
Ayala Hotels, Inc. (AHI)	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	80
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	80
Asian Conservation Company Limited and Subsidiary	100
Enjay Hotels, Inc. (Enjay)	100
Greenhaven Property Venture, Inc. (GPVI)	100
Cebu Insular Hotel Company, Inc. (CIHCI)	63
Bonifacio Hotel Ventures, Inc.	100
Southcrest Hotel Ventures, Inc.	67
Northgate Hotel Ventures, Inc.	70
North Triangle Hotel Ventures, Inc.	100
Ecosouth Hotel Ventures, Inc.	100
Sentera Hotel Ventures Inc.	100
Econorth Resorts Ventures, Inc.	100
ALI Triangle Hotel Ventures, Inc.	100
Circuit Makati Hotel Ventures, Inc.	100
Capitol Centre Hotel Ventures, Inc.	100
Arca South Hotel Ventures, Inc.	100
Sicogon Town Hotel, Inc.	100
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	20
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	20
Ten Knots Phils, Inc. (TKPI)	60
Bacuit Bay Development Corporation	60
Lio Resort Ventures, Inc.	60
North Liberty Resort Ventures, Inc.	60
Paragua Eco-Resort Ventures, Inc.	60
Ten Knots Development, Corp. (TKDC)	60
Chirica Resorts Corp.	60
Kingfisher Capital Resources Corp.	60
Pangalusian Island Resort Corporation	60
<b>Property Management:</b>	
Ayala Property Management Corporation (APMC)	100
Prime Support Services, Inc.	100
Ayala Theatres Management, Inc. and Subsidiaries	100
DirectPower Services, Inc. (DirectPower)	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	100
<b>Entertainment:</b>	
Five Star Cinema, Inc.	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	50
<b>Others:</b>	
ALInet.com, Inc. (ALInet)	100
First Longfield Investments Limited (First Longfield) (Hong Kong company)	100
Green Horizons Holdings Limited	100
Aprisa Business Process Solutions, Inc. (Aprisa)	100
AyalaLand Club Management, Inc.	100
ALI Capital Corp. (formerly Varejo Corp.)	100
Sicogon Island Tourism Estate Corp.	100
Integrated Eco-resort Inc.	100
Island Transvoyager, Inc.	100
Ayala Land Malls, Inc. (formerly Solerte, Inc.)	100
AyalaLand Malls Vismin, Inc.	100
AyalaLand Malls NorthEast, Inc.	100
Verde Golf Development Corporation	100
AyalaLand Medical Facilities Leasing Inc. (Ayala Land Healthcare Leasing Inc.)	100
Whiteknight Holdings, Inc. (WHI)	100
Mercado General Hospital, Inc.	33
Next Urban Alliance Development Corp.	100
Arca South Integrated Terminal, Inc.	100

#### 4. Receivables/Payables

<b>AGING OF RECEIVABLES</b>					
As of June 30, 2016 (in million pesos)	Up to 6 months	Over 6 months to One Year	Over One Year	Past Due	Total
Trade Receivables	₱50,074	₱10,011	₱38,844	₱7,116	₱106,045
Non-Trade Receivables	5,248	6,905	1,180	-	13,333
<b>Total</b>	<b>₱55,322</b>	<b>₱16,916</b>	<b>₱40,024</b>	<b>₱7,116</b>	<b>₱119,378</b>

<b>AGING OF PAYABLES</b>					
As of June 30, 2016 (in million pesos)	Up to 6 months	Over 6 months to One Year	Over One Year	Past Due	Total
Trade Payables	₱39,165	₱13,215	₱22,780	-	₱75,160
Non-Trade Payables	75,064	20,816	5,842	-	101,722
<b>Total</b>	<b>₱114,229</b>	<b>₱34,031</b>	<b>₱28,622</b>	<b>-</b>	<b>₱176,882</b>

#### 5. Inventories

This account consists of:

<i>(in million pesos)</i>	<b>June 2016 (Unaudited)</b>	<b>December 2015 (Audited)</b>
Real Estate Inventories	P66,498	P57,619
Club Shares	1,576	1,628
<b>TOTAL</b>	<b>P68,074</b>	<b>P59,247</b>

#### 6. Disclosure of Interests in Subsidiaries with Material Non-Controlling Interests and Interests in Associates

The Company considers a subsidiary with material NCI, an associate and joint venture with material interest if its net assets exceed 5% of its total consolidated net assets as of the reporting period. There are no significant restrictions on the Company's ability to use assets and settle liabilities of the group.

