

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)

**September 30, 2018**

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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 **September 30, 2018**
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 September 30, 2018**

<u>Title of each class</u>	<u>Number of shares issued and outstanding</u>
<b>Common shares</b>	<b>14,734,881,081</b>
<b>Preferred shares</b>	<b>13,066,494,759</b>

Amount of Debt Outstanding  
**P105,284,030,000.00**

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

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## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### AYALA LAND, INC. AND SUBSIDIARIES

#### UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

	September 2018 Unaudited	December 2017 Audited
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (note 4)	P22,676	P20,998
Short-term investments (note 5)	4,553	4,740
Financial assets at fair value through profit or loss (note 6)	487	541
Financial assets at fair value through other comprehensive income	1,125	1,475
Accounts and notes receivable (note 7)	104,626	98,311
Inventories (note 8)	83,189	62,192
Other current assets	29,977	31,779
<b>Total Current Assets</b>	<b>246,633</b>	<b>220,036</b>
<b>Noncurrent Assets</b>		
Noncurrent accounts and notes receivable	43,888	44,523
Available-for-sale financial assets	-	-
Land and improvements (note 9)	-	94,277
Investments in associates and joint ventures (note 10)	22,508	26,801
Investment properties – net	232,533	134,616
Property and equipment – net	29,479	28,524
Deferred tax assets - net	12,336	10,648
Other noncurrent assets	19,020	14,567
<b>Total Noncurrent Assets</b>	<b>359,764</b>	<b>353,956</b>
<b>Total Assets</b>	<b>P606,397</b>	<b>P573,992</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Short-term debt (note 11)	P12,725	P17,644
Accounts and other payables (note 12)	142,271	137,684
Income tax payable	982	978
Current portion of long-term debt (note 11)	24,352	6,573
Deposits and other current liabilities	19,212	21,744
<b>Total Current Liabilities</b>	<b>199,542</b>	<b>184,623</b>
<b>Non-Current Liabilities</b>		
Long-term debt - net of current portion (note 11)	145,056	150,168
Pension liabilities	1,555	1,536
Deferred tax liabilities - net	3,637	3,544
Deposits and other non-current liabilities	50,350	41,857
<b>Total Non-Current Liabilities</b>	<b>200,598</b>	<b>197,105</b>
<b>Total Liabilities</b>	<b>400,140</b>	<b>381,728</b>
<b>Equity</b>		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	62,253	61,949
Retained earnings	123,260	109,976
Stock options outstanding	100	99
Remeasurement loss on defined benefit plans	(169)	(160)
Net unrealized gain on available-for-sale financial assets	(40)	41
Cumulative translations adjustments	1,485	1,002
Equity reserves (note 13)	(11,205)	(6,152)
	<b>175,684</b>	<b>166,755</b>
Non-controlling interests	30,573	25,509
<b>Total Equity</b>	<b>206,257</b>	<b>192,264</b>
<b>Total Liabilities and Equity</b>	<b>P606,397</b>	<b>P573,992</b>

## AYALA LAND, INC. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions, Except Earnings Per Share Figures)

	2018 Unaudited July 1 to September 30	2018 Unaudited January 1 to September 30	2017 Unaudited July 1 to September 30	2017 Unaudited January 1 September 30
<b>REVENUE</b>				
Real estate	₱37,249	₱113,088	₱32,676	₱93,194
Interest and Investment Income	1,912	4,989	1,234	4,193
Equity in net earnings of associates and joint ventures	197	608	397	758
Other income	(66)	996	94	782
	<b>39,292</b>	<b>119,681</b>	<b>34,401</b>	<b>98,927</b>
<b>COSTS AND EXPENSES</b>				
Real estate	23,945	73,120	20,825	59,631
General and administrative expenses	1,663	5,951	1,568	5,090
Interest and other financing charges	2,480	7,099	1,879	5,760
Other charges	20	700	202	637
	<b>28,108</b>	<b>86,870</b>	<b>24,474</b>	<b>71,118</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>11,184</b>	<b>32,811</b>	<b>9,927</b>	<b>27,809</b>
<b>PROVISION FOR INCOME TAX</b>				
Current	3,533	9,798	2,671	7,185
Deferred	(521)	(982)	(104)	(66)
	<b>3,012</b>	<b>8,816</b>	<b>2,567</b>	<b>7,119</b>
<b>NET INCOME</b>	<b>₱8,172</b>	<b>₱23,995</b>	<b>₱7,360</b>	<b>₱20,690</b>
Net income attributable to:				
Equity holders of Ayala Land, Inc.	₱7,231	₱20,770	₱6,298	₱17,810
Non-controlling interests	941	3,225	1,062	2,880
	<b>₱8,172</b>	<b>₱23,995</b>	<b>₱7,360</b>	<b>₱20,690</b>
<b>Earnings Per Share</b>				
Basic	₱0.49	₱1.41	₱0.43	₱1.22
Diluted	0.49	1.41	0.43	1.22

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

(Amounts in Millions)

	2018 Unaudited		2017 Unaudited	
	July 1 to September 30	January 1 to September 30	July 1 to September 30	January 1 September 30
<b>NET INCOME</b>	<b>₱8,172</b>	<b>₱23,995</b>	<b>₱7,360</b>	<b>₱20,690</b>
Other comprehensive income/loss				
Net unrealized gain (loss) on available-for-sale financial assets	(31)	(90)	104	62
<b>Total comprehensive income for the period</b>	<b>₱8,141</b>	<b>₱23,905</b>	<b>₱7,464</b>	<b>₱20,752</b>
Total comprehensive income attributable to:				
Equity holders of Ayala Land, Inc.	₱7,200	₱20,680	₱6,402	₱17,872
Non-controlling interests	941	3,225	1,062	2,880
	<b>₱8,141</b>	<b>₱23,905</b>	<b>₱7,464</b>	<b>₱20,752</b>

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

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

	Attributable to equity holders of Ayala Land, Inc.												Non-Controlling Interests	Total Equity
	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			
<b>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					20,769,696						20,769,696	3,225,578	23,995,274	
Other comprehensive income (loss)						0	(9,922)	(80,907)	483,533		392,704		392,704	
<b>Total comprehensive income</b>	16,031,596	47,454,241	(1,537,126)	8,000,000	122,746,146	99,064	(169,937)	(40,377)	1,485,519	(6,152,115)	187,917,011	28,734,325	216,651,336	
Cost of stock options	9,934	466,713	(409,561)								67,086		67,086	
Collection of subscription receivable		0	236,803								236,803		236,803	
Stock options exercised						1,421					1,421		1,421	
Acquisition of non-controlling interest											0		0	
Increase in non-controlling interest											0	1,908,181	1,908,181	
Net change in non-controlling interest										(5,052,658)	(5,052,658)		(5,052,658)	
Cash dividends declared					(7,485,915)						(7,485,915)	(69,732)	(7,555,647)	
<b>As of September 30, 2018</b>	16,041,530	47,920,954	(1,709,884)	8,000,000	115,260,231	100,485	(169,937)	(40,377)	1,485,519	(11,204,773)	175,683,748	30,572,774	206,256,522	
<b>As of January 1, 2017</b>	16,019,332	46,928,521	(1,385,682)	8,000,000	83,798,555	89,697	(356,918)	43,594	0	(5,432,003)	147,705,096	24,978,092	172,683,188	
Net income					17,809,853						17,809,853	2,879,817	20,689,670	
Other comprehensive income (loss)							55,617	6,318			61,935		61,935	
<b>Total comprehensive income</b>	16,019,332	46,928,521	(1,385,682)	8,000,000	101,608,408	89,697	(301,301)	49,912	0	(5,432,003)	165,576,884	27,857,909	193,434,793	
Cost of stock options	12,265	487,939	(396,615)								103,589		103,589	
Collection of subscription receivable		0	62,677								62,677		62,677	
Stock options exercised						6,559					6,559		6,559	
Acquisition of non-controlling interest											0		0	
Increase in non-controlling interest											0	(528,439)	(528,439)	
Net change in non-controlling interest										(1,078,378)	(1,078,378)		(1,078,378)	
Cash dividends declared					(7,127,069)						(7,127,069)	(189,684)	(7,316,753)	
<b>As of September 30, 2017</b>	16,031,597	47,416,460	(1,719,620)	8,000,000	94,481,339	96,256	(301,301)	49,912	0	(6,510,381)	157,544,262	27,139,786	184,684,048	