Financial information on the Company's significant subsidiary with material NCI follows:

<b>Cebu Holdings, Inc.</b>	<b>As of June 30, 2016 (in million pesos)</b>
Current assets	4,940
Non-current assets	14,572
Current liabilities	4,920
Non-current liabilities	7,324
Revenue	1,329
Profit or loss from continuing operations	330

Financial information on associate with material interest on which has the Company has significant influence follows:

<b>Bonifacio Land</b>	<b>As of June 30, 2016 (in million pesos)</b>
Current assets	14,237
Non-current assets	29,545
Current liabilities	3,904
Non-current liabilities	-
Revenue	1,794
Profit or loss from continuing operation	685



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

Short-Term Debt Borrower	As of June 30, 2016 (in million pesos)
ALI	P22,883.0
Alveo	1,649.1
Avida	2,294.0
<b>Total</b>	<b>P26,826.1</b>

Long-Term Debt ss of June 30, 2016 Borrower (in millions)	Current		Non-Current		Total	
	Peso	US\$	Peso	US\$	Peso	US\$
<b>ALI</b>	<b>2,166.7</b>	<b>8.4</b>	<b>91,250.6</b>	<b>34.9</b>	<b>93,417.3</b>	<b>43.3</b>
Alabang Commercial Corp.	1.7	-	133.6	-	135.3	-
Accendo Commercial Corp	275.0	-	1,075.0	-	1,350.0	-
Adauge Commercial Corporation	24.8	-	595.2	-	620.0	-
AyalaLand Hotels and Resorts Corporation	248.9	-	5,330.2	-	5,579.1	-
Alveo Land Corp.	150.0	-	4,350.0	-	4,500.0	-
Amaia Land Corp.	37.5	-	1,422.4	-	1,459.9	-
Arvo Commercial Corporation	8.9	-	151.3	-	160.2	-
Avida Land Corp	170.0	-	6,255.0	-	6,425.0	-
Cagayan de Oro Gateway Corp	99.4	-	2,145.9	-	2,245.3	-
Cebu Holdings, Inc.	92.7	-	6,096.4	-	6,189.1	-
Hillsford Property Corp.	12.4	-	47.4	-	59.8	-
HLC Development Corp.	179.4	-	1,121.4	-	1,300.8	-
North Triangle Depot Commercial Corporation	85.0	-	1,816.3	-	1,901.3	-
Philippine Integrated Energy Solutions, Inc.	88.0	-	1,593.1	-	1,681.1	-
Subic Bay Town Center, Inc	43.8	-	722.7	-	766.5	-
Sunnyfield E-Office Corporation	18.4	-	70.4	-	88.8	-
Westview Commercial Ventures Corp.	17.9	-	30.1	-	37.9	-
<b>Total</b>	<b>3,710.5</b>	<b>8.4</b>	<b>124,207.0</b>	<b>34.9</b>	<b>127,917.4</b>	<b>43.3</b>

### Issuances, Repurchases and Repayments of Debt and Equity Securities

#### Issuance of Debt and Equity Securities/New Financing Through Loans

Borrower	As of June 30, 2016 (in million pesos)	Nature
ALI	49,593.4	availment of short-term loans, assumption of subsidiaries' debt and issuance of bonds
Alveo	1,168.9	availment of short-term loans
AHRC	1,436.5	availment of long-term loans
Avida	2,427.0	availment of short-term loans
<b>Total</b>	<b>54,625.8</b>	

#### Repayment of Debt and Equity Securities

Borrower	As of June 30, 2016 (in million pesos)	Nature
ALI	28,300.6	repayment of short term, homestarter bonds and amortization on matured long-term loans
Accendo	37.5	amortization on long-term loan
AHRC	1579.5	amortization/assignment of long-term loans
Alveo	100.0	amortization on long-term loan
Amaia	18.8	amortization on long-term loan
Arvo	4.5	amortization on long-term loans
Avida	447.9	repayment of short-term and amortization on long-term loans
CDOGC	49.7	amortization on long-term loan
CHI	46.4	amortization on long-term loan
Hillsford	6.2	amortization on long-term loans
HLC	89.7	amortization on long-term loans
NTDCC	42.5	amortization on long-term loan
Philenergy	44.0	amortization on long-term loan
SBTCI	21.9	amortization on long-term loan
Sunnyfield	9.2	amortization on long-term loan
Westview	3.9	amortization on long-term loan
<b>Total</b>	<b>30,802.3</b>	

### **P7.0 Billion Fixed Rate Bonds due 2025**

<b>(In pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	7,000,000,000.00	8,000,000,000.00
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	1,767,500.00	1,767,500.00
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	26,250,000.00
Estimated Professional Expenses & Agency fees	7,500,000.00	2,301,963.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	227,597.18
Listing Fee	100,000.00	-
Total Expenses	73,117,500.00	65,542,060.18
Net Proceeds	<b>6,926,882,500.00</b>	<b>6,934,457,939.82</b>

#### **Balance of Proceeds as of 06.30.2016**

**NIL**

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

### **P8.0 Billion Fixed Rate Bonds due 2026**

<b>(In pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	8,000,000,000.00	8,000,000,000.00
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	2,588,125.00	2,588,125.00
Documentary Stamp Tax	40,000,000.00	40,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
Estimated Professional Expenses & Agency fees	7,500,000.00	3,651,246.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	398,937.60
Listing Fee	100,000.00	-
Total Expenses	82,688,125.00	76,638,308.60
Net Proceeds	<b>7,917,311,875.00</b>	<b>7,923,361,691.40</b>

#### **Balance of Proceeds as of 06.30.2016**

**NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

### **P7.0 Billion Fixed Rate Bonds due 2022**

<b>(In pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	7,000,000,000.00	7,000,000,000.00
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	-	-
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	25,724,999.99
Estimated Professional Expenses & Agency fees	5,740,000.00	3,058,763.32
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	19,307.59
Listing Fee	100,000.00	-
Total Expenses	69,590,000.00	63,803,070.90
Net Proceeds	<b>6,930,410,000.00</b>	<b>6,936,196,929.10</b>

**Balance of Proceeds as of 06.30.2016****NIL**

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

**P5.0 Billion Fixed Rate Bonds due 2021**

<b>(In pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	5,000,000,000.00	5,000,000,000.00
Expenses		
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration	1,812,500.00	1,812,500.00
Legal Research Fee	18,125.00	18,125.00
Upfront Fees	-	-
Underwriting Fee	18,750,000.00	18,750,000.00
Professional Expenses and Agency Fees	3,828,500.00	4,051,801.20
Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	275,128.39
Total Expenses	<b>52,051,125.00</b>	<b>49,907,554.59</b>
Net Proceeds	<b>4,947,978,875.00</b>	<b>4,950,092,445.41</b>

**Balance of Proceeds as of 06.30.2016****NIL**

Cebu Holdings, Inc. raised from the Bonds gross proceeds of P5.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P4.95 billion. Net proceeds were used to partially finance various projects.

**P8 Billion Fixed Rate Callable Bonds due 2025**

<b>(in pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	8,000,000,000.00	8,000,000,000.00
Expenses		
Documentary Stamp Tax	40,000,000.00	40,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	7,748,500.00	7,178,064.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	126,279.00
Listing Fee	168,000.00	100,000.00
Total Expenses	<b>84,772,125.00</b>	<b>81,759,968.00</b>
Net Proceeds	<b>7,915,227,875.00</b>	<b>7,918,240,032.00</b>

**Balance of Proceeds as of 06.30.2016****NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

#### P4.0 Billion in Fixed Rate Bonds due 2020 and P2.0 Billion Fixed Rate Bonds due 2033

<b>(in pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	6,000,000,000.00	6,000,000,000.00
Expenses		
Documentary Stamp Tax	30,000,000.00	30,000,000.00
Upfront Fees		
Underwriting Fee (375 bps + GRT)	22,500,000.00	22,500,000.00
Professional Expenses	1,457,500.00	2,517,808.07
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing etc.)	1,000,000.00	5,530.00
Total Expenses	<b>55,057,500.00</b>	<b>55,123,338.07</b>
Net Proceeds	<b>5,944,942,500.00</b>	<b>5,944,876,661.93</b>

#### Balance of Proceeds as of 06.30.2016

NIL

Ayala Land raised from the Bonds gross proceeds of P6.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P5.9 billion. Net proceeds were used to partially finance various projects.

#### P15.0 Billion Fixed Rate Bonds due 2024

<b>(in pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	15,000,000,000.00	15,000,000,000.00
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration	5,812,500.00	5,812,500.00
Legal Research Fee	58,125.00	58,125.00
Upfront Fees		
Underwriting Fee	56,250,000.00	56,250,000.00
Professional Expenses	7,336,000.00	401,082.05
Trustee	20,000.00	20,000.00
Registry Account Opening Fee	150,000.00	150,000.00
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	97,807.91
Total Expenses	<b>147,226,625.00</b>	<b>137,889,514.96</b>
Net Proceeds	<b>14,852,773,375.00</b>	<b>14,862,110,485.04</b>

#### Balance of Proceeds as of 06.30.2016

NIL

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

#### P9.35 Billion Fixed Rate Callable Bonds due 2019 and P5.65 Billion Fixed Rate Callable Bonds due 2022

<b>(in pesos)</b>	<b>ESTIMATED PER PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	15,000,000,000.00	15,000,000,000.00
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
Underwriting Fee	54,035,000.00	54,035,000.00
Rating Fee	5,040,000.00	4,125,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	1,960,000.00	3,064,146.00
Marketing/Printing/Photocopying Costs and OPEs	500,000.00	383,755.82
Registry and Paying Agency Fee	337,500.00	1,056,314.87
Trustee Fees	112,500.00	20,000.00
Listing Fee	100,000.00	443,666.68
Total Expenses	<b>141,440,625.00</b>	<b>142,483,508.37</b>
Net Proceeds	<b>14,858,559,375.00</b>	<b>14,857,516,491.63</b>

**Balance of Proceeds as of 06.30.2016****NIL**

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

**HOMESTARTER BONDS 6**

<b>(in pesos)</b>	<b>PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	2,000,000,000.00	2,000,000,000.00
Expenses		
Underwriting and Other Professional Fees	15,000,000.00	15,060,000.00
Issue Management Fee	2,000,000.00	2,000,000.00
Underwriting Fee	12,500,000.00	12,500,000.00
Legal Fee – Joint Underwriters	500,000.00	560,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,486,780.27
Documentary Stamp Tax	10,000,000.00	10,000,000.00
Total Expenses	<b>27,200,000.00</b>	<b>26,546,789.27</b>
Net Proceeds	<b>1,972,800,000.00</b>	<b>1,973,453,210.73</b>

**Balance of Proceeds as of 06.30.2016****NIL**

Ayala Land raised from the Bonds gross proceeds of P2.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P1.97 billion. Net proceeds were used to partially finance various projects.