## AYALA LAND, INC. AND SUBSIDIARIES

### UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	September 2018 Unaudited	September 2017 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P32,811	P27,809
Adjustments for:		
Depreciation and amortization	5,501	4,662
Interest and other charges - net of amount capitalized	7,800	6,371
Equity in net earnings of investees	(608)	(758)
Interest and other income	(4,989)	(4,193)
Unrealized gain on financial assets	(81)	6
Provision for doubtful accounts	5	27
Operating income before changes in working capital	40,439	33,924
Decrease (increase) in:		
Accounts and notes receivable – trade	1,181	7,358
Real estate inventories	(23,504)	5,445
Other current assets	(2,340)	(4,997)
Increase (decrease) in:		
Accounts and other payables	9,474	1,909
Pension liabilities	10	98
Other current liabilities	(2,532)	751
Cash generated from operations	22,728	44,488
Interest received	4,985	4,164
Income tax paid	(8,574)	(7,431)
Interest paid - net of amount capitalized	(7,432)	(5,857)
Net cash provided by (used in) operating activities	P11,707	P35,364
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposals of (additions to):		
Land and improvements	P94,277	P522
Investments	(90,627)	(22,665)
Property and equipment	(7,323)	(2,306)
Short term investments	(885)	(4,656)
Acquisition of subsidiary, net of cash acquired	(4,916)	-
Decrease (increase) in:		
Noncurrent accounts and notes receivable - non trade	(8,551)	(7,927)
Other assets	(6,253)	(2,527)
Net cash provided by (used in) investing activities	P(24,278)	P(4,195)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term / long-term loans	P19,616	P19,540
Payments of short-term / long-term loans	(9,093)	(12,031)
Increase (decrease) in :		
Deposits and other noncurrent liabilities	8,585	2,894
Minority interest in consolidated subsidiaries	1,908	(528)
Proceeds from capital stock subscriptions	305	173
Purchase of treasury shares	-	-
Other Comprehensive Income	484	-
Dividends paid to non-controlling interests	(70)	(190)
Dividends paid to equity holders of Ayala Land, Inc.	(7,486)	(7,127)
Net cash provided by (used in) financing activities	P14,249	P2,731
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>P1,678</b>	<b>P(1,464)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>20,998</b>	<b>20,904</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P22,676</b>	<b>P19,440</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., 5.99%-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:

Effective Ownership	September 2018	December 2017
<b>Real Estate:</b>		
Alveo Land Corporation (Alveo)	<b>100%</b>	100%
Serendra, Inc.	<b>39</b>	39
Solinea, Inc. (Solinea)	<b>65</b>	65
BGSouth Properties, Inc. (BGS)	<b>50</b>	50
Portico Land Corp. (Portico)	<b>60</b>	60
Serendra, Inc.	<b>28</b>	28
Amorsedia Development Corporation	<b>100</b>	100
OLC Development Corporation and Subsidiary	<b>100</b>	100
HLC Development Corporation	<b>100</b>	100
Allysonia International Ltd.	<b>100</b>	100
Avida Land Corporation (Avida)	<b>100</b>	100
Buklod Bahayan Realty and Development Corp.	<b>100</b>	100
Avida Sales Corp. and Subsidiaries	<b>100</b>	100
Amicassa Process Solutions, Inc.	<b>100</b>	100
Avencosouth Corp. (Avencosouth)	<b>70</b>	70
BGNorth Properties, Inc. (BGN)	<b>50</b>	50
Amaia Land Co. (Amaia)	<b>100</b>	100
Amaia Southern Properties, Inc. (ASPI)	<b>65</b>	65
Ayala Land International Sales, Inc. (ALISI)	<b>100</b>	100
Ayalaland International Marketing, Inc. (AIMI)	<b>100</b>	100
Ayala Land International (Singapore) Pte. Ltd.	<b>100</b>	100
Ayalaland International Marketing (Hong Kong) Limited (ALIM HK)	<b>100</b>	100
Ayala Land International Marketing, SRL (ALIM SRL)	<b>100</b>	100
Ayala Land International Marketing London	<b>100</b>	100
Ayala Land Sales, Inc.	<b>100</b>	100
Southportal Properties, Inc.	<b>65</b>	65
Buendia Landholdings, Inc.	<b>100</b>	100
Crans Montana Holdings, Inc.	<b>100</b>	100
Crimson Field Enterprises, Inc.	<b>100</b>	100
Ecoholdings Company, Inc. (ECI)	<b>100</b>	100
NorthBeacon Commercial Corporation NBCC)	<b>100</b>	100
Red Creek Properties, Inc.	<b>100</b>	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	<b>100</b>	100

North Eastern Commercial Corp. (formerly Asterion Technopod, Incorporated)	<b>100</b>	100
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	<b>100</b>	100
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)	<b>100</b>	100
Hillsford Property Corporation (HPC)	<b>100</b>	100
Primavera Towncentre, Inc. (PTI)	<b>100</b>	100
Summerhill E-Office Corporation (Summerhill)	<b>100</b>	100
Sunnyfield E-Office Corporation (Sunnyfield)	<b>100</b>	100
Subic Bay Town Centre, Inc.	<b>100</b>	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	<b>100</b>	100
AyalaLand Real Estate Investments Inc.	<b>100</b>	100
AyalaLand Advisory Broadway Inc.	<b>100</b>	100
AyalaLand Development (Canada) Inc.	<b>100</b>	100
AyalaLand OpenAsia Holdings PTE, Limited	<b>100</b>	100
Blue Horizons Holdings PTE, Limited	<b>100</b>	100
Modular Construction Technology (MCT) Bhd.	<b>66</b>	-
AyalaLand Commercial REIT, Inc. (ALCRI)	<b>100</b>	100
Arvo Commercial Corporation (Arvo)	<b>100</b>	100
BellaVita Land Corporation (BellaVita)	<b>100</b>	100
Nuevo Centro, Inc. (Nuevo Centro)	<b>55</b>	55
Alviera Country Club, Inc.	<b>46</b>	47
Prow Holdings Inc	<b>55</b>	55
Cavite Commercial Town Center, Inc.	<b>100</b>	100
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo))	<b>100</b>	100
One Dela Rosa Property Development, Inc.	<b>100</b>	100
First Gateway Real Estate Corp.	<b>100</b>	100
Glensworth Development, Inc. (Glensworth)	<b>100</b>	100
UP North Property Holdings, Inc.	<b>100</b>	100
ALO Prime Realty Corporation	<b>100</b>	100
Aurora Properties Incorporated	<b>80</b>	80
Soltea Commercial Corp.	<b>16</b>	16
Vesta Property Holdings, Inc.	<b>70</b>	70
Station Square East Commercial Corporation (SSECC)	<b>69</b>	69
Next Urban Alliance Development Corp.	<b>100</b>	100
Accendo Commercial Corp. (Accendo)	<b>67</b>	67
Avencosouth Corp.	<b>20</b>	20
Aviana Development Corporation	<b>7</b>	7
Aviana Development Corporation	<b>50</b>	50
Cagayan de Oro Gateway Corp. (CDOGC)	<b>70</b>	70
Ceci Realty, Inc. (Ceci)	<b>60</b>	60
Soltea Commercial Corp.	<b>12</b>	12
Soltea Commercial Corp.	<b>60</b>	60
CMPI Holdings, Inc.	<b>60</b>	60
CMPI Land, Inc.	<b>36</b>	36
ALI-CII Development Corporation (ALI-CII)	<b>50</b>	50
Roxas Land Corporation (RLC)	<b>50</b>	50
Adauge Commercial Corporation (Adauge)	<b>60</b>	60
Ayalaland Estates, Inc. (formerly Southgateway Development Corp.)	<b>100</b>	100
Ayalaland MetroNorth, Inc. (AMNI)	<b>100</b>	100
North Triangle Depot Commercial Corporation (NTDCC)	<b>73</b>	73
Verde Golf Development Corporation	<b>100</b>	100
BGWest Properties, Inc. (BGW)	<b>50</b>	50
Lagdigan Land Corporation	<b>60</b>	60
Central Block Developers, Inc.	<b>45</b>	35
Cebu Holdings, Inc. (CHI)	<b>75</b>	72
Cebu Property Ventures Development Corp and Subsidiaries	<b>57</b>	63
Cebu Leisure Company, Inc.	<b>75</b>	72
CBP Theatre Management Inc.	<b>75</b>	72
Taft Punta Engaño Property Inc. (TPEPI)	<b>41</b>	40
Cebu Insular Hotel Company, Inc. (CIHCI)	<b>28</b>	27

Solinea, Inc.	26	25
Amaia Southern Properties, Inc. (ASPI)	26	25
Southportal Properties, Inc.	26	25
Central Block Developers, Inc.	36	41
Alabang Commercial Corporation (ACC)	50	50
South Innovative Theater Management (SITMI)	50	50
ALI Commercial Center Inc.	100	100
Prime Orion Properties Inc.	70	63
FLT Prime Insurance Corp.	55	45
Orion Solutions, Inc	70	63
Orion I Holdings Philippines, Inc.	70	63
OE Holdings, Inc.	70	63
Orion Land Inc.	70	63
Lepanto Ceramics, Inc.	70	63
Laguna Technopark, Inc. (LTI)	52	75
Ecozone Power Management, Inc.	52	75
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
Altaraza Prime Realty Corporation	100	100
Anvaya Cove Golf and Sports Club, Inc.	76	76
Anvaya Cove Beach and Nature Club, Inc.	73	73
AyalaLand Premier, Inc.	100	100
Makati Cornerstone Leasing Corp.	100	100
Arca South Commercial Ventures Corp.	100	100
Bay City Commercial Ventures Corp.	100	100
Capitol Central Commercial Ventures Corp.	100	100

**Construction:**

Makati Development Corp. (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

**Hotels and Resorts:**

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
Regent Horizons Conservation Company, Inc. and Subsidiary (formerly Asian Conservation Company Limited)	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
Sicogon Island Tourism Estate, Corp.	100	100

Bay Area Hotel Ventures, Inc.	100	100
Makati North Hotel Ventures, Inc.	100	100
One Makati Hotel 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
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
Ayalaland Medical Facilities Leasing Inc. (Ayala Land Healthcare Leasing Inc.)	100	100
Whiteknight Holdings, Inc. (WHI)	100	100
Arca South Integrated Terminal, Inc.	100	100

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 2018

### 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%.

### 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%

## **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, 2017 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, 2017.