**HOMESTARTER BONDS 5**

<b>(in pesos)</b>	<b>PROSPECTUS</b>	<b>ACTUAL</b>
Issue Amount	1,000,000,000.00	1,000,000,000.00
Expenses		
SEC Registration	1,325,625.00	1,325,625.00
Underwriting and Other Professional Fees	8,000,000.00	9,421,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,587,085.83
Registry and Paying Agency Fees	200,000.00	154,090.30
Documentary Stamp Tax	10,000,000.00	5,000,000.00
Total Expenses	<b>21,725,625.00</b>	<b>17,487,801.13</b>
Net Proceeds	<b>978,274,375.00</b>	<b>982,512,198.87</b>

**Balance of Proceeds as of 06.30.2016****NIL**

Ayala Land raised from the Bonds gross proceeds of P1.0Bn. After issue-related expenses, actual net proceeds amounted to P982.5 million. Net proceeds were used to partially finance various projects.

**8. Commercial Paper Issuances and Outstanding Balance  
(for the quarter ended June 30, 2016)**

None.

## 9. Accounts and Other Payables

The accounts and other payables as of June 30, 2016 is broken down as follows:

<b>Accounts and other payables</b>	<b>As of June 30, 2016 (In million pesos)</b>
Accounts Payable	P92,136
Accrued Expenses	6,707
Taxes payable	9,682
Accrued project cost	15,087
Commission payable	196
Dividend payable	478
Accrued salaries & employee benefits	2,530
Accrued - Rental	997
Accrued - Repairs & maintenance	1,222
Accrued - Advertising & Promo	1,110
Accrued - Professional & Management Fees	3,119
Accrued - Light & Water	2,484
Accrued - Insurance	64
Accrued - Postal & Comm	29
Accrued - Representation	357
Accrued – Donations & Contribution	44
Accrued - Transportation & Travel	14
Interest payable	1,435
Retention payable	38
<b>Total</b>	<b>P137,729</b>

## 10. 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 a significant related party for the relevant financial year:

a. Transactions with BPI, an associate of AC

As of June 30, 2016 and December 31, 2015, the Group maintains current and savings account, money market placements and Long-term debt payable with BPI broken down as follows:

<b>(In million pesos)</b>	<b>Unaudited June 30, 2016</b>	<b>Audited December 31, 2015</b>
Cash in bank	<b>P4,088</b>	P6,029
Cash equivalents	<b>2,227</b>	6,984
Financial asset at FVPL	<b>458</b>	230
Short-term debt	<b>4,677</b>	1,699
Long-term debt	<b>13,525</b>	12,522

## 11. Segment information

The industry segments where the Group and its associates and joint ventures operate follow:

- Residential developments - 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
- 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
- Corporate business - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Strategic land bank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Company's share in properties made available to subsidiaries for development. This also includes development, sale and lease, shopping centers and residential developments of the Group's product offerings in key cities in the Visayas and Mindanao regions
- Construction - land development and construction of the Group and third-party projects
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets.

In 2010, the Visayas-Mindanao business segment was combined with Strategic Land Bank Management.

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.

YTD June 2016 (in million pesos)	Strategic Landbank Management and Visayas									
	Shopping Centers	Corporate Businesses	Residential Development	Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustment	Consolidated
<b>Revenues</b>										
Sales to external customers	7,392	2,442	31,752	1,945	4,379	2,812	729	0	0	51,451
Intersegment sales	337	0	1,745	(201)	26,603	0	331	0	(28,815)	0
Equity in net earnings of Investees	(230)	0	0	136	0	0	0	362	0	268
<b>Total Revenues</b>	<b>7,499</b>	<b>2,442</b>	<b>33,497</b>	<b>1,880</b>	<b>30,982</b>	<b>2,812</b>	<b>1,060</b>	<b>362</b>	<b>(28,815)</b>	<b>51,719</b>
Operating Expenses	4,063	880	24,718	1,512	29,293	2,103	1,007	653	(28,482)	35,747
<b>Operating Profit</b>	<b>3,436</b>	<b>1,562</b>	<b>8,779</b>	<b>368</b>	<b>1,689</b>	<b>709</b>	<b>53</b>	<b>(291)</b>	<b>(333)</b>	<b>15,972</b>
Interest income	-	-	-	-	-	-	-	-	-	2,760
Interest expense	-	-	-	-	-	-	-	-	-	(3,405)
Other income (expense)	-	-	-	-	-	-	-	-	-	(119)
Provision for income tax	-	-	-	-	-	-	-	-	-	(3,928)
<b>Net Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,280</b>
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-	-	-	-	-	-	-	-	-	9,740
Minority interests	-	-	-	-	-	-	-	-	-	1,540
										<b>11,280</b>
<b>Other information</b>										
Segment assets	78,310	55,249	328,826	133,451	48,930	24,308	5,429	23,639	(240,521)	457,621
Investment in associates and jointly controlled entities	52	0	589	9,217	0	0	0	14,443	0	24,301
Deferred tax assets	287	99	1,639	390	31	287	28	1,537	3,080	7,378
<b>Total assets</b>	<b>78,649</b>	<b>55,348</b>	<b>331,054</b>	<b>143,058</b>	<b>48,961</b>	<b>24,595</b>	<b>5,457</b>	<b>39,619</b>	<b>(237,441)</b>	<b>489,300</b>
Segment liabilities	60,525	18,476	167,437	102,783	43,659	11,688	3,805	18,667	(98,027)	329,013
Deferred tax liabilities	21	30	1,807	452	0	479	15	0	(191)	2,613
<b>Total liabilities</b>	<b>60,546</b>	<b>18,506</b>	<b>169,244</b>	<b>103,235</b>	<b>43,659</b>	<b>12,167</b>	<b>3,820</b>	<b>18,667</b>	<b>(98,218)</b>	<b>331,626</b>
Segment additions to Property & Equipment	1,900	18	54	81	1,420	(164)	1,253	1	0	4,563
Investment properties	8,913	1,953	0	1,166	0	723	0	180	0	12,935
Depreciation and amortization	851	385	124	422	738	281	82	53	0	2,936

YTD June 2015 (in million pesos)	Strategic Landbank Management and Visayas									
	Shopping Centers	Corporate Businesses	Residential Development	Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustment	Consolidated
<b>Revenues</b>										
Sales to external customers	6,011	2,319	28,527	3,349	3,573	2,961	687	-	-	47,427
Intersegment sales	574	-	558	(110)	15,348	-	437	-	(16,807)	-
Equity in net earnings of Investees	(147)	-	-	113	-	-	-	(46)	-	(80)
<b>Total Revenues</b>	<b>6,438</b>	<b>2,319</b>	<b>29,085</b>	<b>3,352</b>	<b>18,921</b>	<b>2,961</b>	<b>1,124</b>	<b>(46)</b>	<b>-</b>	<b>47,347</b>
Operating Expenses	3,778	1,097	21,933	2,644	16,832	2,253	929	644	(15,778)	34,332
<b>Operating Profit</b>	<b>2,660</b>	<b>1,222</b>	<b>7,152</b>	<b>708</b>	<b>2,089</b>	<b>708</b>	<b>195</b>	<b>(690)</b>	<b>15,778</b>	<b>13,015</b>
Interest income	-	-	-	-	-	-	-	-	-	(3,200)
Interest expense	-	-	-	-	-	-	-	-	-	2,958
Other income (expense)	-	-	-	-	-	-	-	-	-	241
Provision for income tax	-	-	-	-	-	-	-	-	-	(3,192)
<b>Net Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,822</b>
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-	-	-	-	-	-	-	-	-	8,288
Minority interests	-	-	-	-	-	-	-	-	-	1,534
										<b>9,822</b>
<b>Other information</b>										
Segment assets	74,216	43,831	273,953	102,863	43,717	25,273	5,262	24,516	(189,783)	403,848
Investment in associates and jointly controlled entities	915	-	-	8,549	-	-	-	3,520	-	12,984
Deferred tax assets	254	91	1,930	331	30	123	23	1,668	2,213	6,663
<b>Total assets</b>	<b>75,385</b>	<b>43,922</b>	<b>275,883</b>	<b>111,743</b>	<b>43,747</b>	<b>25,396</b>	<b>5,285</b>	<b>29,704</b>	<b>(187,570)</b>	<b>423,495</b>
Segment liabilities	45,760	20,989	143,609	85,772	39,027	12,997	3,993	2,783	(78,064)	276,866
Deferred tax liabilities	-	52	1,355	275	-	440	1	-	148	2,271
<b>Total liabilities</b>	<b>45,760</b>	<b>21,041</b>	<b>144,964</b>	<b>86,047</b>	<b>39,027</b>	<b>13,437</b>	<b>3,994</b>	<b>2,783</b>	<b>(77,916)</b>	<b>279,137</b>
Segment additions to Property & Equipment	186	62	66	100	841	613	333	29	-	2,230
Investment properties	4,357	1,337	447	593	-	-	-	-	-	6,734
Depreciation and amortization	516	302	77	266	412	209	76	76	-	1,934



## **Item 2. Management’s Discussion on Results of Operations and Analysis of Financial Condition**

### **Results of Operations for the Six Months Ended June 30, 2016**

Ayala Land, Inc. (ALI or “the Company”) registered gains in the first six months of 2016, posting a net income of P9.74 billion, 16% higher than the P8.39 billion recognized during the same period last year.

Consolidated revenues reached P54.76 billion, 8% higher than the P50.61 billion registered in the same period in 2015. This was driven by the steady performance of its core businesses such as property development, commercial leasing and services which grew 8% year-on-year to P51.45 billion.

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 6.0% from 6.3% year-on-year while the Earnings before Interest and Taxes (EBIT) margin improved to 31% from 28% the previous year.

### **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, and office spaces, as well as commercial and industrial lots. Total revenues from Property Development amounted to P33.66 billion, 6% higher than the P31.85 billion reported in 2015.

Revenues from the Residential Segment reached P28.97 billion, 8% higher year-on-year driven by bookings and project completion across all residential brands.

Ayala Land Premier posted revenues of P11.35 billion, 5% higher year-on-year driven by bookings and completion of its high-value horizontal projects such as Riomonte and Soliento in Nuvali, Sta Rosa Laguna and The Courtyards in Imus and Dasmariñas, Cavite, and residential building projects such as Garden Towers 1 and 2 in Ayala Center, Makati City, Arbor Lanes Tower 1 & 2 in Arca South Taguig, and West Gallery Place in Bonifacio Global City, Taguig.