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 November 06, 2018, 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, 2017 and September 30, 2018.

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, 2017, except for the adoption of the following new Standards and amended PFRS which became effective January 1, 2018.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 15 provide a more structured approach to measuring and recognizing revenue.

Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

Although the new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs, the SEC has issued SEC Memorandum Circular No. 14, series of 2018, Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry.

The Commission En Banc, in its meeting held on October 25, 2018, decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A No. 2018-12 with respect to the accounting for significant financing component, uninstalled materials and the exclusion of land in the calculation of the percentage of completion (POC), for a period of three (3) years.

The deferral will only be applicable for real estate transactions. Effective January 01, 2021, real estate companies will adopt PIC Q&A 2018-12 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The above relief shall form part of the PFRS for the purpose of preparing and filing general-purpose financial statements with the Commission.

As the Group is already using Percentage of Completion (POC) in recognizing revenue even prior to the issuance of PIC Q&A # 2016-04 (application of PFRS 15 on revenue under pre-completion contracts) and given the deferral of the implementation of PIC Q&A 2018-12, which limits the POC components, the new standard has no impact to the Group.

- PFRS 9, *Financial Instruments*

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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Based on the assessment, the adoption of PFRS 9 will have no material impact on the classification and measurement of the Group's financial assets and financial liabilities. Moreover, the expected credit loss (new impairment methodology) for financial assets has no significant impact to the Group.



On Cash and Cash Equivalents, no Expected Credit Loss is expected as financial assets are short dated with tenor of less than 1 year and can be pre-terminated, there has been no history of default, all counterparty (domestic/ foreign) have credit ratings (from BBB to A) equivalent to or better than Philippines, the Philippine banking system is highly regulated by the BSP which implemented key policies and procedures to manage risk exposures effectively and movements in prices, interest, GDP, unemployment and forex rates will not result in credit loss as counterparties are corporate banks with high credit ratings and are highly regulated.

On Related Party Receivables, no expected loss as transaction is confined with Ayala Group. Similarly, movements in prices, interest, GDP, unemployment and forex rates will not result in credit loss as counterparties are within Ayala Group.

As to the Group's expected credit loss on receivables from leasing business, no significant impact is expected due to its conservative policy in the cancellation/ termination processes that limits exposure on past due receivable. Exposures on past due ARs of the leasing business are also covered by security deposits and advance rentals. Likewise, movements in prices, interest, GDP, unemployment and forex rates affect buyers' appetite on non-food items but same will not result in credit loss as we observe a conservative cancellation policy.

For residential business, which is 100% secured, title transfer and turnover of unit are being done upon full payment only. Although movements in prices, interest, unemployment and forex rates affect buyer's capacity to pay and may result in payment default, this will not result in credit loss as the Group's cancellation process is structured in such a way that it will not incur losses from past due accounts. The movements in macroeconomic factors affect mainly the buyer's buying appetite.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group does not expect the amendments to have material impact on its consolidated financial statements.

#### *Effective beginning on or after January 1, 2019*

- PFRS 16, *Leases*

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 adopting PFRS 16.

#### *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)	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on Hand	P59	P52
Cash in Banks	10,308	10,108
Cash Equivalents	12,309	10,838
<b>TOTAL</b>	<b>P22,676</b>	<b>P20,998</b>

Cash in banks earns interest at 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 at the respective short-term investment rates.

#### 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:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Philippine Peso	1.125% to 3.75%	2.3% to 3.7%
US Dollar	1.125% to 2.75%	2.0% to 2.2%

#### 6. Financial Assets at FVPL

This account consists of the following:

(in million pesos)	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Investment in Arch Capital Fund	P400	P458
Investment in Unit Investment Trust Fund (UITF)	87	83
<b>TOTAL</b>	<b>P487</b>	<b>P541</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)	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade:		
Residential and office development	P90,003	P89,199
Shopping centers	2,649	2,709
Construction contracts	1,552	2,495
Corporate business	1,899	1,606
Management fees	255	329
Others	1,344	1,377
Advances to contractors and suppliers	18,747	22,394
Advances to other companies	20,536	16,185
Accrued receivables	5,711	4,700
Receivables from related parties (Note 15)	5,519	1,734
Receivables from employees	1,106	832
	149,321	143,560
Less allowance for impairment losses	807	726
	148,514	142,834
Less noncurrent portion	43,888	44,523
	<b>P104,626</b>	<b>P98,311</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.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

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 2017 for the assignment of interest-bearing employee receivables amounting to ₱69.0 million, respectively. 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 ₱10,181 million in 2018 and ₱7,711 million in 2017. These were sold at discount with total proceeds of ₱9,599 million and ₱7,321 million, respectively. The Group recognized loss on sale, under "Other Charges" amounting to ₱582 million and ₱391 million in 2018 and 2017, respectively.

As of September 30, 2018, (unaudited) aging analysis of past due but not impaired trade receivables presented per class, follow:

September 30, 2018 (in millions)	Neither Past Due nor Impaired	Past Due but not impaired					Total	Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
<b>Trade</b>	₱87,450	₱2,703	₱1,435	₱531	₱670	₱4,478	₱9,817	₱435	₱97,702
Residential and office development	82,091	2,444	1,241	244	484	3,499	7,912	-	90,003
Shopping centers	1,399	127	88	263	99	394	971	279	2,649
Construction contracts	1,426	28	2	3	1	70	104	22	1,552
Corporate business	1,252	86	81	13	54	289	523	124	1,899
Management Fees	207	-	8	5	9	16	38	10	255
Others	1,075	18	15	3	23	210	269	-	1,344
<b>Accrued Receivables</b>	4,693	336	4	74	-	604	1,018	-	5,711
<b>Related Parties</b>	3,387	830	353	194	65	690	2,132	-	5,519
<b>Receivables from employees</b>	883	19	23	4	1	176	223	-	1,106
<b>Total</b>	<b>₱96,413</b>	<b>₱3,888</b>	<b>₱1,815</b>	<b>₱803</b>	<b>₱736</b>	<b>₱5,948</b>	<b>₱13,190</b>	<b>₱435</b>	<b>₱110,038</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.

## 9. Land and Improvements

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.

## 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:

	Percentages of Ownership		Carrying Amounts	
	As of Sep 30 2018	As of Dec 31 2017	As of Sep 30 2018	As of Dec 31 2017
(in thousand pesos)				
<b>Joint Ventures:</b>				
Emerging City Holdings, Inc. (ECHI)	50%	50%	4,131,022	3,916,375
Berkshires Holdings, Inc. (BHI)	50%	50%	2,002,004	1,910,360
Cebu District Property Enterprise, Inc. (CDPEI)	35%	42%	1,464,333	1,476,052
Alveo-Federal Land Communities, Inc.	50%	50%	748,285	661,201
ALI-ETON Property Development Corporation	50%	50%	1,727,572	603,719
AyaGold Retailers, Inc. (AyaGold)	50%	50%	123,519	95,842
BYMCW, Inc.	30%	31%	55,500	51,000
SIAL Specialty Retailers, Inc. (SIAL Specialty)	50%	50%	24,462	26,462
AKL Properties, Inc.	50%	-	1,417,971	-
			<b>11,694,668</b>	<b>8,741,011</b>
<b>Associates:</b>				
OCLP Holdings, Inc. (OHI)	21%	21%	7,939,746	7,737,712
Modular Construction Technology Bhd (MCT)	0%	33%	-	7,471,123
Bonifacio Land Corp. (BLC)	10%	10%	1,478,960	1,395,035
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	49%	49%	674,288	673,769
Tianjin Eco-City Ayala Land Development Co., Ltd (Tianjin Eco-City)	40%	40%	467,326	464,977
Mercado General Hospital, Inc. (MGHI)	33%	33%	209,203	279,274
Lagoon Development Corporation	30%	30%	42,903	34,991
BIB Aurora Insurance Corp.	10%	10%	1,132	2,931
			<b>10,813,559</b>	<b>18,059,812</b>
<b>Total</b>			<b>22,508,227</b>	<b>26,800,823</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.

### 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. 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, current ownership stake of ALI in MCT is 66.25%.

The Company considers a subsidiary with material NCI, an associate and a 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.

As ALI obtained control over MCT on January 5, 2018, accordingly, the MCT financial statements were consolidated on a line-by-line basis with that of the Group.