Alveo posted revenues of P7.23 billion, 5% higher year-on-year driven by bookings from Lumira and Mondia in Nuvali, Park Triangle Residences, Verve Residences Tower 1 and 2, Maridien Towers 1 and 2 all located in Bonifacio Global City in Taguig and higher completion of High Park Tower 1 in Arca South, Lerato Tower 3 in Makati City and Solinea Towers 1, 2 and 3 in Ayala Center, Cebu City.

Avida posted revenues of P7.91 billion, 20% higher year-on-year driven by higher sales from Avida Towers Asten Tower 2, Avida Towers Vita 1, 2 and 3 in Vertis North Quezon City, Avida Tower Turf and higher completion of horizontal projects such Hillcrest Estates and Southfield Settings in Nuvali and residential buildings namely Avida Tower Davao Tower 2, Avida Towers BGC 34<sup>th</sup> Tower 1 and 2 and The Montane in Bonifacio Global City.

Amaia generated revenues of P1.55 billion, 12% lower year-on-year despite 25% growth in bookings due to higher contribution of projects with lower completion.

BellaVita meanwhile significantly increased revenues to P290 million, 74% higher year-on-year mainly due to solid bookings generated by its existing and new projects in Cabanatuan City, Tayabas Quezon, General Trias Cavite, and Pililla Laguna.

Residential sales take-up grew 5%, reaching a total of P55.12 billion translating to an average of P9.19 billion in monthly sales. The gross profit margins of horizontal projects were maintained at 43% while the gross profit margins of vertical projects slightly improved to 36% from 35% during the same period last year. Ayala Land launched P42.26 billion worth of residential projects in the first six months of 2016.

Revenues from the sale of office spaces reached P3.09 billion, 44% higher from the P2.14 billion generated in the same period in 2015 driven by the sale of Alveo Financial Tower in Makati City, High Street South Corporate Plaza Towers 1 and 2 and Park Triangle Corporate Plaza by Alveo and One Park Drive by Avida all located in Bonifacio Global City. Gross profit margins of offices for is steady at 39%, same in the previous year.

Revenues from the sale of commercial and industrial lots reached P1.60 billion, 42% lower year-on-year due to higher lot sales in Arca South in 2015. Gross profit margins of commercial and industrial lots increased to 56% from 49% due to the contribution of higher margin commercial lots in Nuvali and Arca South.

**Commercial Leasing** This includes the Company's Shopping Centers and Office Leasing as well as Hotels and Resorts operations. Total revenues from Commercial Leasing amounted to P12.76 billion, 12% higher than the P11.40 billion reported in the same period in 2015.

Revenues from Shopping Centers reached P6.98 billion, 16% higher than the P6.01 billion posted last year due to the strong performance of Glorietta, Greenbelt, Market Market and Trinoma and newly opened shopping areas in Solenad 3 and UP Town Center and higher average rental rates of existing malls. Monthly average lease rates slightly increased to P1,164 per square meter from P1,159 per square meter in the same period last year while same mall rental growth increased by 5% year-on-year. Shopping Centers EBITDA margin slightly improved to 69% from 67% due to cost containment initiatives and higher operating efficiency. Average occupancy rate registered at 93%. Total gross leasable area (GLA) of Shopping Centers registered at 1.51 million square meters as of June 30, 2016 due to the opening of Ayala Malls Legaspi and a new phase in UP Town Center.

Revenues from Office Leasing reached P2.58 billion, 6% higher than the P2.43 billion posted last year due to the contribution of new offices and the higher occupancy and average rental rates of existing offices. Monthly average lease rates of its offices increased by 5% to P720 per square meter from P684 per square meter in the same period last year. Office Leasing EBITDA margin improved to 90% from 88% due to cost containment initiatives and higher operating efficiency. Average occupancy rate decreased to 85% from 92% in the same period last year due to the opening of new offices while the average occupancy of stable offices registered at 95%. Total GLA of Office Leasing registered at 753 thousand square meters as of June 30, 2016 due to the completion of UP Technohub Building P and UP Town Center BPO.

Revenues from Hotels and Resorts reached P3.19 billion, 8% higher than the P2.96 billion posted last year due to the improved revenue-per-available-room (REVPAR) across all hotels and resorts and the contribution of the new Airswift business which provides direct flight services to El Nido Resorts. REVPAR of hotels increased by 4% to P3,956 per night while REVPAR of resorts increased by 6% to P9,142 per night. Hotels and Resorts EBITDA margin improved to 32% compared to the 30% registered in the same period last year. Average occupancy rate of Hotels registered at 75% while Resorts registered at 65% during the period. Hotels and Resorts currently operates 961 hotel rooms from its internationally branded segment; Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 213 island resort rooms from El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands in the province of Palawan and 817 rooms from its Seda Hotels located in Bonifacio Global City, Taguig, Centrio Cagayan de Oro, Abreeza in Davao, Nuvali in Santa Rosa Laguna and Iloilo. Total rooms under the Hotels and Resorts portfolio registered at 1,991 as of June 30, 2016.

**Services** This includes the Company's wholly-owned Construction and Property Management companies, Makati Development Corporation and Ayala Property Management Corporation respectively. Total revenues from the Services business amounted to P31.71 billion, 59% higher than the P19.90 billion reported in the same period in 2015.

Revenues from Construction reached P30.98 billion, 61% higher than the 19.21 billion posted last year due to the increase in order book of projects within the Ayala Land Group. Revenues from Property Management reached P729 million, 6% higher than the P688 million posted last year due to the increase

in managed properties from completed projects. Blended EBITDA margins of the Services businesses decreased to 9% from 12% as bulk of construction accomplishments are from lower margin contract packages.

### **Equity in net earnings of associates and JVs, Interest, Fees, Investment and Other Income**

Equity in net earnings of associates and JVs registered a gain of P267 million due to the earnings contribution of MCT BHd. Meanwhile, Interest, Investment and Other Income reached P2.76 billion, 7% lower year-on-year mainly due to the lower average daily balance of money market placements and gains recognized in 2015 from the sale of SSI shares.

### **Expenses**

Total expenses registered at P39.55 billion, 5% higher than the 37.50 billion posted in the same period last year mainly driven by Real Estate and Hotels expenses which grew 5% to P32.44 billion from P30.98 billion last year. General and Administrative Expenses (GAE) grew by only 4% to P3.31 billion from P3.17 billion last year as a result of efficient cost management measures. GAE-to-revenue ratio further improved to 6.0% from 6.3% last year. Interest Expense, Financing and Other Charges meanwhile registered at P3.81 billion, 14% higher year-on-year from P3.35 billion, mainly attributed to higher interest expense and a higher average daily loan balance. The average interest rate registered at 4.55% compared to 4.76% in the first six months of 2015.

### **Project and Capital Expenditure**

The Company spent a total of P43.35 billion for project and capital expenditures. 85% of the capital expenditures were spent on construction of projects under core businesses with the remaining 15% spent for land acquisition.

### **Financial Condition**

Ayala Land's solid balance sheet position in the first six months of 2016 provides adequate capacity to support its growth plans for 2016 and beyond. Cash and Cash Equivalents stood at P19.96 billion, resulting in a Current Ratio of 1.05:1. Total Borrowings stood at P154.74 billion as of June 2016 from P131.00 billion as of December 2015, translating to a Debt-to-Equity Ratio of 0.98:1 and a Net Debt-to-Equity Ratio of 0.85:1. Return on Equity was at 14.3% as of June 2016.

### **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, 2016.

### ***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 and the amount of foreign currency-denominated debt are minimal. As such, the Group's foreign currency risk is minimal.

### ***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.

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

### **Income Statement items – June 2016 versus June 2015**

#### *8% increase in real estate and hotel revenues*

Primarily due to the increased sales bookings and incremental project completion of residential projects and contribution from better performance of malls, leasing and hotels & resorts business segments

#### *431% increase in equity in net earnings of investees*

Mainly due to higher equity from investment in Malaysia

#### *7% decrease in interest, fees and other investment income*

Largely due to Project Victory's lower interest income recognized and lower interest income from banks

#### *8% decrease in other income*

Mainly due to lower management fees and miscellaneous income

#### *5% increase in real estate and hotel costs*

Mainly due to higher real estate and hotels costs arising from residential, malls, leasing and hotels & resorts business segments

#### *14% increase in interest expense, financing and other charges*

Primarily due to increased borrowings to finance various capital expenditures

#### *23% increase in provision for income tax*

Large due to higher taxable income mainly from real estate

### **Balance Sheet items – June 2016 versus Dec. 2015**

#### *94% decrease in short term investments*

Primarily due to maturity of Short-term investment placements

#### *20% increase in fair value through profit or loss financial asset*

*Mainly due to BG West, Cavite Commercial and APMC's UITF investment placements*

#### *22% increase in accounts and notes receivables (net)*

*Largely due to higher sales and additional bookings from residential business group projects (subdivision, condominium, house & lot, and office building for sale) and improved performance of malls, leasing, and hotels & resorts business segments*

#### *15% increase in real estate Inventories*

*Primarily due to new project launches and incremental completion of existing projects*

#### *8% decrease in other current assets*

Mainly due to amortization of commissions paid in prior years and business taxes

#### *39% increase in investments in associates and joint ventures*

*Mainly due to the additional investments made and share in equity for YTD June 2016*

#### *15% increase in investment properties*

*Primarily due to additional project costs of malls and office buildings and contribution of additional land acquisitions*

*39% increase in other non-current assets*

*Mainly due to the increase in advances to other companies which includes advances to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. This will be recorded as part of the project costs upon development or as part of consideration for purchases of land.*

*13% increase in account and other payables*

*Largely due to the expenses on development and project costs of the residential business group and contribution from the group's increase in accrued expenses, interest payable, taxes payable and higher payables to external suppliers/contractors due to increased volume of construction projects for ALI*

*156% increase in short-term debt*

*Primarily due to additional short-term unsecured peso denominated bank loan availments*

*71% decrease in income tax payable*

*Mainly due to settlement of income taxes*

*167% increase in customers & tenant's deposit*

*Primarily due to increase in advances and deposits for projects*

*58% decrease in current portion of long-term debt*

*Mainly due to loan payments of ALI, AHRC and CHI*

*47% increase in deferred tax liabilities*

*Primarily coming from the recognition of deferred tax liab for the uncollected receivables from residential development*

*7% decrease in Pension Liability*

*Due to lower recognized liability on employee benefits.*

*11% increase in long-term debt*

*Largely due to ALI's bond issuance amounting to P15B*

*22% decrease in deposits and other noncurrent liabilities*

*Mainly due to the decrease of NCL-Security deposits and deduction of residential deposits from land acquisitions and project related deposits*