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) <b>OCLP Holdings, Inc.</b>	<b>As of Sep 30, 2018</b>	<b>As of Dec 31, 2017</b>
Current assets	20,229,674	14,885,750
Noncurrent assets	12,393,253	11,733,438
Current liabilities	9,089,948	6,816,078
Noncurrent liabilities	17,079,168	14,350,692
Equity	6,453,812	5,452,418
Proportion of Group's ownership	21.0%	21.1%
Group's share in identifiable net assets	1,355,300	1,150,460
Carrying amount of the investment	7,939,746	7,737,712
Fair value adjustments	6,584,446	6,587,252
Negative Goodwill	-	148,046
Dividends received	-	34,865
Revenue	4,219,966	6,738,000
Cost and expenses	3,207,090	(5,283,000)
Net income (continuing operations)	1,012,875	1,455,000
Group's share in net income for the year	212,704	305,550
Total comprehensive income	1,012,875	1,455,000
Group's share in total comprehensive income for the year	212,704	305,550

### 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>Sep 30, 2018</b>	<b>Dec 31, 2017</b>
Current assets	5,916,034	8,253,289
Noncurrent assets	37,150,509	37,357,443
Current liabilities	3,914,742	4,606,258
Noncurrent liabilities	6,506,906	7,332,631
Equity	32,644,895	33,671,843
Less: noncontrolling interest	14,483,861	15,324,979
Equity attributable to Parent Company	18,161,034	18,346,864
Proportion of Group's ownership	10.1%	10.1%
Group's share in identifiable net assets	1,834,264	1,853,033
Carrying amount of the investment	1,478,960	1,395,035
Negative Goodwill	(355,304)	(457,998)
Dividends received	-	26,610
Revenue	3,512,630	6,207,544
Cost and expenses	1,967,760	(3,766,383)
Net income (continuing operations)	1,544,871	2,441,161
Net income attributable to minority interest	720,589	(1,119,548)
Net income attributable to parent	824,282	1,321,613
Group's share in net income for the year	83,252	133,483
Total comprehensive income attributable to parent	824,282	1,321,613
Group's share in total comprehensive income for the year	83,252	133,483

Aggregate financial information on associates with immaterial interest:

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

(in thousand pesos)	As of	As of
<b>Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI, others</b>	<b>Sep 30, 2018</b>	<b>Dec 31, 2017</b>
Carrying amount	1,394,852	1,455,942
Share in net income (loss) from continuing operations	(62,507)	(75,995)
Share in total comprehensive income (loss)	(62,507)	(75,995)

### 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	As of
<b>Emerging City Holdings, Inc.</b>	<b>Sep 30, 2018</b>	<b>Dec 31, 2017</b>
Current assets	11,544,883	13,980,028
Noncurrent assets	31,890,807	30,806,231
Current liabilities	3,502,049	4,313,401
Noncurrent liabilities	7,476,544	7,396,186
Equity	32,457,098	33,076,672
Less: minority interest	23,615,508	23,833,518



Equity	8,841,589	9,243,154
Proportion of Group's ownership	50.0%	50.0%
Group's share in identifiable net assets	4,420,795	4,621,577
Carrying amount of the investment	4,131,023	3,916,375
Fair value adjustments	289,772	705,202
Dividends received	-	350,000
<hr/>		
Revenue	3,517,765	6,167,341
Cost and expenses	2,172,285	(3,806,627)
Net income (continuing operations)	1,345,480	2,360,714
Net income attributable to minority interest	1,077,656	(1,730,425)
Net income attributable to parent	267,824	630,829
Group's share in net income for the year	133,912	315,145
Total comprehensive income attributable to parent	269,041	629,819
Group's share in total comprehensive income for the year	134,521	314,910

### AKL Properties, Inc.

On February 20, 2018, the Philippine Competition Commission (PCC) approved the joint venture between ALI and Royal Asia Land, Inc. (RALI) to acquire, own, and develop a 936-hectare commercial and residential project in Silang and Carmona, Cavite. ALI and RALI will own 50% equity in the joint venture vehicle.

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

(in thousand pesos)	As of Sep 30 2018	As of Dec 31 2017
<b>BHI, CDPEI, Alveo-Federal, ALI-Eton, AKL, SIAL Specialty, AyaGold and BYMCW, Inc</b>		
Carrying amount	7,563,646	4,824,636
Share in net income (loss) from continuing operations	159,990	(18,985)
Share in total comprehensive income (loss)	159,990	(18,985)

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

The short-term debt of P12.7 billion and P17.6 billion as of September 30, 2018 and December 31, 2017, 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 P15,491.7 million and P17,697.5 million as of September 30, 2018 and December 31, 2017 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 3.40% and 2.64% per annum for the nine-month period ending September 30, 2018 and for the year ending December 31, 2017, respectively.

Long-term debt consists of:

(in thousand pesos)	September 30, 2018	December 31, 2017
Company:		
Bonds:		
Due 2019	P12,034,730	P12,340,950
Due 2020	4,000,000	4,000,000
Due 2022	12,650,000	12,650,000
Due 2023	7,000,000	7,000,000
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	-
Due 2033	2,000,000	2,000,000
Short-dated notes	7,400,000	7,100,000
Fixed Rate Corporate Notes (FXCNs)	5,782,500	9,064,000
PHP-denominated long-term loan	29,639,575	24,873,145
USD-denominated long-term loan	1,244,602	1,516,624
	<u>136,751,407</u>	<u>125,544,719</u>
Subsidiaries:		
Bonds		
Due 2021	₱5,000,000	₱5,000,000
Bank Loans – Philippine Peso	25,159,161	23,578,229
FXCNs	3,196,875	3,275,000
	<u>33,356,036</u>	<u>31,853,229</u>
	170,107,443	157,397,948
Less: Unamortized Transaction Costs	698,968	656,542
	<u>169,408,475</u>	<u>156,741,406</u>
Less: Current Portion	24,352,348	6,572,775
	<u><b>145,056,127</b></u>	<u><b>150,168,631</b></u>

#### *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 ₱7,000.0 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 ₱50 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 ₱7,000.0 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 ₱50 Billion Debt Securities Program as approved by the SEC in March 2016.

*Philippine Peso Homestarter Bond due 2019*

In October 2016, the Company issued an aggregate principal amount of ₱3,000.0 million of bonds representing the first tranche of the Homestarter Bond series registered under the Company's ₱50 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 ₱7,000.0 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 ₱50 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 ₱50 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 ₱8,000.0 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 ₱7,000.0 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 ₱8,000.0 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 ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.625% p.a. and a ₱2,000.0 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 ₱15,000.0 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.

#### *US Dollar-denominated Long-term Loan*

In October 2012, the Company executed and had fully withdrawn a US\$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriced quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014 and October 2015, the Company made partial prepayments on the loan in the amount of US\$5.75 million and US\$12.785 million, respectively. In March 2016, a total of US\$25.0 million in principal were prepaid.

#### *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 a discount to, the average of, or a spread of 20 bps to 37.5 bps p.a. over the Bangko Sentral ng Pilipinas Overnight Reverse Repurchase Agreement Rate, and/or Overnight Deposit Rate and/or the 28-day Term Deposit Facility Rate. In compliance with BSP ruling on directors, officers, stockholders and related interests, certain credit facilities with a total carrying value of ₱8,115.1 million and ₱11,746.9 million as of September 30, 2018 and December 31, 2017, respectively, are secured by a real estate mortgage dated September 2, 2014 covering certain properties of the Company.

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

In September 2014, Cebu Holdings, Inc. issued a total of ₱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 September 30, 2018 and December 31, 2017.

## **12. Accounts and Other Payables**

The accounts and other payables as of September 30, 2018 is broken down as follows:

<b>Accounts and other payables</b> (in million pesos)	<b>As of September 30, 2018</b>	<b>As of December 31, 2017</b>
Accounts payable	72,773	76,977
Taxes payable	18,861	19,336
Accrued project costs	19,325	15,947
Accrued salaries & employee benefits	5,480	5,485
Accrued professional & management fees	6,274	3,994
Liability for purchased land	2,950	3,710
Accrued utilities	2,835	2,299
Interest payable	2,275	1,908
Accrued repairs and maintenance	2,014	1,765
Accrued rentals	1,886	1,567
Accrued advertising and promotions	1,271	1,076
Payable to related parties	653	640
Dividends payable	4,056	360
Retention payable	162	335
DRP obligation	-	230
Other accrued expenses	1,456	2,055
<b>Total</b>	<b>₱142,271</b>	<b>₱137,684</b>

## **13. Equity**

### Declaration of Cash Dividends

On February 20, 2018, the Board of Directors during its meeting approved the declaration the declaration of cash dividends of P0.252 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 29% of prior year's earnings. The cash dividend was paid on April 3, 2018 to stockholders

of common shares as of record date March 12, 2018. The declaration of the annual cash dividends of 4.74786% per annum or P0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. The payment date was made on June 29, 2018 to stockholders of said preferred shares on record as of June 18, 2018.

On August 17, 2018, the Board of Directors during its regular meeting approved the declaration of cash dividends of P0.252 per outstanding common share. This second half regular cash dividends reflect a 5% increase from last year's second half dividend of P0.24 per share. The cash dividend was paid on October 2, 2018 to stockholders of common shares as of record date, September 6, 2018.

#### Employee Stock Ownership Plan

On February 20, 2018, 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 13,677,052 common shares at a subscription price of P45.07 per share equivalent to the average closing price of ALI common shares at the Philippine Stock Exchange for 30 consecutive trading days ending February 5, 2018.

On July 23, 2018, 125 stock option grantees subscribed to 8,316,310 common shares at P45.07 per share and became effective on the same day. As a result of the subscription of the 125 stock option grantees, the number of ALI outstanding common shares increased to 14,734,881,081.

#### 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. 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, current ownership stake of ALI in MCT is 66.25%.

As ALI obtained control over MCT on January 5, 2018, accordingly, the MCT financial statements were consolidated on a line-by-line basis with that of the Group.

### Cebu Holdings, Inc.

In May 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%.

In June 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%.

### 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%

The movements within Equity Reserves are as follows:

	<u>Consideration paid</u>	<u>Carrying value of Non-Controlling interests</u>	<u>Difference recognized within Equity</u>
3.11% in CHI	352,760	255,878	96,882
4.14% in POPI	497,652	315,951	181,701
	<b>850,412</b>	<b>571,829</b>	<b>278,583</b>
Inclusion of MCT Equity Reserve			5,438,014
Inclusion of acquisition of additional CHI and POPI shares and ALI & POPI-LTI share swap			(385,357)
<b>TOTAL</b>			<b>5,052,657</b>

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

### 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%.

As ALI obtained control over MCT on January 5, 2018, accordingly, the MCT financial statements were consolidated on a line-by-line basis with that of the Group.

The purchase price allocation has been prepared on a preliminary basis as the fair values of the inventories, investment property and property, plant and equipment are being finalized.

in Php thousands

**ASSETS**

Cash	P539,313
Trade and other receivables	1,714,025
Inventories	64,398
Other current assets	7,218,309
Other investments (Available for sale)	-
Property, plant and equipment	3,344,947
Investment properties	4,539,633
Land held for development	8,136,317
Other non-current assets	69,222
<b>Total Assets</b>	<b>P25,626,164</b>

**LIABILITIES**

Accounts and other payables	P3,481,205
Borrowings	2,815,882
Tax liabilities	128,551
Other payables	1,961,351
<b>Total Liabilities</b>	<b>P8,386,989</b>
Net Assets	17,239,175
Total net assets acquired to date	12,465,647
Carrying cost	12,406,163
Net negative goodwill	P59,484

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.

The Company has re-measured its previously held interest at its acquisition-date fair value and the resulting revaluation loss of P1.79 billion has been recognized. Meanwhile, a provisional gain from bargain purchase amounting to P1.85 billion was also recorded resulting into a net negative goodwill amounting to P59 million.

**POPI**

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%.



## 15. 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 September 30, 2018, and December 31, 2017, 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)	September 30, 2018 Unaudited	December 31, 2017 Audited
Cash in bank	P4,094	P3,887
Cash equivalents	3,526	4,363
Investment in FVPL	631	83
Short-term debt	4,558	5,405
Long-term debt	10,934	12,292

#### b. Outstanding balances from/to related parties

In million pesos	Receivables from Related Parties		Payables to Related Parties	
	September 2018	December 2017	September 2018	December 2017
<b>Ayala Corp. &amp; Other Related Parties</b>				
Ayala Corporation	P132	P101	P73	P73
Bank of the Philippine Islands	174	123	46	44
Globe Telecom, Inc.	131	126	3	4
Mercado General Hospital, Inc.	28	25	-	-
Ayala Group Counselors Corporation	25	21	5	5
Long Land Realty Corp.	20	12	3	3
Bonifacio Art Foundation, Inc.	8	13	-	-
Panay Medical Ventures Inc.	6	46	-	-
InnoVe Communications	4	1	7	7
Columbus	-	-	267	267
Others	213	111	8	15
	<b>P741</b>	<b>P579</b>	<b>P412</b>	<b>P418</b>
<b>ALI – Associates</b>				
ALI ETON Property Development Corp.	P2,429	P26	P-	P-
Fort Bonifacio Development Corp.	1,841	537	1	10
Cebu District Property Enterprise, Inc.	286	416	-	-
Alveo-Federal Land Communities, Inc.	213	167	-	-

Lagoon Development Corporation	8	8	27	-
Bonifacio Land Corp.	1	1	213	212
Berkshires Holdings Inc.	-	-	-	-
Emerging City Holdings, Inc.	-	-	-	-
Ortigas & Co. Ltd. Partnership	-	-	-	-
	<b>P4,778</b>	<b>P1,155</b>	<b>P241</b>	<b>P222</b>
<b>Total</b>	<b>P5,519</b>	<b>P1,734</b>	<b>P653</b>	<b>P640</b>

c. Revenues and expenses from/to related parties

In million pesos	Revenues from Related Parties		Expenses to Related Parties	
	September 2018	September 2017	September 2018	September 2017
<b>Ayala Corp. &amp; Other Related Parties</b>				
Ayala Corporation	P24	P4	P0	P4
Bank of the Philippine Islands	225	140	189	150
Globe Telecom, Inc.	127	108	33	32
Manila Water Philippines Ventures, Inc.	32	1	27	72
Innove Communications	5	-	34	36
Manila Water Company, Inc.	2	2	163	164
Laguna AAA Waterworks Corp.	1	1	4	-
Psi Technologies	-	82	-	-
Panay Medical Ventures	-	39	-	-
Michigan Holdings, Inc.	-	1	-	-
Ayala Group Counselors Corporation	-	-	46	139
Others	-	2	246	48
	<b>P416</b>	<b>P380</b>	<b>P742</b>	<b>P645</b>
<b>ALI - Associates</b>				
Fort Bonifacio Development Corp.	P991	P232	P192	P149
Cebu District Property Enterprise, Inc.	237	-	2	-
Alveo-Federal Land Communities, Inc.	157	-	12	3
ALI ETON Property Development Corp.	112	-	530	-
Lagoon Development Corporation	14	34	1	1
	<b>P1,511</b>	<b>P266</b>	<b>P737</b>	<b>P153</b>
<b>Total</b>	<b>P1,927</b>	<b>P646</b>	<b>P1,479</b>	<b>P798</b>

## 16. 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 September 30, 2018.

### 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 September 30, 2018 and December 31, 2017.

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 September 30, 2018 and December 31, 2017.

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 8.30% as of September 30, 2018 and December 31, 2017, respectively. The fair value of non-current unquoted debt instruments with floating rates as estimated using the discounted cash flow- last pricing method.

## 17. 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 September 30, 2018 and December 31, 2017.

(in millions)	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset at FVPL	487	487	541	541
Financial Asset at FVOCI	1,125	1,125	1,475	1,475
<b>Total</b>	<b>₱1,612</b>	<b>₱1,612</b>	<b>₱2,016</b>	<b>₱2,016</b>
<b>Loans and Receivables</b>				
Trade residential and office development	97,702	97,821	89,198	89,356
Receivables from employees	1,106	1,106	832	832
<b>Total</b>	<b>₱98,808</b>	<b>₱98,927</b>	<b>₱90,030</b>	<b>₱90,188</b>
<b>Other Financial Liabilities</b>				
Long-term debt	169,408	170,112	156,741	149,527
Deposits and other noncurrent liabilities	31,375	31,861	21,710	17,937
<b>Total</b>	<b>₱200,783</b>	<b>₱201,973</b>	<b>₱178,451</b>	<b>₱167,464</b>

The following table provides the fair value hierarchy of the Group's financial assets which are measured at fair value as of September 30, 2018 and December 31, 2017:

(in millions)

<b>September 30, 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	Sep 30, 2018	₱87	-	₱87	-
Investment in Arch Capital Fund	Sep 30, 2018	400	-	-	400
		<b>₱487</b>	<b>-</b>	<b>₱87</b>	<b>₱400</b>
<b>Financial assets as fair value through other comprehensive income</b>					
	Sep 30, 2018	₱1,125	₱1,125	-	-
<b>Total</b>		<b>₱1,612</b>	<b>₱1,125</b>	<b>₱87</b>	<b>₱400</b>

(in millions)

<b>December 31, 2017</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, 2017	₱83	-	₱83	-
Investment in Arch Capital Fund	Dec 31, 2017	458	-	-	458
		<b>₱541</b>	<b>-</b>	<b>₱83</b>	<b>₱458</b>
<b>Available for sale financial assets</b>					
<b>Financial assets as fair value through other comprehensive income</b>					
	Dec 31, 2017	₱1,475	₱1,475	-	-
<b>Total</b>		<b>₱2,016</b>	<b>₱1,475</b>	<b>₱83</b>	<b>₱458</b>

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

(in millions)	<b>September 2018</b>	<b>December 2017</b>
At the beginning of period	₱458	₱434
Additions	-	23
Disposals/redemptions	(58)	-
Recognized in statement of income	-	1
At end of the period	<b>₱400</b>	<b>₱458</b>