*12% increase in non-controlling interest*

*Primarily due to the increase in NCI's share on YTD June 2016 higher NIAT*

## PART II - OTHER INFORMATION

### Item 3. 2Q 2016 Developments

- |  |  |  |      |      |       |                    |
|--|--|--|------|------|-------|--------------------|
| <b>A. New project or investments in another line of business or corporation</b>  | None   |  |      |      |       |                    |
| <b>B. Composition of Board of Directors (as of June 30, 2016)</b>  | Fernando Zobel de Ayala<br>Jaime Augusto Zobel de Ayala II<br>Bernard Vincent O. Dy<br>Antonino T. Aquino<br>Francis G. Estrada<br>Jaime C. Laya<br>Delfin L. Lazaro<br>Rizalina G. Mantaring<br>Arturo G. Corpuz  | Chairman<br>Vice Chairman<br>President & CEO<br>Director<br>Director<br>Director<br>Director<br>Director<br>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>P0.238 cash dividend</u><br>Declaration date: February 26, 2016<br>Record date: March 11, 2016<br>Payment date: March 23, 2016  |  |      |      |       |                    |
| <b>E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements</b> | None   |  |      |      |       |                    |
| <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.<br><br>In 2005, the company introduced a revised ESOWN granted to qualified officers.<br><br>As of June 30, 2016, stock options outstanding* are as follows: <table border="0" style="margin-left: 40px;"> <tr> <td>ESOP</td> <td>None</td> </tr> <tr> <td>ESOWN</td> <td>121,749,883_shares</td> </tr> </table> |  | ESOP | None | ESOWN | 121,749,883_shares |
| ESOP   | None   |  |      |      |       |                    |
| ESOWN  | 121,749,883_shares   |  |      |      |       |                    |
- \* *outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued*



- |  |      |
|--|------|
| <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> |      |
| <b>I. Transferring of assets, except in normal course of business</b>  | None |

**Item 4. Other Notes to 2Q 2015 Operations and Financials**

- J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents** Please see Notes to Financial Statements (Item #7).
- K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period** None
- L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities** Please see Notes to Financial Statements (Item #5).
- M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period** None
- 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**
- On April 12 2016, The Board of Directors during its meeting approved the terms and conditions of the P7 Billion second tranche of the fixed rate bond series under the Corporation's P50 Billion Debt Securities Program as approved by the SEC in March 2016. The 9.5-yr Fixed Rate Bonds was priced at a rate of 4.75% per annum. The Fixed Rate Bonds was issued on April 25, 2016 and will mature in 2025.
- On May 11, 2016, 137 ESOWN grantees subscribed to 13,646,546 common shares at P26.27 per share.
- On May 18, 2016, Additional ESOWN shares were subscribed totaling 293,919 common shares at P26.27 per share by four grantees.
- On May 19, 2016, Additional ESOWN shares were subscribed under the ESOWN totaling 3,110,756 common shares

<b>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</b>	None
<b>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</b>	None
<b>S. Material commitments for capital expenditures, general purpose and expected sources of funds</b>	<p>For the year 2016, Ayala Land's consolidated budget for project and capital expenditures amount to P84.5 billion of which 51% has been disbursed as of June 30, 2016. This will be financed through a combination of internally-generated funds, borrowings and operations.</p> <p>The Company will use the capital expenditure for land acquisition as well investment properties and completion of launched residential projects.</p>
<b>T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations</b>	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.
<b>U. Significant elements of income or loss that did not arise from continuing operations</b>	None
<b>V. Causes for any material change/s from period to period in one or more line items of the financial statements</b>	Please see Notes to Financial Statements (Item #7).
<b>W. Seasonal aspects that had material effect on the financial condition or results of operations</b>	<p>ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.</p> <p>The Company's development operations do not show any seasonality. Projects are launched anytime of the year 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.</p>
<b>X. Disclosures not made under SEC Form 17-C</b>	None.

## Item 5. Performance Indicators

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

	<i>End June 2016</i>	<i>End December 2015</i>
Current ratio <sup>1</sup>	1.05:1	1.14:1
Debt-to-equity ratio <sup>2</sup>	0.98:1	1.02:1
Net debt(cash)-to-equity ratio <sup>3</sup>	0.85:1	0.74:1
Profitability Ratios:		
Return on assets <sup>4</sup>	4.8%	5.0%
Return on equity <sup>5</sup>	14.3%	14.4%
Asset to Equity Ratio <sup>6</sup>	3.1:1	2.95:1
Interest Rate Coverage Ratio <sup>7</sup>	5.6	5.5

<sup>1</sup> Current assets / current liabilities  
<sup>2</sup> Total debt / consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)  
<sup>3</sup> Net debt / consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short-term investments and financial assets through FVPL)  
<sup>4</sup> Total net income/average total assets  
<sup>5</sup> Net income attributable to equity holders of ALI/average total stockholders' equity attributable to equity holders of ALI  
<sup>6</sup> Total assets / total stockholders' equity  
<sup>7</sup> 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: 

**Jaime E. Ysmael**  
Senior Vice President and Chief Finance Officer

Date: August 11, 2016