## 18. Statement of Cash Flows

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

(in millions)	2017	Cash Flows	Non-Cash Changes			2018
			Acquisition	Foreign Exchange Movement	Fair value Changes	
Long-term debt-net of current portion	₱150,169	₱(5,113)	-	-	-	₱145,056
Current Portion of Long-term debt	6,573	17,780	-	-	-	24,352
Short-term debt	17,644	(4,920)	-	-	-	12,725
Dividends Payable	360	3,696	-	-	-	4,056
Deposits & Other noncurrent liabilities	47,566	3,021	-	-	-	50,587
<b>Total liabilities from financing activities</b>	<b>₱222,312</b>	<b>₱14,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>₱236,776</b>

## 19. 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, and air transport company AirSWIFT which serves the requirements of ALI's resorts business
- 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), and Philippine Integrated Energy Solutions, Inc. (PhilEnergy)
- 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 September 2018</b>										
(in million pesos)										
<b>Revenues</b>										
Sales to external customers	77,540	5,511	14,036	5,246	5,677	2,054	3,024	-	-	113,088
Intersegment sales	-	-	-	104	-	49,353	-	-	(49,457)	-
Equity in net earnings of Investees	456	-	11	-	-	-	-	141	-	608
<b>Total Revenues</b>	<b>77,996</b>	<b>5,511</b>	<b>14,047</b>	<b>5,350</b>	<b>5,677</b>	<b>51,407</b>	<b>3,024</b>	<b>141</b>	<b>(49,457)</b>	<b>113,696</b>
Operating Expenses	62,442	4,734	8,452	1,791	4,815	47,962	4,982	573	(56,681)	79,070
<b>Operating Profit</b>	<b>15,554</b>	<b>777</b>	<b>5,595</b>	<b>3,559</b>	<b>862</b>	<b>3,445</b>	<b>(1,958)</b>	<b>(432)</b>	<b>7,224</b>	<b>34,626</b>
Interest income	-	-	-	-	-	-	-	-	-	4,989
Interest expense	-	-	-	-	-	-	-	-	-	(7,099)
Other income (expense)	-	-	-	-	-	-	-	-	-	996
Other charges	-	-	-	-	-	-	-	-	-	(700)
Provision for income tax	-	-	-	-	-	-	-	-	-	(8,816)
<b>Net Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,996</b>
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-	-	-	-	-	-	-	-	-	20,770
Minority interests	-	-	-	-	-	-	-	-	-	3,226
										<b>23,996</b>
<b>Other information</b>										
Segment assets	472,347	20,662	148,518	81,781	57,023	53,579	7,186	52,754	(322,297)	571,553
Investment in associates and jointly controlled entities	14,112	-	7,984	209	148	55	-	-	-	22,508
Deferred tax assets	2,516	-	335	130	363	43	41	2,799	6,109	12,336
<b>Total assets</b>	<b>488,975</b>	<b>20,662</b>	<b>156,837</b>	<b>82,120</b>	<b>57,534</b>	<b>53,677</b>	<b>7,227</b>	<b>55,553</b>	<b>(316,188)</b>	<b>606,397</b>
Segment liabilities	229,460	9,231	92,466	41,812	42,222	44,886	3,555	44,588	(111,686)	396,504
Deferred tax liabilities	1,599	98	244	63	9	12	12	16	1,584	3,637
<b>Total liabilities</b>	<b>231,059</b>	<b>9,329</b>	<b>92,710</b>	<b>41,875</b>	<b>42,231</b>	<b>44,898</b>	<b>3,567</b>	<b>44,574</b>	<b>(110,102)</b>	<b>400,141</b>
Segment additions to:										
Property & Equipment	148	1,635	517	22	699	1,166	32	116	-	4,335
Investment properties	134	5,730	13,731	4,642	3,148	400	-	-	-	27,785
Depreciation and amortization	253	86	2,254	980	496	1,113	215	104	-	5,501

	Property Development	International Business	Shopping Centers	Offices	Hotels and Resorts	Construction	Property Management and Others	Corporate	Intersegment Adjustment	Consolidated
<b>YTD September 2017</b>										
(in million pesos)										
<b>Revenues</b>										
Sales to external customers	67,861	-	12,497	4,528	4,829	1,898	1,581	-	-	93,194
Intersegment sales	-	-	-	144	-	47,819	-	-	(47,963)	-
Equity in net earnings of Investees	419	-	(41)	-	-	-	-	380	-	758
<b>Total Revenues</b>	<b>68,280</b>	<b>-</b>	<b>12,456</b>	<b>4,672</b>	<b>4,829</b>	<b>49,717</b>	<b>1,581</b>	<b>380</b>	<b>(47,963)</b>	<b>93,952</b>
Operating Expenses	53,315	-	7,529	1,783	3,848	46,201	2,524	538	(50,991)	64,747
<b>Operating Profit</b>	<b>14,965</b>	<b>-</b>	<b>4,927</b>	<b>2,889</b>	<b>981</b>	<b>3,516</b>	<b>(943)</b>	<b>(158)</b>	<b>3,028</b>	<b>29,205</b>
Interest income	-	-	-	-	-	-	-	-	-	4,193
Interest expense	-	-	-	-	-	-	-	-	-	(5,760)
Other income (expense)	-	-	-	-	-	-	-	-	-	782
Other charges	-	-	-	-	-	-	-	-	-	(611)
Provision for income tax	-	-	-	-	-	-	-	-	-	(7,119)
<b>Net Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,690</b>
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-	-	-	-	-	-	-	-	-	17,810
Minority interests	-	-	-	-	-	-	-	-	-	2,880
										<b>20,690</b>
<b>Other information</b>										
Segment assets	411,787	-	126,957	80,919	44,831	48,538	7,090	78,914	(273,016)	526,020
Investment in associates and jointly controlled entities	9,211	-	7,692	196	-	-	-	8,158	-	25,257
Deferred tax assets	2,386	-	371	100	260	47	25	2,491	4,777	10,457
<b>Total assets</b>	<b>423,384</b>	<b>-</b>	<b>135,020</b>	<b>81,215</b>	<b>45,091</b>	<b>48,585</b>	<b>7,115</b>	<b>89,563</b>	<b>(268,239)</b>	<b>561,734</b>
Segment liabilities	204,935	-	112,413	56,778	40,389	40,697	3,623	15,946	(102,155)	372,626
Deferred tax liabilities	2,521	-	214	22	33	-	16	11	1,613	4,430
<b>Total liabilities</b>	<b>207,456</b>	<b>-</b>	<b>112,627</b>	<b>56,800</b>	<b>40,422</b>	<b>40,697</b>	<b>3,639</b>	<b>15,957</b>	<b>(100,542)</b>	<b>377,056</b>
Segment additions to:										
Property & Equipment	383	-	228	16	2,391	617	12	179	-	3,826
Investment properties	389	-	12,248	5,454	263	160	-	-	-	18,514
Depreciation and amortization	331	-	1,919	629	449	1,143	118	73	-	4,662



## **20. Commitments**

On March 23, 2018, the Executive Committee of Ayala Land, Inc. (ALI) approved the exchange of ALI's 75% equity interest in Laguna Technopark, Inc. (LTI) into additional shares of stock in Prime Orion Philippines, Inc. (POPI). The value of the transaction is P3.0B where POPI will issue 1,225,370,620 common shares to ALI in exchange for 30,186 LTI common shares and bring ALI's direct ownership in POPI to 63.90%.

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.

On May 11, 2018, Ayala Land, Inc. (ALI) entered into a Memorandum of Understanding with Green Square Properties Corporation (GSPC) and Green Circle Properties and Resources, Inc. (GCPRI) for the formation of a joint-venture company (JVC) that will own and develop 27,852 hectares of land (the Properties), specifically located in Dingalan Aurora and General Nakar, Province of Quezon. ALI will own 51%, and GSPC and GCPRI will jointly own 49% of the JVC.

## **21. Events after the Reporting Date**

On October 5, 2018, ALI issued 8 billion bonds due on 2023 at 100% of Face Value and with a fixed interest rate of 7.0239% per annum, representing the final tranche of the company's P50 billion, three-year shelf registration approved by the SEC in March 2016.

On November 6, 2018, the Securities and Exchange Commission (SEC) approved and made effective the merger of Cebu Property Ventures Development Corp. (CPVDC) with Cebu Holdings Inc. (CHI) with CHI as the surviving entity. The merger will consolidate CHI's portfolio under one listed entity, creating a unified portfolio for its investments and is expected to result in operational synergies, efficient funds management and simplified reporting to government agencies.

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

### Results of Operation as of 9M 2018 versus 9M 2017

Ayala Land, Inc. (ALI or "the Company") has sustained its growth momentum in the past nine months of 2018, posting a net income after tax (attributable to equity holders of ALI) of P20.77 billion, 17% higher than P17.81 billion in the same period in 2017, while consolidated revenues (composed of real estate revenues and interest and other income) reached P119.68 billion, 21% higher than P98.93 billion of the same period of last year driven by the consistent growth of its property development and commercial leasing segments. EBIT (Earnings Before Interest and Taxes) margin was maintained at 31%.

### Business Segments

The details of the 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 in the Philippines and operations of MCT Bhd, Ayala Land's consolidated subsidiary based in Malaysia. Total revenues from Property Development amounted to P83.05 billion, 22% higher than P67.86 billion last year.

**Residential.** Revenues from the sale of residential lots and units and MCT Bhd's operations reached P65.07 billion, 17% higher than P55.70 billion last year, driven by new bookings and project completion.

**Ayala Land Premier (ALP)** registered revenues of P20.26 billion, 26% higher than P16.09 billion last year due to higher bookings from The Courtyards at Vermosa, Dasmarinas, Cavite and Park Central North Tower at Makati CBD, Metro Manila (MM) and higher completion of The Suites at BGC, Taguig City, MM.

**Alveo** recorded revenues of P22.12 billion, 8% higher than P20.39 billion last year given higher bookings from Orean Place Tower 1 at Vertis North, Quezon City, MM and Travertine Tower at Portico, Pasig City, MM.

**Avida** posted revenues of P16.78 billion, 14% higher than P14.69 billion last year on the account of higher bookings from Avida Towers Sola Tower 2 at Vertis North, Altura Tower 2 at South Park District, Alabang, Muntinlupa City, MM, Asten Tower 3 at Makati City and higher completion of Sola Tower 1.

**Amaia** generated revenues of P5.06 billion, 23% higher than P4.11 billion last year as a result of higher bookings and completion of Amaia Skies Shaw Tower 1 in Mandaluyong City, Cubao Tower 2 in Quezon City, Capitol Central South in Bacolod, Negros Occidental and Amaia Scapes in General Trias, Cavite. **BellaVita** meanwhile reached revenues of P851 million, more than double in value from P424 million in the previous year.

The average GP (Gross Profit) margin of horizontal projects slightly decreased to 43% from 44% due to the mix of units sold while for vertical projects, it improved to 37% from 35% due to ALP's Park Central North Tower, Alveo's High Park Tower 2 and Avida Towers Asten Tower 3.

**Office for Sale.** Revenues from the sale of office spaces reached P6.86 billion, 2% higher than P6.71 billion last year due to new bookings from One Vertis Plaza in Vertis North and The Stiles Enterprise Plaza East Tower in Circuit Makati and completion of Park Triangle Corporate Plaza and Alveo Financial Tower. The average GP margin of offices for sale registered lower to 35% from 40% previously given lack of higher margin inventory.

**Commercial and Industrial Lots.** Revenues from the sale of commercial and industrial lots reached P5.62 billion, 16% higher than the P4.84 billion posted last year due to higher lot sales in Arca South, Taguig City, Alviera in Porac, Pampanga, Ayala North Point in Talisay, Negros Occidental, Seagrove in Mactan, Cebu and Azuela Cove in Davao City. Gross profit margins from Commercial and Industrial lots increased to 44% from 33% due to higher margin commercial lots in Arca South, Alviera and Lio, and industrial lots in Alviera and Cavite Technopark.

**International. MCT Bhd** recognized revenues of P5.51 billion from the sales and the completion progress of its projects in Cybersouth, an integrated development in Southern Klang Valley, and Lakefront, a residential project in Cyberjaya.

Reservation sales reached P108.41 billion, 15% higher than P94.19 billion last year, translating to an average of P12.0 billion in monthly sales. Net booked sales registered at P78.12 billion, 17% higher than P66.94 billion last year.

Ayala Land launched P81.75 billion worth of residential and office for sale projects in the past nine months of 2018.

**Commercial Leasing.** This includes the operation of Shopping Centers, Office Buildings and Hotels and Resorts. Total revenues from Commercial Leasing amounted to P25.06 billion, 14% higher than P22.00 billion last year.

**Shopping Centers.** Revenues from shopping centers reached P14.04 billion, 12% higher than P12.50 billion previously due to the higher contribution of new malls such as Ayala Malls Vertis North and Cloverleaf in Quezon City and Feliz and The 30<sup>th</sup> in Pasig City and the strong performance of Greenbelt in Makati City and UP Town Center in Quezon City and the improved average rent of Glorietta in Makati City. EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) margin slightly decreased to 65% from 66% due to the lower margins of newly-opened malls.

The average monthly lease rate registered at P1,063 per square meter (sqm) while same mall rental growth registered at 6%. The average occupancy rate for all malls is 88% and 94% for stable malls.

Last July 2018, Ayala Malls Circuit Makati with 52 thousand sqm of GLA (Gross Leasable Area) was opened. This brings the total GLA of Shopping Centers to 1.81 million sqm as of September 30, 2018. Subsequent to this, the company also opened One Bonifacio High Street in BGC with a total of 20 thousand sqm. This brings the total GLA of Shopping Centers to 1.83 million sqm as of October 31, 2018.

**Offices.** Revenues from office leasing reached P5.35 billion, 15% higher than P4.67 billion last year due to the stabilized occupancy of its newly opened offices, Vertis North Corporate Center in Quezon City, Circuit Corporate Center in Makati and The 30<sup>th</sup> Corporate Center in Pasig and the higher average rent of stable offices. Office Leasing EBITDA margin was maintained at 91%.

The average monthly lease rate registered at P758 per sqm. The average occupancy rate for all offices is at 94% and 95% for stable offices. Last September 2018, Bacolod Capitol Corporate Center, with 11 thousand sqm of GLA was opened. This brings the total Office Leasing GLA to 1.03 million sqm as of September 30, 2018.

**Hotels and Resorts.** Revenues from Hotels and Resorts and air transport subsidiary AirSWIFT reached P5.68 billion, 18% higher than P4.83 billion last year due to the higher occupancy and average room rate of Seda Vertis North in Quezon City and Seda Capitol Central in Bacolod and the improved performance El Nido resorts. Average REVPAR (revenue-per-available-room) of all hotels decreased by 3% to P3,493 per night and increased by 2% to P8,392 for all resorts. Meanwhile REVPAR of stable

hotels increased by 7% to P4,315 per night and 16% to P11,125 for stable resorts. Overall EBITDA margin improved to 29% from 27% due to higher occupancy.

The average room rate of all hotels is P4,991 per night and P12,647 for all resorts. Meanwhile the average room rate of stable hotels is P5,568 per night and P16,635 for stable resorts. The average occupancy rate of all hotels registered at 70% and 66% for all resorts, 77% for stable hotels and 67% for stable resorts.

A total of 209 rooms were added into the portfolio with 42 rooms in Lio Dormitel completed in July and 53 rooms in Seda Lio Palawan and 114 rooms in Seda Ayala Center Cebu opened last August. This brings the total number of rooms in operation to 2,618 as of September 30, 2018.

To date, hotels and resorts currently operate 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 1,576 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 (53) and Ayala Center Cebu (114). 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 45 B&B rooms.

**Services.** This is composed mainly of the construction business represented by Makati Development Corporation (MDC), property management, represented by Ayala Property Management Corporation (APMC), and power services companies such as Direct Power Services, Inc. (DPSI), Ecozone Power Management, Inc. (EPMI), and Philippine Integrated Energy Solutions, Inc. (PhilEnergy). Total revenues from the Services business amounted to P54.43 billion, 6% higher than P51.30 billion last year.

**Construction.** Revenues from Construction reached P51.41 billion, 3% higher than P49.72 billion last year due to the increased order book of projects from Ayala Land Group.

**Property Management.** APMC and power services companies registered revenues of P3.02 billion, 91% higher than P1.58 billion last year due to the higher number of managed properties from completed projects.

Blended EBITDA margins of the Services business slightly declined to 9% from 10% due to project mix.

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

Equity in net earnings of associates and JVs registered at P608 million, 20% lower than P758 million in the previous year due to the consolidation of MCT Bhd. Meanwhile, interest and investment income increased to P4.99 billion, 19% higher than P4.19 billion last year due to higher interest income from accretion. Meanwhile, other income reached P996 billion, 27% higher than P782 million last year, mainly as a result of the sale of MCT Bhd.'s One City Properties, an integrated mixed-use development located in USJ 25, Subang Jaya and eCity Hotel located within the said development.

### **Expenses**

Total expenses reached P86.87 billion, 22% higher than P71.12 billion last year, mainly driven by higher Real Estate and Hotels expenses which grew 23% to P73.12 billion from P59.63 billion last year.

GAE (General and Administrative Expenses) registered at P5.95 billion, 17% higher than P5.09 billion of last year. This resulted in a slight improvement in the GAE ratio to 5.0% from 5.1% last year.

Interest expense, financing and other charges was at P7.81 billion, 22% higher than P6.40 billion as a result of higher interest expense and financing charges.

## **Project and Capital Expenditure**

Ayala Land spent a total of P77.9 billion in capital expenditures as of September 2018. 42% was spent on the completion of residential projects, 23% on the completion of commercial leasing projects, 12% for land acquisition, 12% for estate development and 11% mainly for MCT Bhd. and Prime Orion Philippines, Inc., and other businesses.

## **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 P27.23 billion resulting in a current ratio of 1.24:1.

Total borrowings registered at P182.13 billion which translated to a debt-to-equity ratio of 0.88:1 and a net debt-to-equity ratio of 0.75:1.

Return on Equity registered at 16.2% as of September 30, 2018.

	<i>End-September 2018</i>	<i>End-December 2017</i>
Current ratio <sup>1</sup>	1.24:1	1.19:1
Debt-to-equity ratio <sup>2</sup>	0.88:1	0.91:1
Net debt-to-equity ratio <sup>3</sup>	0.75:1	0.77:1
Profitability Ratios:		
Return on assets <sup>4</sup>	5.42%	5.07%
Return on equity <sup>5</sup>	16.17%	16.09%
Asset to Equity ratio <sup>6</sup>	2.94:1	2.99:1
Interest Rate Coverage Ratio <sup>7</sup>	5.8	6.0

*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 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 obligations that are 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 2018.

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

### **Income Statement items – September 2018 versus September 2017**

**Real estate revenues** increased by 21% due to the consistent growth of property development and commercial leasing.

**Interest and investment income** higher by 19% due to interest income from accretion, partially offset by lower interest income from regular installment sales.

**Equity in net earnings of associates and joint ventures** declined by 20% primarily due to consolidation of MCT Bhd in 2018 from equity pickup treatment in 2017.

**Other Income** grew by 27% due to a one-time gain on sale of MCT Bhd's subsidiaries (One City Properties Sdn Bhd and Ecity Hotel Sdn Bhd), partially offset by lower FBDC management fees.

**Real estate costs** increased by 23% primarily driven by higher sales and incremental project completion from residential, leasing and hotels & resorts business groups.

**General and administrative expenses** were higher by 17% due to increase in taxes & licenses, contracted services (janitorial and security), PPE depreciation, rent, repairs & maintenance and postal & communications.

**Interest and other financing charges and other charges** grew by 22% due to increase in bank interest rates and discounting cost due to higher AR sale.

**Provision for income tax** increased by 24% due to higher taxable income mainly coming from real estate.

**Non-controlling interests** were higher by 12% primarily due to NCI share on MCT Bhd and incremental NCI from Ayala Hotels Inc.

### **Balance Sheet items – September 2018 versus December 2017**

**Cash and cash equivalents** up by 8% primarily due to inclusion of MCT Bhd in 2018.

**Financial assets at fair value through profit or loss** was lower by 10% largely due to maturity of investment in ARCH Capital Funds and Amaia Land's UITF investment, partially offset by additional UITF investment placements of Prime Orion Philippines Inc.

**Accounts and notes receivable** increased by 6% due to higher bookings of Alveo Land Corp., BG West Properties, Inc., Roxas Land Corp., and ALI Commercial Center, Inc., partially offset by lower accounts receivable from Vesta Property Holdings Inc. and Amaia Land Corp.

**Other current assets** were lower by 6% due to the decrease in input VAT, partly offset by the increase in CWT mainly from residential projects.

**Available-for-sale financial assets** declined by 24% mainly due to lower investment in AFS from Cebu Holdings Inc. and Prime Orion Philippines Inc., partially offset by the increase in Makati Development Corp.

**Investments in associates and joint ventures** was lower by 16% driven by consolidation of MCT Bhd in 2018 from equity pickup treatment in 2017.

**Investment properties** were up by 18% primarily due to the increased in project costs on new and existing malls and office buildings for lease.

**Deferred tax assets were** higher by 16% due to additional DTA from PAS Straight-line recognition of revenue (Accounting Standard vs BIR) of leasing group.

**Other noncurrent assets** grew by 31% due to increase in bookings of deferred charges, deferred input VAT and pre-operating expenses.

**Short-term debt** dropped by 28% due to conversion to long term debt from short term debt.

**Current portion of long-term debt** increased by 271% due to incremental debt (bonds and loans) of Ayala Land Inc., Amorsedia Development Corp., and Avida Land Corp., and inclusion of MCT Bhd in the consolidation.

**Deposit and other current liabilities** declined by 12% due to the decrease in customers' deposits from real estate customers who reached the 10% threshold for sales bookings.

**Deposits and other noncurrent liabilities** increased by 20% due to deposits from real estate customers, liability set-up for purchase of land and contribution from leasing and mall group's advance rental and security deposits.

**Actuarial loss on pension liabilities** grew by 56% due to cumulative foreign exchange translation adjustment of Regent Wise Investment Limited.

**Net unrealized gain on available-for-sale financial assets** was lower by 200% mainly due to decline in value of Prime Orion Philippines Inc's AFS.

**Equity reserves** increased by 82% mainly due to inclusion of MCT equity reserve and additional Prime Orion Philippines Inc. acquisition.

**Non-controlling interests** was higher by 20% largely due to NIAT share of subsidiaries and consolidation MCT Bhd.

## PART II - OTHER INFORMATION

### Item 3. Developments as of September 30, 2018

- |  |   |                           |
|--|---|---------------------------|
| <b>A. New project or investments in another line of business or corporation</b>  | None  |                           |
| <b>B. Composition of Board of Directors (as of Sep 30, 2018)</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>   | <p><u>P0.252 cash dividend per outstanding common share</u><br/>                     Declaration date: February 20, 2018<br/>                     Record date: March 12, 2018<br/>                     Payment date: April 3, 2018</p> <p><u>P0.00474786 cash dividend per unlisted preferred share</u><br/>                     Declaration date: February 20, 2018<br/>                     Record date: June 15, 2018<br/>                     Payment date: June 29, 2018</p> <p><u>P0.252 cash dividend per outstanding common share</u><br/>                     Declaration date: August 17, 2018<br/>                     Record date: September 6, 2018<br/>                     Payment date: October 2, 2018</p> |                           |
| <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 2018.   |                           |
| <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 September 30, 2018, stock options outstanding* are as follows:   |                           |
|  | ESOP  | None                      |



ESOWN 119,131,935 shares

*\*outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued*

- G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate** None
- H. Other information, material events or happenings that may have affected or may affect market price of security** None
- I. Transferring of assets, except in normal course of business** None

**Item 4. Other Notes to 9M 2018 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 Item 2: Management's Discussion on Results of Operations and Analysis.
- 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 (note 10).
- M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**
- Listing of the P8-billion Bond Issuance due 2023 in the Philippine Dealing Exchange Corp. (PDEX)
- On 5 October 2018, Ayala Land, Inc. listed in the Philippine Dealing and Exchange Corporation (PDEX) the P8 billion, 5-year, fixed-rate bonds at an interest rate of 7.0239% per annum, representing the final tranche of the company's P50 billion, three-year shelf registration filed with the SEC in 2016.
- Merger of Cebu Holdings, Inc. (CHI) and Cebu Property Ventures Development Corp. (CPVDC)
- On November 6, 2018, the Securities and Exchange Commission (SEC) approved and made effective the merger of Cebu Property Ventures Development Corp. (CPVDC) with Cebu Holdings, Inc. (CHI) with CHI as the surviving entity. The merger will consolidate CHI's portfolio under one listed entity, creating a unified portfolio for its investments and is expected to result in

operational synergies, efficient funds management and simplified reporting to government agencies.

**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**

Increase in outstanding shares from a stock option subscription

On July 23, 2018, 125 stock option grantees subscribed to 8,316,310 common shares at P45.07 per share and became effective on the same day. As a result of the subscription of the 125 stock option grantees, the number of ALI outstanding common shares increased to 14,734,881,081.

Board Approval of 2<sup>nd</sup> half regular cash dividends and P8-billion fixed-rate bond issuance

On 17 August 2018, the Board of Directors of Ayala Land, Inc. (the "Company"), at its regular meeting held this afternoon, approved the following:

1. The declaration of cash dividends of P0.252 per outstanding common share. This second half regular cash dividends reflect a 5% increase from last year's second half dividend per share of P0.24. The cash dividend will be payable on October 2, 2018 to stockholders of common shares as of record date September 6, 2018.
2. The raising of up to P8-billion, through the issuance of fixed rate retail bonds with a tenor of 5 years, to be listed in the Philippine Dealing and Exchange Corporation. This is the remaining unissued balance of the Company's P50B Debt Securities Program as approved by the Securities and Exchange Commission in March 2016.

**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

<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 2018, Ayala Land's consolidated budget for project and capital expenditures amount to P110.8 billion of which P77.9 billion has been disbursed as of September 30, 2018.</p> <p>The Company will use the capital expenditure for the construction completion of launched residential projects and investment properties as well as land acquisition.</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 2: Management's Discussion on Results of Operations and Analysis).
<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 of every year from shopping centers due to holiday spending.</p> <p>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.</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:

	End-September 2018	End-December 2017
Current ratio <sup>1</sup>	1.24:1	1.19:1
Debt-to-equity ratio <sup>2</sup>	0.88:1	0.91:1
Net debt-to-equity ratio <sup>3</sup>	0.75:1	0.77:1
Profitability Ratios:		
Return on assets <sup>4</sup>	5.42%	5.07%
Return on equity <sup>5</sup>	16.17%	16.09%
Asset to Equity ratio <sup>6</sup>	2.94:1	2.99:1
Interest Rate Coverage Ratio <sup>7</sup>	5.79	5.99

*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: November 14, 2018